

CFO Message

Thomas Dittrich, CFO | February 12, 2015



Agenda – CFO Message

Profitability Point of Departure

Sulzer Full Potential – G&A

Capital Allocation

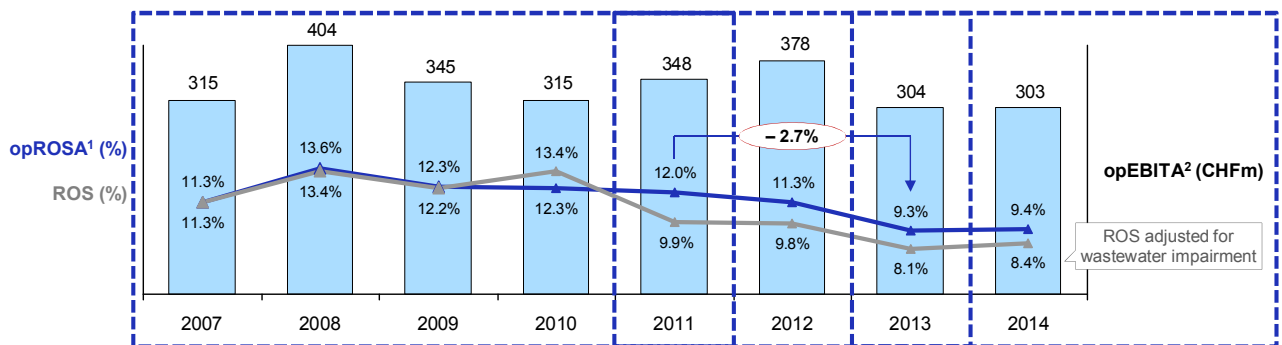
Operational EBITA

- EBIT before**
- Amortization
 - Goodwill impairment
 - Restructuring cost
 - Adjustments for other non-operational items
 - Significant acquisition related expenses
 - Gains and losses from sale of businesses or real estate (including release of provisions)
 - Certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

- Increased transparency
- Better reflection of ongoing business performance
- Closer link to levers of the business

CFO Message | Capital Market Day 2015 | Slide 3

Operational EBITA margin erosion stopped in 2014



Until 2011

- opEBITA around 12.3%
- ROS benefited from non-operational items such as real estate

Margin erosion in 2012 and 2013

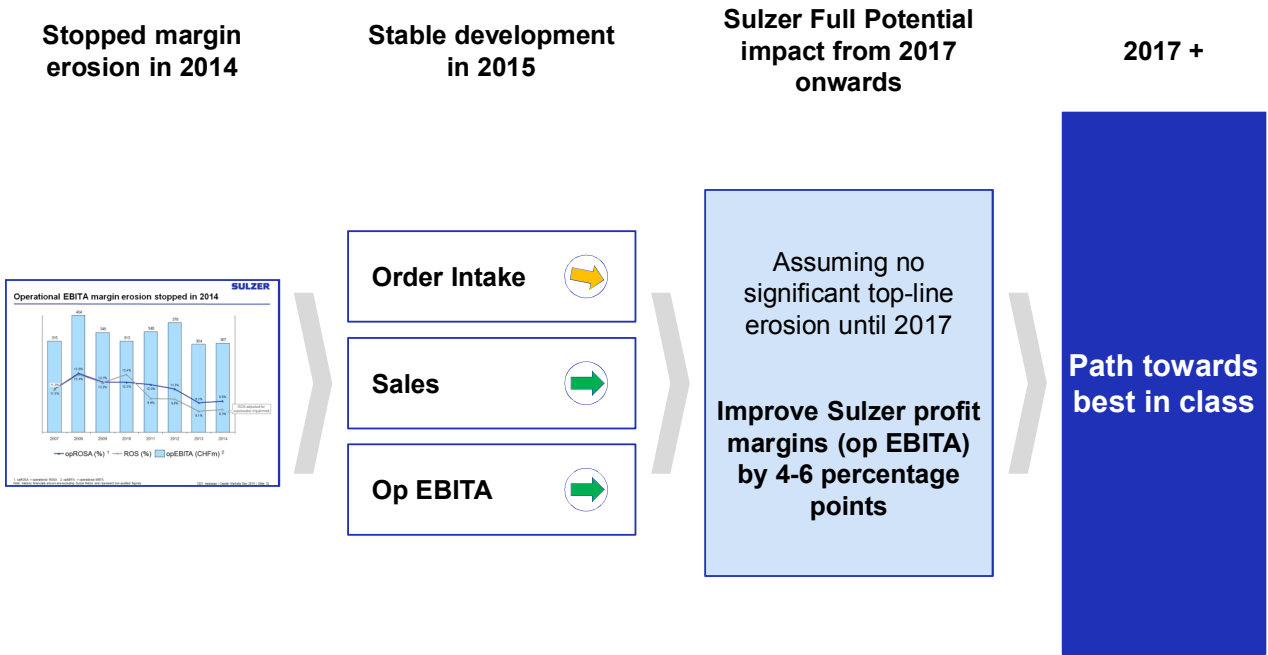
- Margin erosion of **~2.7%**
- Roughly 50% due to the underperforming wastewater business line
- Lower profitability in RES due to underutilization in UK and Australia
- HQ cost absorption post Sulzer Metco divestiture

Stabilization in 2014

- Margins stabilized in 2014
- Wastewater restructuring in 2013
- HQ resizing program executed in 2013
- RES service center restructuring in 2014

1. opROSA = operational ROSA 2. opEBITA = operational EBITA
 Note: Historic financials shown are excluding Sulzer Metco and represent non-audited figures

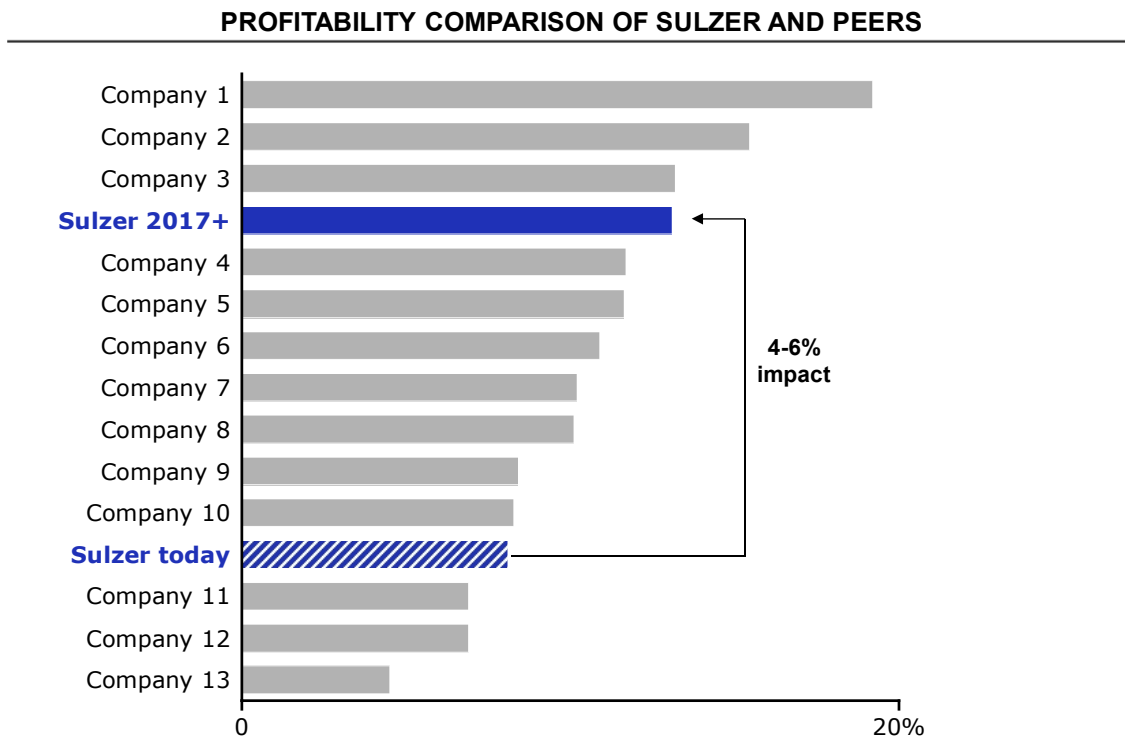
Sulzer Full Potential program has a solid impact on profitability



Note: All guidance and outlook statements provided on an FX adjusted basis

CFO Message | Capital Market Day 2015 | Slide 5

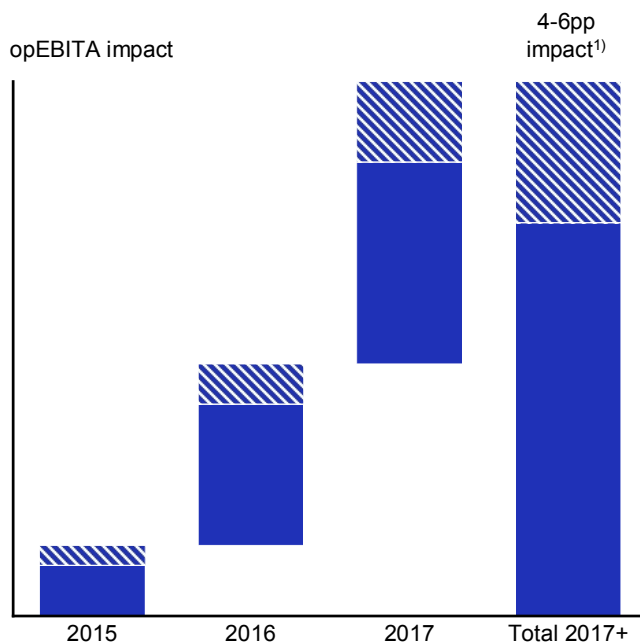
Sulzer Full Potential program to deliver top tier profitability



Note: Relevant competitor set for Pumps Equipment, Rotating Equipment Services and Chemtech

CFO Message | Capital Market Day 2015 | Slide 6

Margin improvement materializes over next three years and beyond



- **Procurement:** 130 initiatives defined across categories. Global procurement structure.
- **Productivity, footprint, and complexity:** Global footprint. Improvement within and across production sites.
- **Selling, general and administration costs:** Focus on standardization and shared services.

1) Measured on operational ROSA

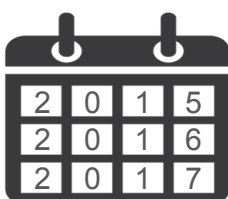
Track Sulzer Full Potential results with periodic updates to investors

Results delivery ensures progress and tracking of savings **SULZER**

Change Management	Risk Management	Tracking & Reporting
<ul style="list-style-type: none"> • Co-creation / implementation of cross-functional initiatives • Development of compelling and integrated vision • Coaching of sponsors and change agents 	<ul style="list-style-type: none"> • Early anticipation of delivery risks • Tailoring program approach to address identified risks • Embedding solutions at the frontline for sustainable success 	<ul style="list-style-type: none"> • Granular, detailed initiative tracking with clear KPIs • Strict governance and schedule • Single source of truth • Continuous communication



- Detailed program tracking and reporting in place
- Results delivery continuously monitored by Executive Committee



- Detailed implementation roadmap to be shared with 2015 H1 results
- Periodic progress updates given to investors

Agenda – CFO Message

Profitability Point of Departure

Sulzer Full Potential – G&A

Capital Allocation

CFO Message | Capital Market Day 2015 | Slide 9

Operational excellence is the third pillar of our program



Sulzer Full Potential: Focus G&A on standardization and shared services **SULZER**

Productivity Improvement	Standardization	Shared Services
		
<ul style="list-style-type: none">■ Clear role definitions■ Elimination of redundancies■ Self-service applications■ Outsourced / cloud■ Renegotiation of service contracts	<ul style="list-style-type: none">■ Harmonized divisional, regional, and local reporting requirements■ Rationalized enterprise application landscape■ Common ways of working	<ul style="list-style-type: none">■ Clustering of legal entities within country and regions■ Transactional activities shared across divisions■ Joint technical infrastructure

Focus support functions on value-adding activities

CFO Message | Capital Market Day 2015 | Slide 11

Summary: Journey towards sustainable top tier profitability

SULZER

Profitability Journey	G&A Transformation
<ul style="list-style-type: none">■ Introducing operational EBITA as profitability measure■ Margins stabilized in 2014■ Sulzer Full Potential has sustainable impact on profitability to deliver top tier performance■ Detailed tracking and transparent reporting given to investors	<ul style="list-style-type: none">■ G&A support functions operational excellence will be one of the key levers in Sulzer Full Potential■ Focus G&A support functions on standardization and shared services■ Focus support functions on value-adding activities■ Case for change is clear – get all of Sulzer behind it

CFO Message | Capital Market Day 2015 | Slide 12

Agenda – CFO Message

Profitability Point of Departure

Sulzer Full Potential – G&A

Capital Allocation

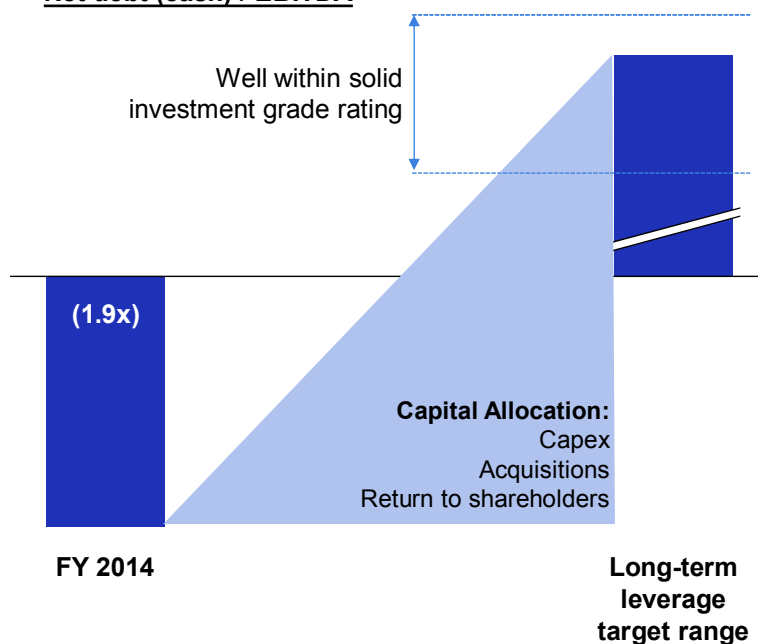
CFO Message | Capital Market Day 2015 | Slide 13

Long term commitment to optimize capital structure

Optimize capital structure

Net debt (cash) / EBITDA¹⁾

Well within solid investment grade rating



Capital Allocation

Sources of cash

- **Excess cash** from Metco disposal
- **High cash generative business** with average historic FCF / Net income cash conversion of around 80%

Uses of cash

- **Returning excess cash to shareholders**
- **Support SFP transformation path** and organic growth of businesses
- **Execute value accretive acquisitions**, both add-ons and transformational
- Financial discipline for organic and M&A investment opportunities

Long term policy

- Move towards a **leverage range well within investment grade rating**
- **Leaving ample room** for value creating investment opportunities
- **Return excess cash** when possible

¹⁾ Before restructuring and impairment

This document may contain forward-looking statements, including, but not limited to, projections of financial developments and future performance of materials and products, containing risks and uncertainties. These statements are subject to change based on known and unknown risks and various other factors that could cause the actual results or performance to differ materially from the statements made herein. Furthermore, the information shown herein has been compiled to the best knowledge of the authors. However, Sulzer Ltd. and its affiliated companies, including all directors, officers and employees cannot assume any responsibility for the quality of the information, and therefore any representations or warranties (expressed or implied) as to the accuracy or completeness of the information is excluded.