

## **Adjusted Sales Slightly Increased – Order Intake Decreased**

July 22, 2014



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## **THE SAFE HARBOR STATEMENT UNDER THE US PRIVATE SECURITIES LITIGATION REFORM ACT 1995**

**This presentation may contain forward-looking statements, including but not limited to, projections of financial developments, market activities or future performance of products and solutions, containing risks and uncertainties. These forward-looking statements are subject to change based on known or unknown risks and various other factors, which could cause the actual results or performance to differ materially from the statements made herein.**

# Agenda

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**Business Review – H1 2014**

Financial Review – H1 2014

Strategy Update

Outlook

## Highlights H1 2014

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- After a strong start, order intake decreased in Q2 due to a high basis, negative currency impact, and delay of major orders
- Adjusted sales increased by 1.2% year-over-year (YOY)
- Divisions' operating income increased by 5.9% on an adjusted basis
- Sulzer is transforming itself from a regional to a global, market-oriented company
- Outlook for 2014 confirmed
  - Order intake, sales, and operating income before restructuring (EBITR) on an adjusted basis are expected to be slightly above last year's level.



## Key Figures H1 2014 – Total Sulzer

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Order intake	<b>1583.4</b>	1738.4	-8.9%	-3.7%
Order backlog ( <i>June 30 vs Dec 31</i> )	<b>1772.7</b>	1672.1		
Sales	<b>1491.7</b>	1551.6	-3.9%	1.2%
EBIT <i>Divisions</i>	<b>107.5</b>	106.8	0.7%	5.9%
<i>ROS Divisions %</i>	<b>7.2%</b>	6.9%		
EBITR ( <i>EBIT before restructuring</i> )	<b>100.4</b>	114.0	-11.9%	-7.2%
<i>ROSR %</i>	<b>6.7%</b>	7.3%		
Restructuring expenses	<b>-1.2</b>	-3.3		
EBIT	<b>99.2</b>	110.7	-10.4%	-5.5%
<i>ROS %</i>	<b>6.7%</b>	7.1%		
Net income <i>continuing operations</i>	<b>64.4</b>	73.7	-12.6%	
Net income <i>discontinued operations</i>	<b>420.2</b>	26.8	-	
Net income <i>attr. to shareholders</i>	<b>483.5</b>	99.5	385.9%	
Basic EPS (in CHF)	<b>14.23</b>	2.92	387.3%	
Free cash flow	<b>-40.1</b>	51.2	-	
FTEs ( <i>June 30 vs Dec 31</i> )	<b>15282</b>	15382		

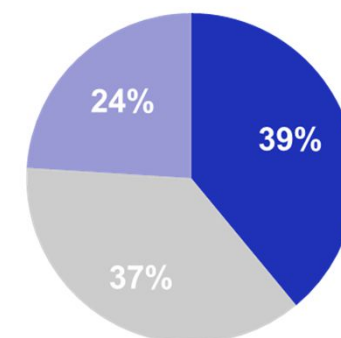
- Order intake lower on weaker Q2
- Adjusted sales increased slightly
- Adjusted EBIT for divisions up by 5.9%, for total Sulzer down by 5.5%, mainly on the release of a provision in 2013
- Net income includes the book gain on Metco of CHF 420.2m or CHF 12.36 per share
- Free cash flow is lower mainly on higher inventories for projects to be delivered in H2

1) Adjusted for currency effects as well as acquisitions and divestitures

## Order Intake by Division and Region

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Pumps Equipment	851.3	954.8	-10.8%	-5.4%
Rotating Equipment Services	379.9	373.2	1.8%	8.0%
Chemtech	354.0	411.0	-13.9%	-10.0%
<b>Total Divisions</b>	<b>1585.2</b>	<b>1739.0</b>	<b>-8.8%</b>	<b>-3.6%</b>
Others	-1.8	-0.6		
<b>Total Sulzer</b>	<b>1583.4</b>	<b>1738.4</b>	<b>-8.9%</b>	<b>-3.7%</b>

By region



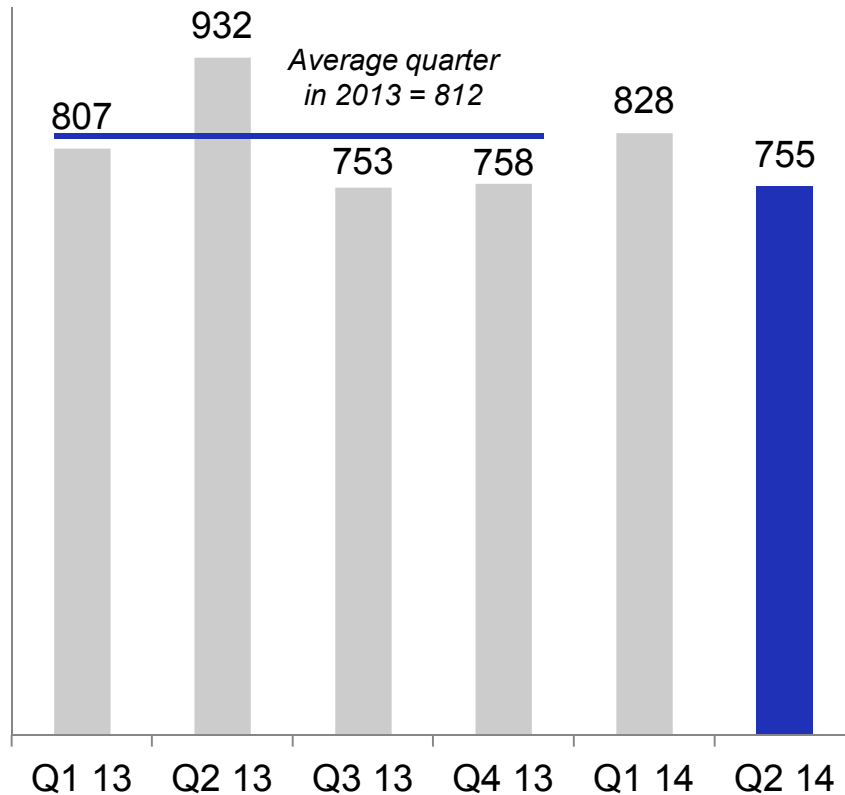
- Total effect from acquisitions/divestitures: CHF 1.2m
- Total effect from currency translation: CHF -91.7m
- Share of orders from emerging markets: 45% (2013: 43%)

- Europe, Middle East, Africa
- Americas
- Asia-Pacific

1) Adjusted for currency effects as well as acquisitions and divestitures.

# Quarterly Order Development

**Order intake** (in CHF millions)



- Q2 14 order intake was weaker on an adjusted basis compared to Q2 13.
- Main reason was the high comparable basis
  - In Q2 13 all three divisions had a strong order intake
  - PE recorded a couple of large orders whereof the two largest totalled some CHF 50m
  - CT was awarded the first large industrial scale order for biopolymer plant
- FX impact in Q2 14 amounted to CHF 43.2m
- Delayed orders are expected to be booked in H2

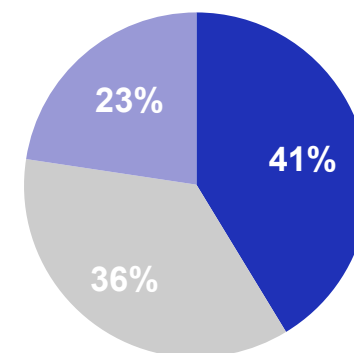


## Sales by Division and Region

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Pumps Equipment	809.5	846.1	-4.3%	1.2%
Rotating Equipment Services	327.5	345.4	-5.2%	0.0%
Chemtech	357.3	363.5	-1.7%	2.3%
<b>Total Divisions</b>	<b>1494.3</b>	<b>1555.0</b>	<b>-3.9%</b>	<b>1.2%</b>
Others	-2.6	-3.4		
<b>Total Sulzer</b>	<b>1491.7</b>	<b>1551.6</b>	<b>-3.9%</b>	<b>1.2%</b>

- Total effect from acquisitions/divestitures: CHF 1.5m
- Total effect from currency translation: CHF -80.7m
- Share of sales from emerging markets: 41% (2013: 41%)
- Share of sales from services: 45% (2013: 43%)

By region



- Europe, Middle East, Africa
- Americas
- Asia-Pacific

1) Adjusted for currency effects as well as acquisitions and divestitures



## EBIT by Division

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Pumps Equipment	<b>43.4</b>	47.1	-7.9%	-2.5%
ROS %	<b>5.4%</b>	5.6%		
Rotating Equipment Services	<b>24.1</b>	24.7	-2.4%	3.9%
ROS %	<b>7.4%</b>	7.2%		
Chemtech	<b>40.0</b>	35.0	14.3%	18.6%
ROS %	<b>11.2%</b>	9.6%		
Divisions	<b>107.5</b>	106.8	0.7%	5.9%
ROS %	<b>7.2%</b>	6.9%		
Others	<b>-8.3</b>	3.9		
Total Sulzer	<b>99.2</b>	110.7	-10.4%	-5.5%
ROS %	<b>6.7%</b>	7.1%		

← Lower margins on lower volumes in Asia-Pacific and in Engineered Water

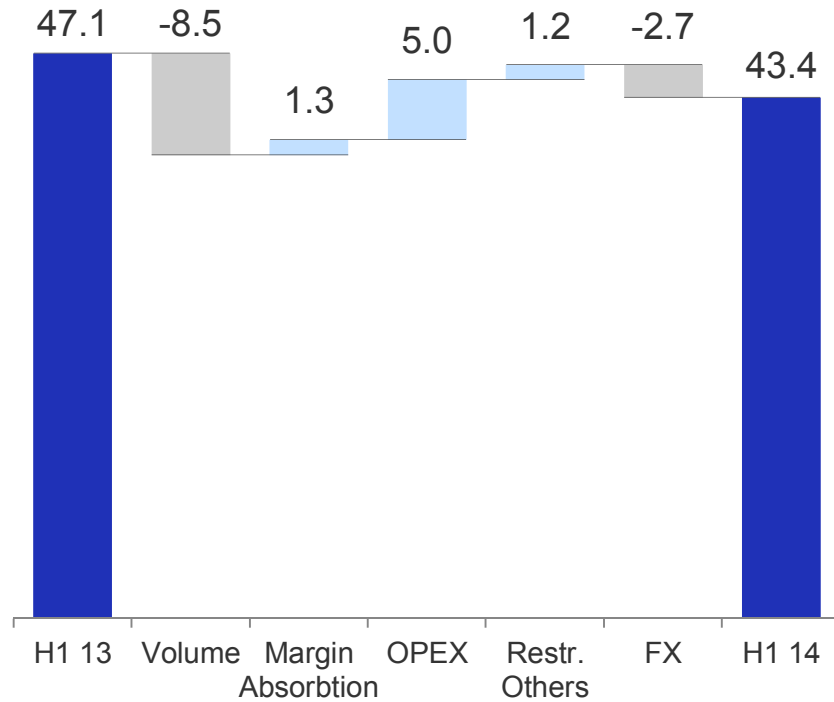
← H1 13 positively impacted by the release of provision for sale of former Swiss non-essential real estate CHF 11m

- Divisions EBIT increased by 5.9% on an adjusted basis
- Divisions ROS improved slightly
- Total Sulzer EBIT decreased on the Others result mainly as a result of the release of provision of CHF 11m positively impacting H1 2013

1) Adjusted for currency effects as well as acquisitions and divestitures.

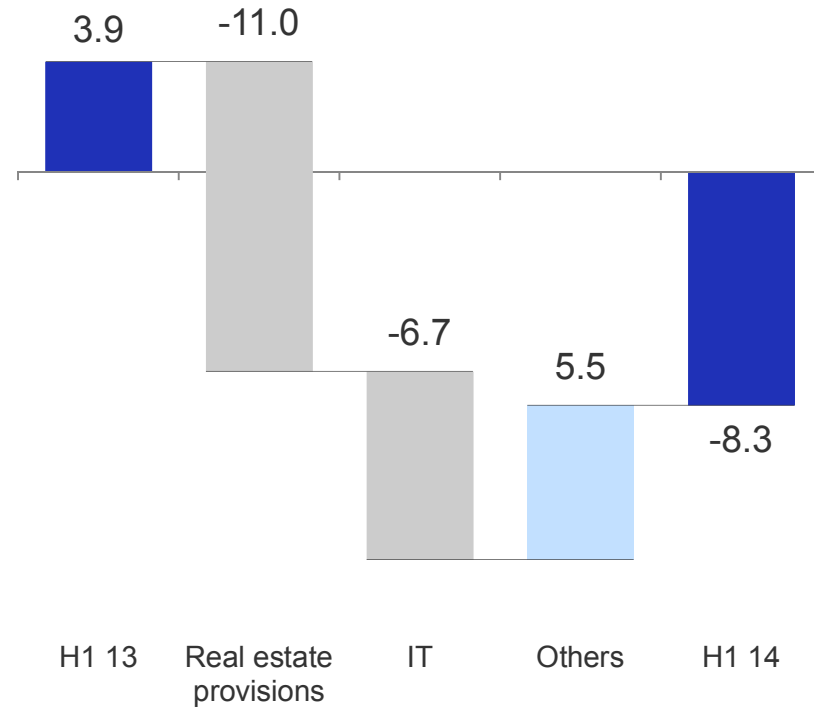
# EBIT Bridges for PE and Others

**EBIT Bridge PE** (in CHF millions)



- Negative impacts from volume and FX
- Positive impacts from OPEX

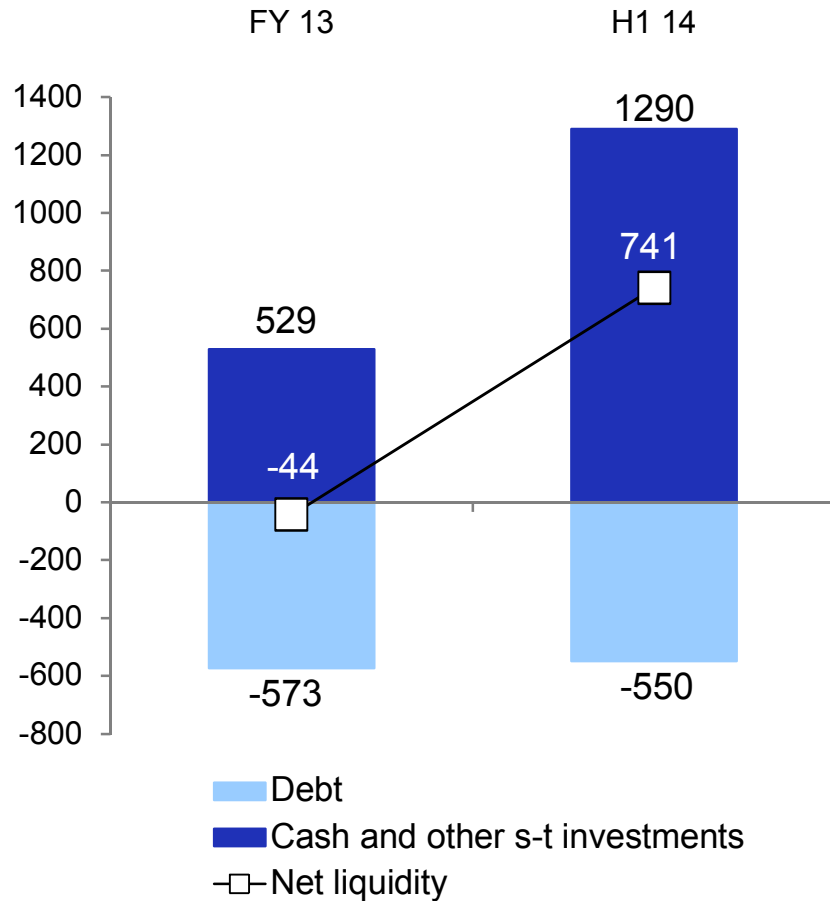
**EBIT Bridge Others** (in CHF millions)



- H1 2013 adjusted for release of real estate provision CHF -7.1m

# Net Liquidity – Cash Deployment

**Net liquidity** (in CHF millions)



- Net liquidity at the end of June 2014 at CHF 741m
- The sale of Metco led to a cash inflow of CHF 920m
- Priority is to deploy cash for internal and external growth

# Agenda

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Business Review – H1 2014

**Financial Review – H1 2014**

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## Pumps Equipment – Key Figures and Review H1 14

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Order intake	<b>851.3</b>	954.8	-10.8%	-5.4%
Order backlog ( <i>June 30 vs Dec 31</i> )	<b>1241.1</b>	1190.9		
Sales	<b>809.5</b>	846.1	-4.3%	1.2%
EBITR ( <i>EBIT before restructuring</i> )	<b>44.6</b>	49.3	-9.5%	-4.4%
ROSR %	<b>5.5%</b>	5.8%		
Restructuring expenses	<b>-1.2</b>	-2.2		
EBIT	<b>43.4</b>	47.1	-7.9%	-2.5%
ROS %	<b>5.4%</b>	5.6%		
FTEs ( <i>June 30 vs Dec 31</i> )	<b>7417</b>	7389		

1) Adjusted for currency effects as well as acquisitions and divestitures.

### Pumps Equipment – Review H1 2014:

- Transformation from a regional to a market-oriented organization in progress. Business unit Water is established, business units Oil and Gas and Power to be operational from January 1, 2015
- Order intake: after a strong Q1, Q2 was weak on high comparable base, negative currency impact, and delay of major orders
- Sales slightly increased on an adjusted basis
- Operating income decreased slightly mainly due to postponed shipments in Asia-Pacific and lower volumes in the engineered water business

## RES – Key Figures and Review H1 14

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Order intake	<b>379.9</b>	373.2	1.8%	8.0%
Order backlog ( <i>June 30 vs Dec 31</i> )	<b>245.0</b>	190.7		
Sales	<b>327.5</b>	345.4	-5.2%	0.0%
EBITR ( <i>EBIT before restructuring</i> )	<b>24.1</b>	25.8	-6.6%	-0.6%
ROSR %	<b>7.4%</b>	7.5%		
Restructuring expenses	<b>0.0</b>	-1.1		
EBIT	<b>24.1</b>	24.7	-2.4%	3.9%
ROS %	<b>7.4%</b>	7.2%		
FTEs ( <i>June 30 vs Dec 31</i> )	<b>3627</b>	3642		

1) Adjusted for currency effects as well as acquisitions and divestitures.

### Rotating Equipment Services – Review H1 2014:

- In H1, Sulzer signed a JV with China Huadian Corp for the service of gas turbines and acquired Grayson Armature of Houston, TX, USA
- Order intake increased significantly by 8% on an adjusted basis, on strong oil and gas market in the Americas
- Sales were stable, with project delays in the Americas being partly offset by increased sales in Asia-Pacific
- Profitability remained at a similar level than last year. Measures to further improve the business performance are ongoing

## Chemtech – Key Figures and Review H1 14

<i>In CHF millions</i>	H1 2014	H1 2013	YOY	YOY adj. <sup>1)</sup>
Order intake	<b>354.0</b>	411.0	-13.9%	-10.0%
Order backlog ( <i>June 30 vs Dec 31</i> )	<b>286.6</b>	290.5		
Sales	<b>357.3</b>	363.5	-1.7%	2.3%
EBITR ( <i>EBIT before restructuring</i> )	<b>40.0</b>	35.0	14.3%	18.6%
ROSR %	<b>11.2%</b>	9.6%		
Restructuring expenses	<b>0.0</b>	0.0		
EBIT	<b>40.0</b>	35.0	14.3%	18.6%
ROS %	<b>11.2%</b>	9.6%		
FTEs ( <i>June 30 vs Dec 31</i> )	<b>4106</b>	4167		

1) Adjusted for currency effects as well as acquisitions and divestitures.

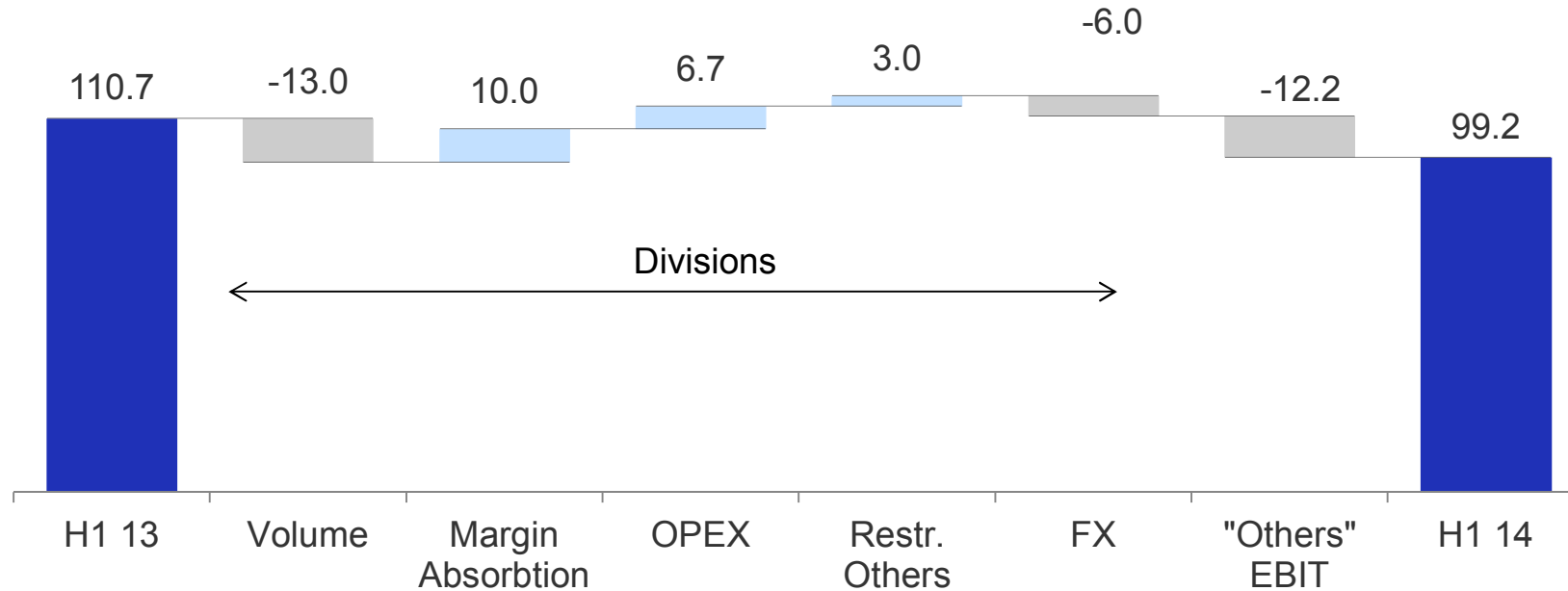
### Chemtech – Review H1 2014:

- Chemtech acquired aixfotec to strengthen its position as a system supplier for polymer foams
- Order intake in H1 decreased as a result of a high comparable base, negative currency impact and delay of some projects in Process Technology and lower demand in Mass Transfer Technology
- Sales increased slightly on an adjusted basis
- Profitability increased significantly driven by Sulzer Mixpac Systems and Mass Transfer Technology



# EBIT Bridge Total Sulzer

EBIT Bridge H1 13 to H1 14 (in millions of CHF)



- Negative impact from volume, FX, and “Others” line
- Positive impact from Margin, OPEX, and Restructuring

## Consolidated Income Statement – below EBIT Line

<i>In CHF millions</i>	H1 2014	H1 2013	YOY
Operating income (EBIT)	99.2	110.7	-10.4%
Financial income (net)	-8.1	-12.4	-34.7%
Income before taxes (EBT)	91.1	98.3	-7.3%
Income tax expenses	-26.7	-24.6	8.5%
<i>tax rate (%)</i>	29.3%	25.0%	
Net income from discontinued operations	420.2	26.8	-
Net income for the group	484.6	100.5	382.2%
o/w minorities	1.1	1.0	
o/w attributable to Sulzer shareholders	483.5	99.5	385.9%

- Net financial income improved on higher interest income and lower interest expenses
- The effective tax rate increased by 4.3pp due to a different geographical distribution of profits
- The divestment of Metco resulted in a net book gain of CHF 420.2m or CHF 12.36 per share (basic EPS)

# Cash Flow

<i>In CHF millions</i>	H1 2014	H1 2013	YOY
Cash flow from operating activities	9.6	97.7	-90.2%
Capital expenditure	-53.1	-47.9	10.9%
Sale of PP&E and intangible assets	3.4	1.4	142.9%
Free cash flow	-40.1	51.2	-178.3%

- Cash flow from operating activities remained below last year's figure as inventory increased in anticipation of higher sales in H2
- Capex slightly higher – majority of projects were related to maintenance
- As a result, free cash flow in H1 was negative

# Agenda

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Business Review – H1 2014

Financial Review – H1 2014

**Strategy Update**

Outlook

## Customer-Oriented and Focused on Three Key Markets

We want to be both an equipment and a service company for performance-critical applications in three key markets: oil and gas, power, and water

Strategy for future product portfolio



Oil and Gas



Power



Water



General  
Industry

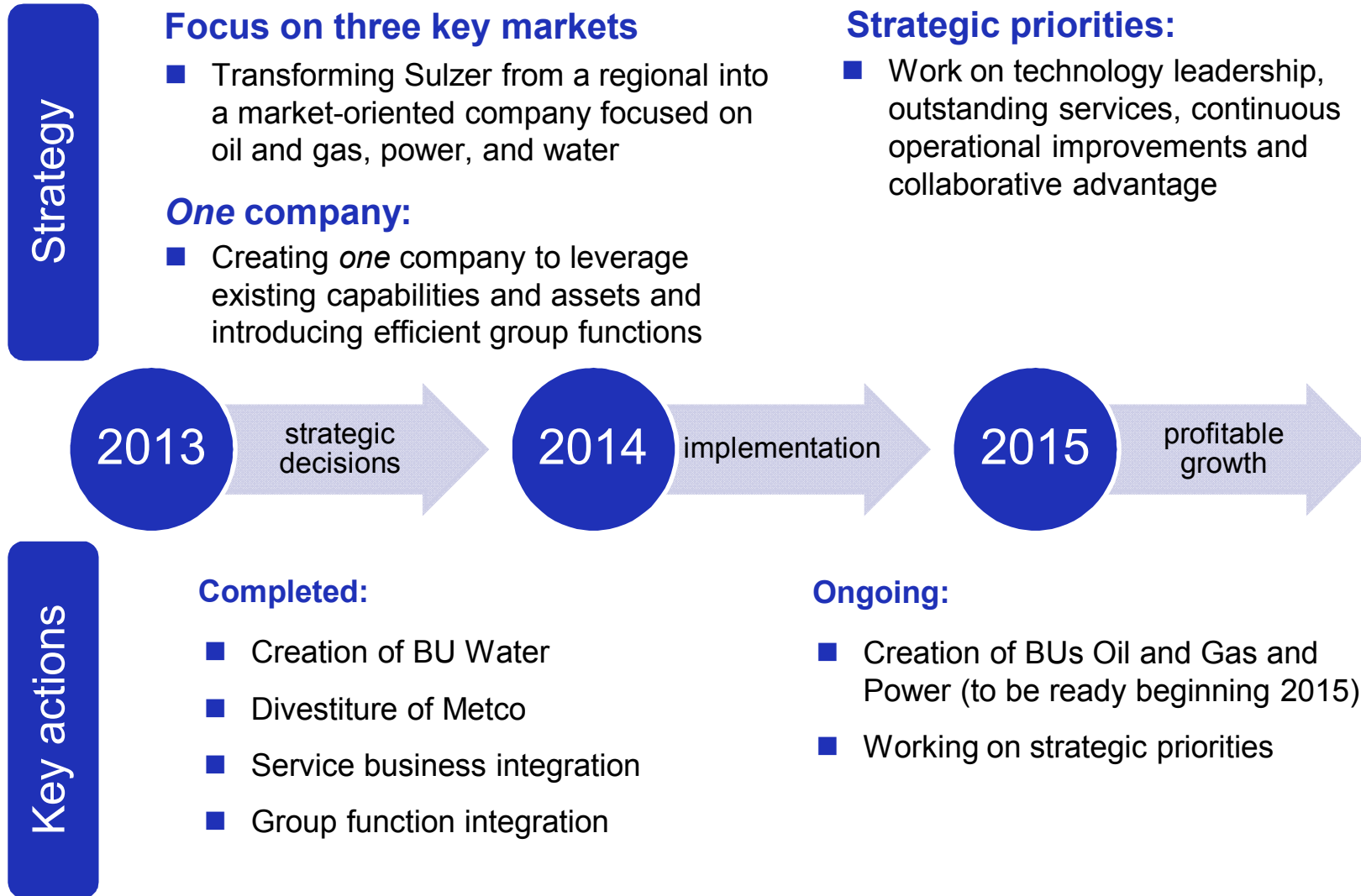
**Equipment:**

Equipment for flow management, separation and process technology

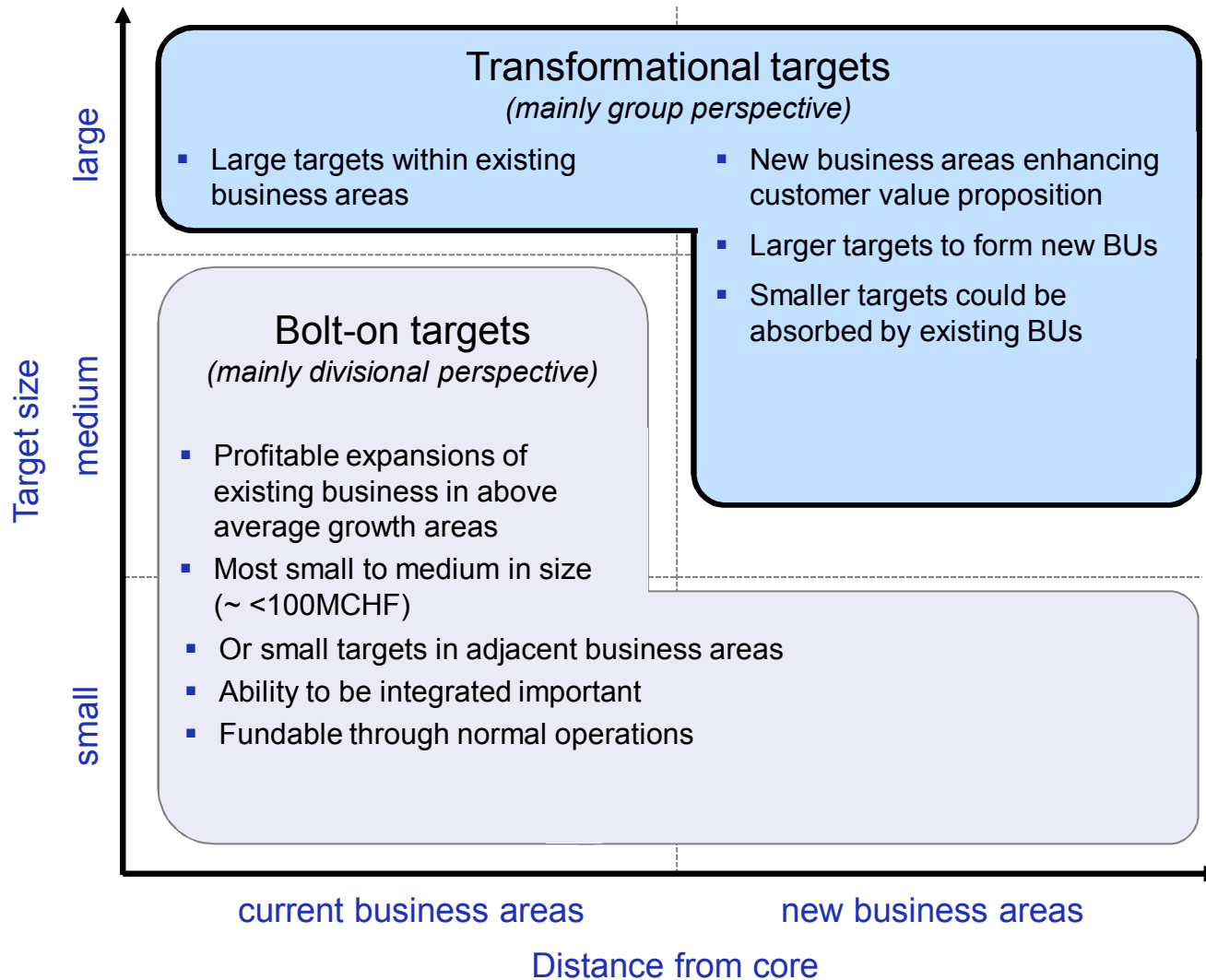
**Services:**

Comprehensive services for own and 3<sup>rd</sup> party equipment

# Where We Stand



# Acquisitions



## Acquisitions 2014

- Saudi Pump Factory
- JV with China Huadian Corp
- aixfotec
- Grayson Armature



# Agenda

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Business Review – H1 2014

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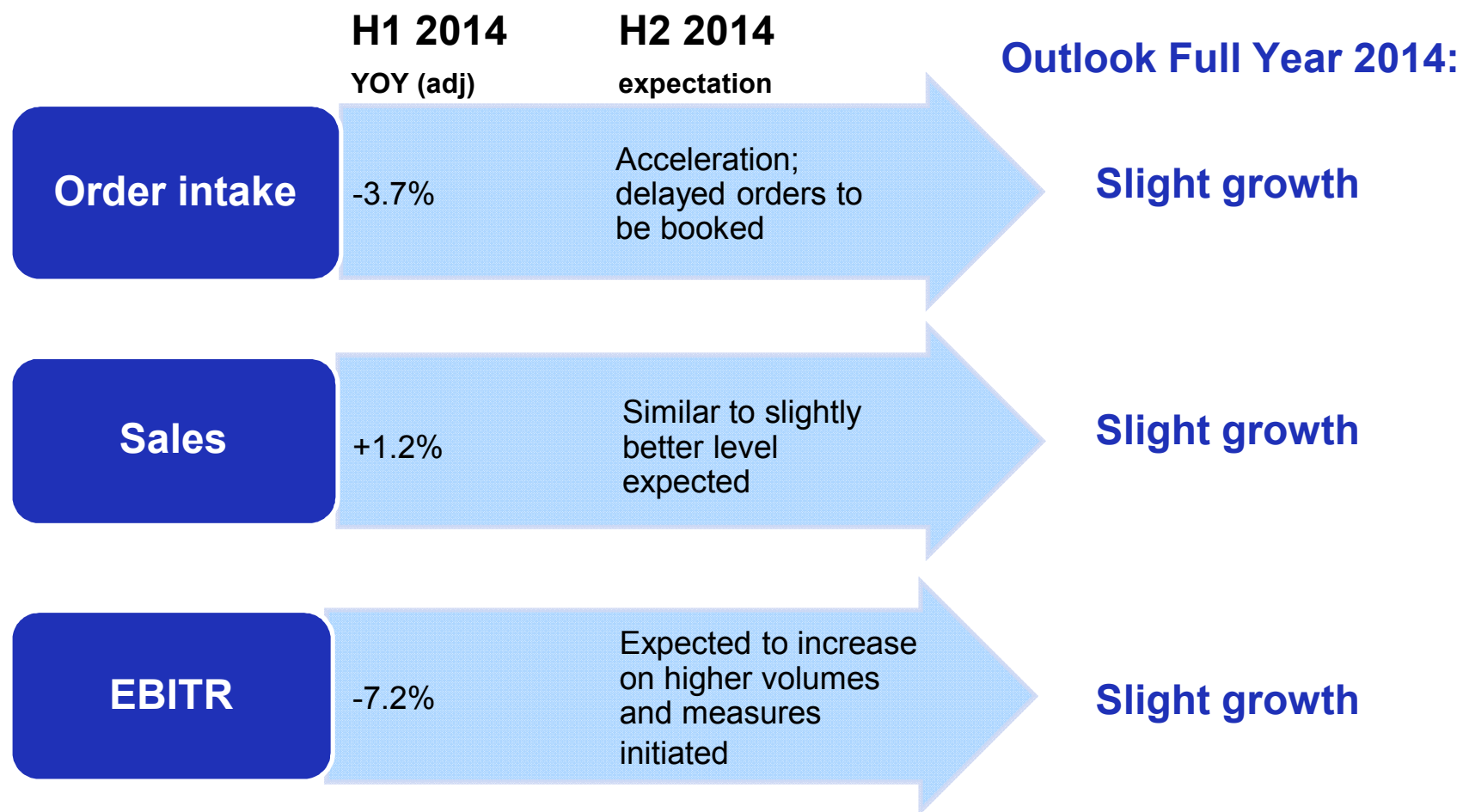
**Outlook**

## Key Markets – Assessment for H2 2014

Share of orders in %		Activity level H1	Outlook H2 2014
 <p>~54%</p>	<b>Oil and Gas</b>	Good	Activity levels expected to remain solid
 <p>~14%</p>	<b>Power</b>	Low	Similar levels of activity expected
 <p>~12%</p>	<b>Water</b>	Mixed Picture	Some recovery expected in selected regions
 <p>~20%</p>	<b>General Industry</b>	Mixed Picture	Similar levels of activity expected

Note: Share of orders in % based on H1 14 orders; outlook 2014 statements based on present knowledge and excluding any major changes in the economic conditions.

# Financial Outlook for 2014<sup>1)</sup> – Total Sulzer



1) Published on July 22, 2014; based on present knowledge and excluding major changes in the general economic conditions; growth for order intake, sales and operating income before restructuring (EBITR) on an adjusted basis (i.e. excluding currency and acquisition effects);

## Capital Markets Day 2014 on November 25

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- Our CMD will be held in Karlsruhe/Bruchsal (Germany) to combine the presentation of our new medium term targets with a site visit of our Bruchsal Pumps factory
- Preliminary agenda:
  - Informal dinner on November 24  
Hotel Radisson, Karlsruhe
  - Presentations – morning November 25  
Hotel Radisson, Karlsruhe
  - Site visit – afternoon November 25  
Sulzer Pumps, Bruchsal



Source: Google maps

## Financial Calendar and IR Contact

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Financial Calendar	
October 16, 2014	Order intake Jan.-Sep.
November 25, 2014	Capital Markets Day
February 12, 2015	Annual Report 2014
April 1, 2015	Annual General Meeting

### Your investor relations contact:

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