SULZER

Annual Results 2016

Greg Poux-Guillaume, CEO | Thomas Dittrich, CFO | March 1, 2017

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

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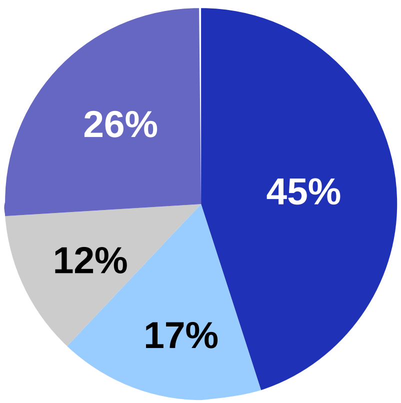
Agenda

1. **Market Review**
2. Update on Sulzer Full Potential program
3. Financial Review
4. New APS division / organizational changes
5. Outlook

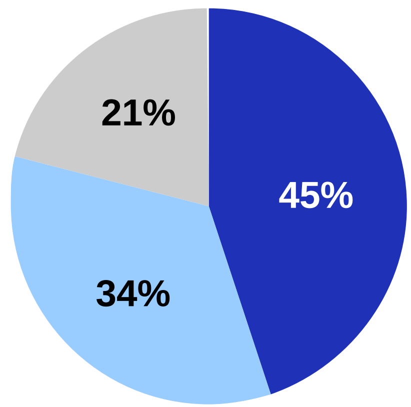
Rebalancing continues: Oil & Gas 45%, Aftermarket 53%[1]

Order intake 2016 by market



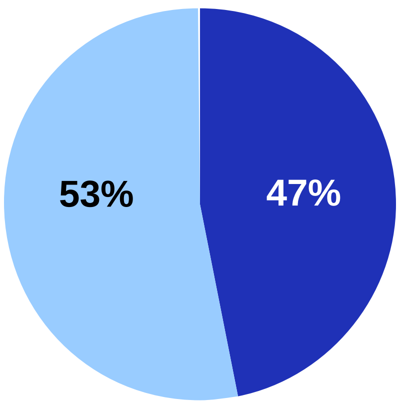
- Oil and Gas[2]
- Power
- Water
- General Industry

Order intake 2016 by region



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

Order intake 2016 by type[1]



- Equipment
- Aftermarket

1. Excluding APS division
2. Includes 6% Chemical Process Industry (CPI)

Power, Water and General Industry: positive trends

OI share 2016

Power

17%

Water

12%

General Industry

26%

Order intake 2016 vs. 2015

Power

- Good activity levels in Asia boosted by China and India
- US driven by gas, EMEA overall slow
- Slow O&G market leading to competition in power

Water

- Solid municipal water market in US and China
- Active desalination market in Middle East and South East Asia

General Industry

- Strong dental and beauty business
- Pulp & Paper slowed
- China remained key driver for many segments
- Pricing pressure high in mining and related services

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Oil & Gas: Downstream most active segment

OI share 2016

Oil & Gas

45%

Order intake 2016 vs 2015 (–11% [1])

Upstream

~10%

- Volume still reducing
- Significant price pressure
- Aftermarket impacted by postponements of non-essential work

Midstream

~6%

- Midstream construction slowed notably

Downstream

~29%[2]

- Acceleration seen in Q4
- Refinery utilization levels dropped vs. 2015
- Non-essential maintenance starting to rebound
- Petrochemical positive

1. Adjusted for currency effects
2. Includes 6% Chemical Process Industry (CPI)

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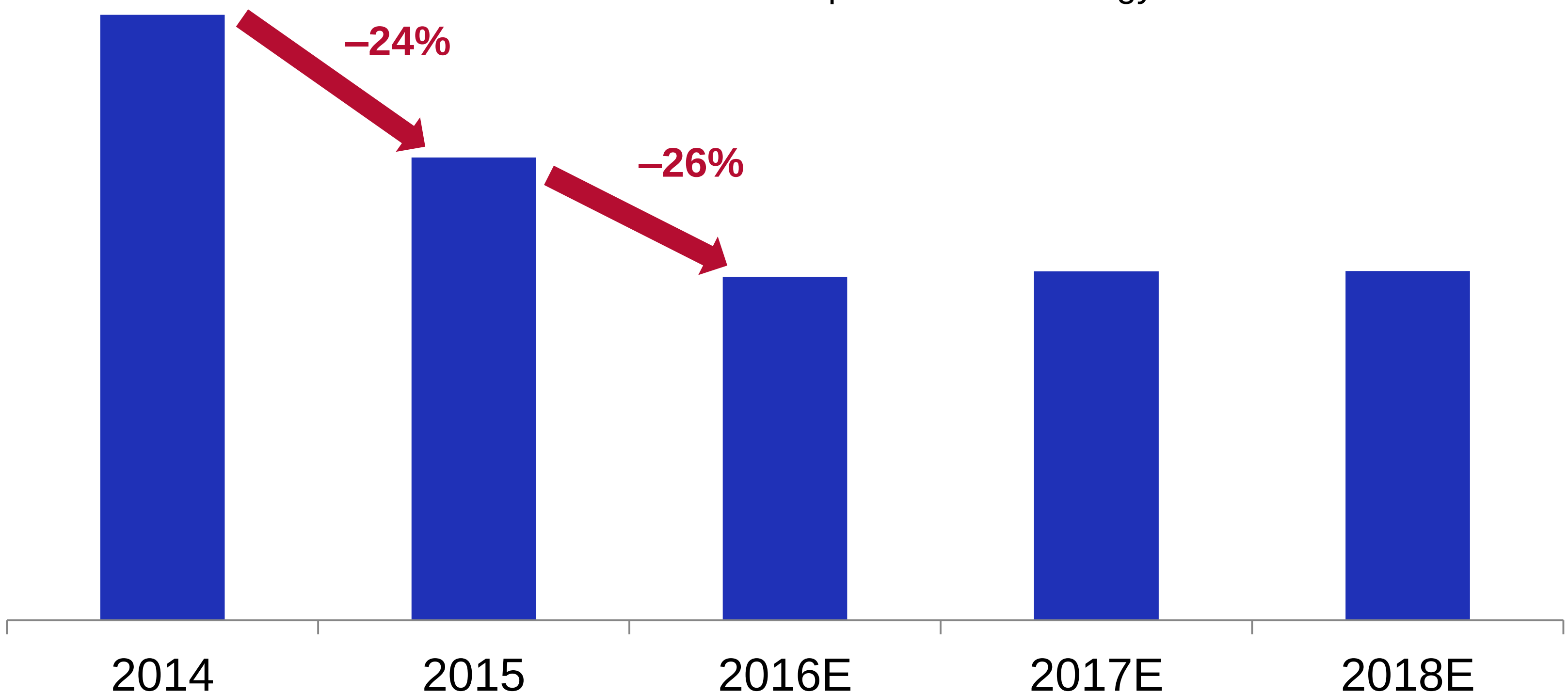
Oil & Gas capex –26% in 2016, stabilization ahead

Sulzer O&G order intake	2015[1]	2016[1]
Pumps New Equipment:	–32%	–24%
Pumps & RES Aftermarket:	–3%	–5%
Chemtech Separation Technology:	–13%	+2%



1. Adjusted for currency effects

Source: Bloomberg data January 2017 - Cumulated Capex of Global 300 listed Oil and Gas companies (USD bn)

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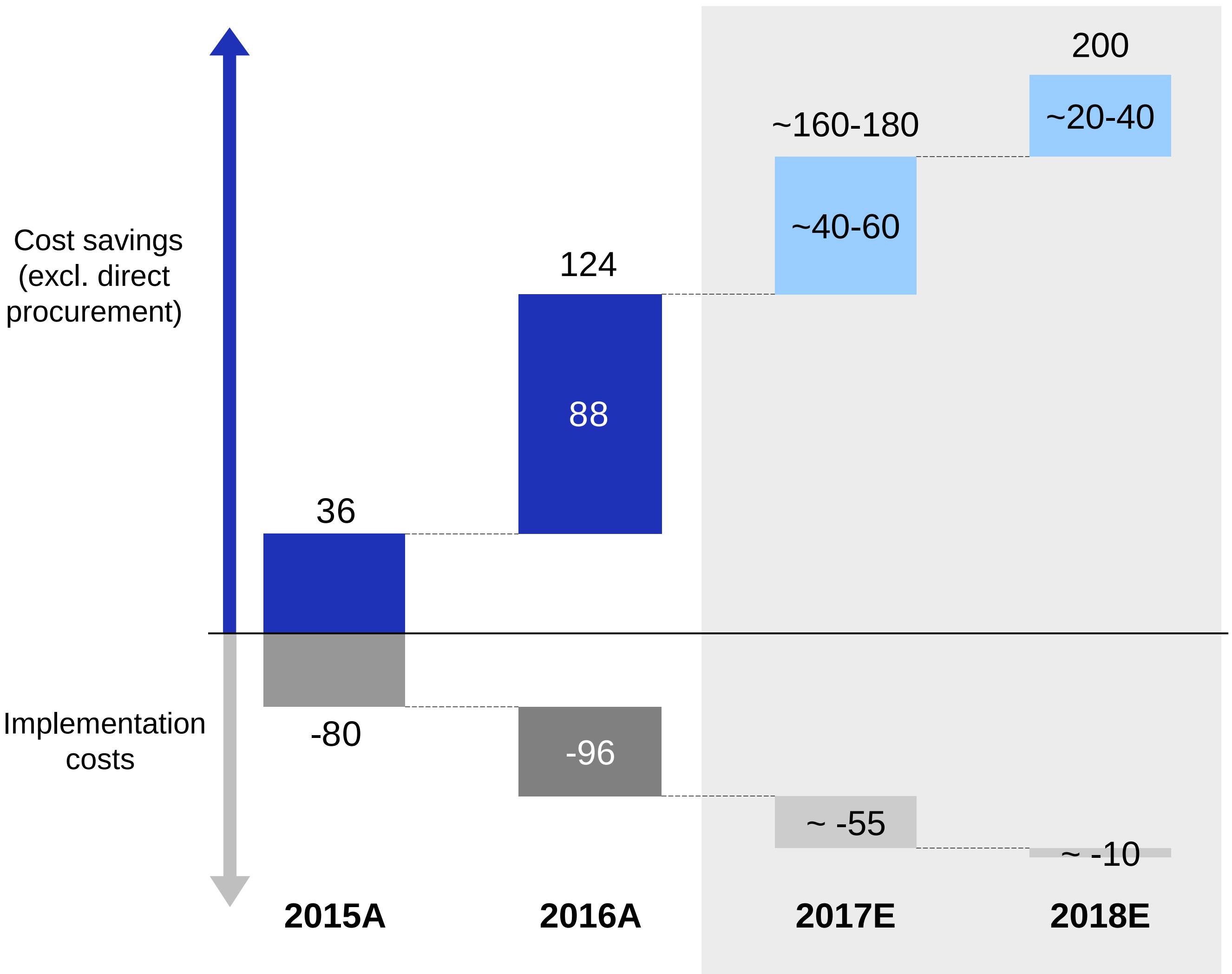
SFP ahead of schedule and on track for CHF 200m

(in CHF millions)



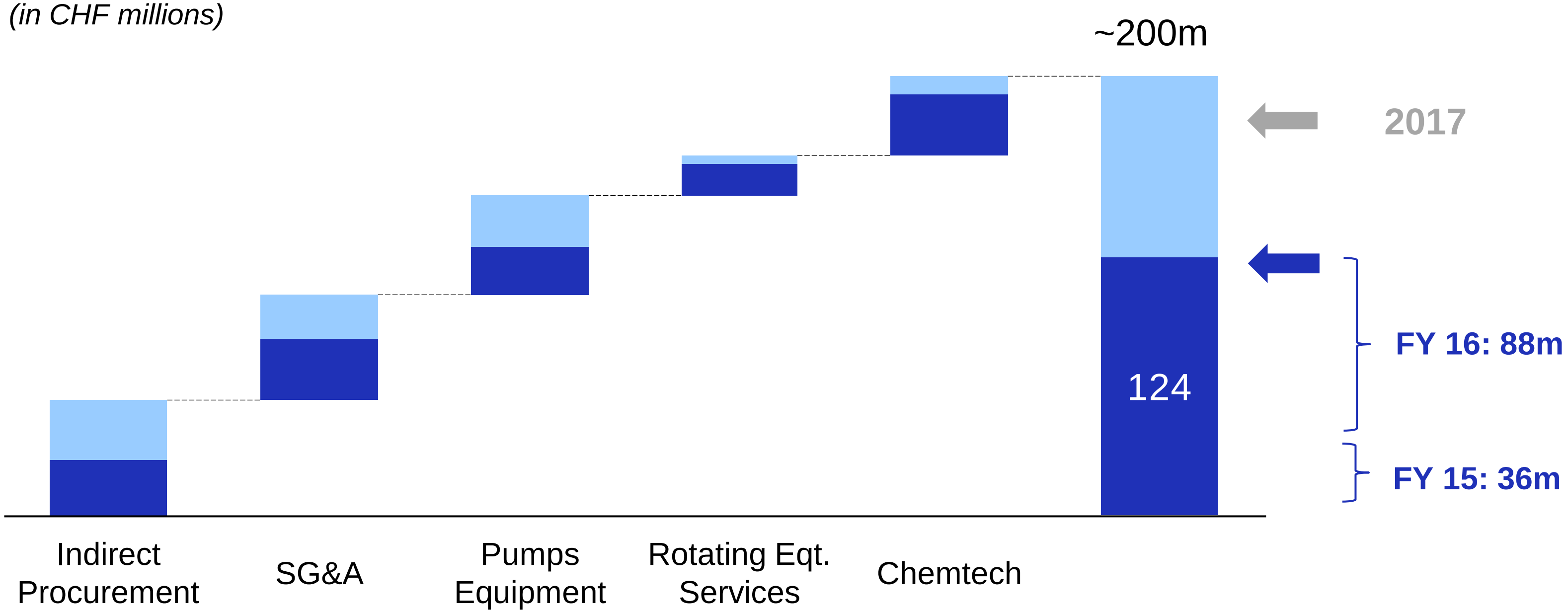
- CHF 124m P&L impact achieved to date
- More than 90% of CHF 200m targeted by 2018[1] secured through actions already launched
- All significant restructuring has been announced
- Cost vs. Benefit ratio unchanged
- Acquisition integration cost not included
- Main risk is timing

1. Pre market impact

All SFP savings levers on track

Cost savings by lever

(in CHF millions)

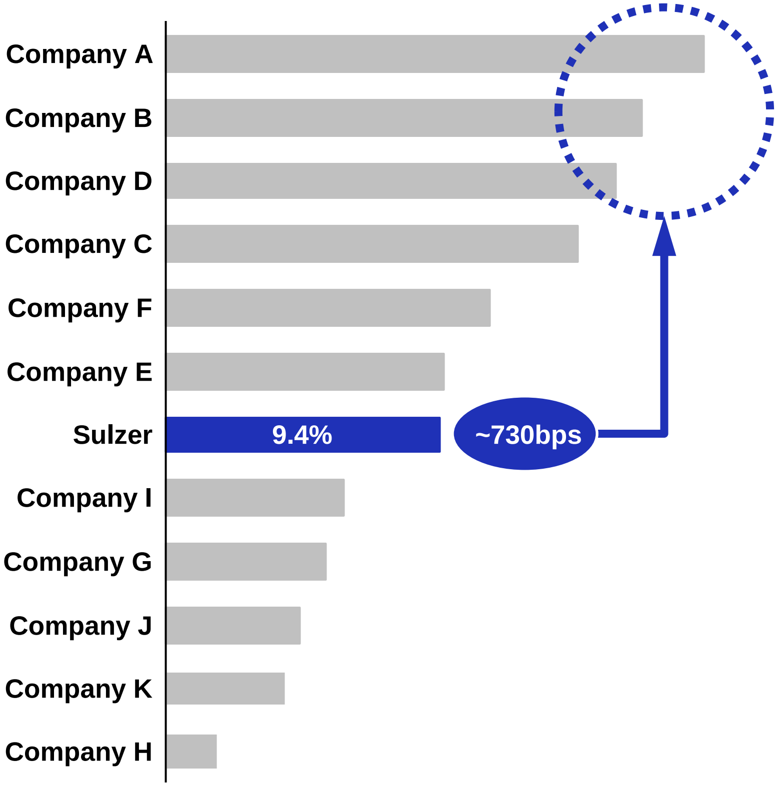


Highlights 2016

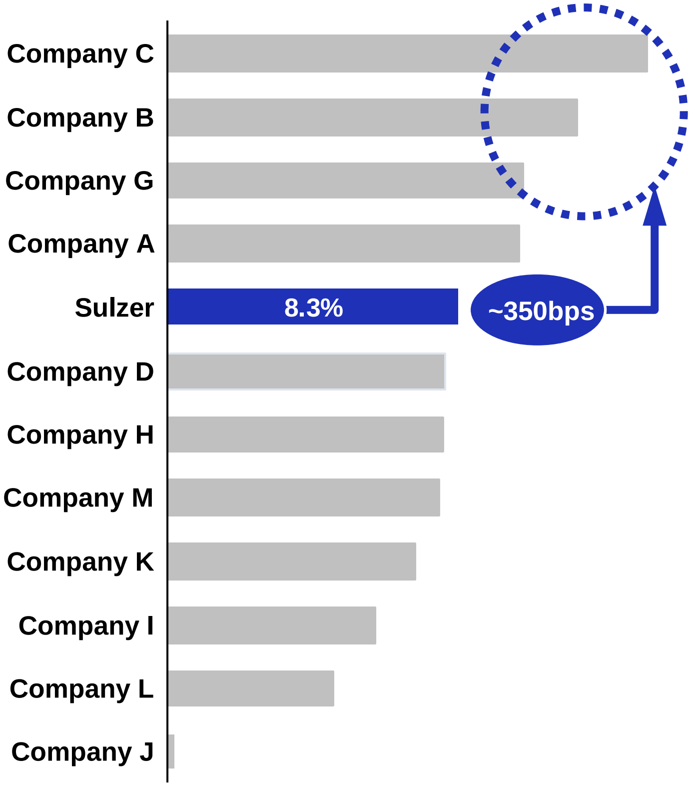
- Procurement achieved considerable savings in indirect but also direct procurement
- Relocation of resources to low-cost countries improving overall cost structure
- Win-back strategy in Pump Service starting to pay off
- SG&A: leaner and progressing in new setup (Finance BPO, HR, IT)

Profitability gap is closing for second consecutive year

2014 profitability comparison



Expected 2016 profitability[1]



1. Based on actual and Bloomberg consensus estimates as of February 17, 2017

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Above guidance despite continuing headwinds

Key figures

In CHF millions	**2016**	2015	YoY	YoY adj.[1]
Order intake	**2,798**	**2,896**	-3.4%	-2.0%
Order intake gross margin	*34.0%*	*33.8%*		
Order backlog *(Dec 31)*	**1,439**	**1'511**	-4.7%	
Sales	**2,877**	**2,971**	-3.2%	-2.0%
opEBITA	**239**	**254**	-6.0%	-4.4%
opROSA %	*8.3%*	*8.6%*		
EBIT	**115**	**121**	-4.6%	
ROS %	*4.0%*	*4.1%*		
Core net income	**154**	**175**	-12.0%	
Core EPS (in CHF)	**4.5**	**5.1**		
Free cash flow	**201**	**156**	28.6%	
FTEs *(Dec 31)*	**14,005**	**14,253**	-1.7%	

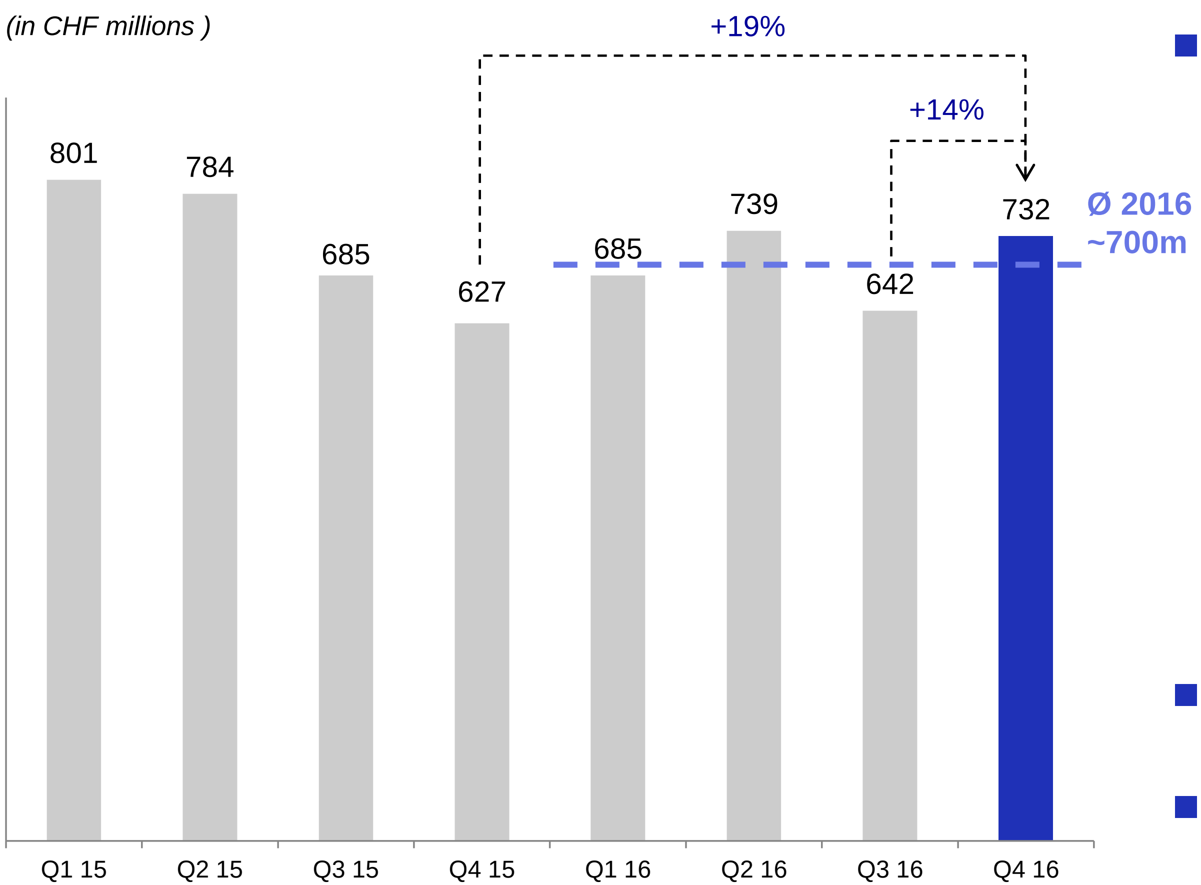
Commentary

- Q4 orders up 19% YoY[1] and 14% QoQ
- Order intake gross margin slightly up on mix effects
- Sales decreased due to O&G headwinds negatively impacting opROSA
- EBIT decreased on SFP costs (CHF 96m) and O&G headwinds, pension plan gain helped by CHF 35.4m
- FCF boosted by strong working capital management
- FTE organically lower by 9%

1. Adjusted for currency effects

Q4 orders up sequentially on O&G (+18%) and Geka

Quarterly order intake



Commentary

- Drivers of Q4 order intake:
  - PE up by 10% YoY[1] on strong water and power businesses; O&G flat
  - RES flat YoY[1], with positive O&G offset by decline in General Industry
  - CT increased by 53% YoY[1], driven by O&G and Geka consolidation
  - Q4 up 14% sequentially, driven by Oil & Gas (up 18%)
- FX impact in Q4 CHF -15m (CHF -41m for FY2016)
- Acquisition effect in Q4 CHF 51m (CHF 111m FY2016)

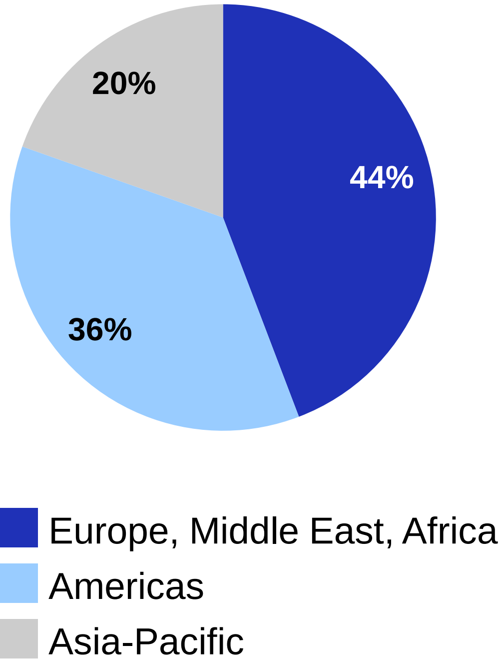
1. Adjusted for currency effects

Acquisitions partly offset headwinds impact on sales

Sales

In CHF millions	2016	2015	YOY	YOY adj.[1]
Total Sulzer	**2,877**	2,971	-3.2%	-2.0%
Total Divisions	**2,888**	2984	-3.2%	-2.0%
Pumps Equipment	**1,504**	1621	-7.2%	-6.2%
Rotating Equipment Services	**667**	693	-3.8%	-1.9%
Chemtech	**718**	670	7.2%	8.0%
Adj./Eliminations	**-12**	-13		

By region



- PE suffered from O&G downturn
- RES impacted by weak electromechanical business in EMEA
- CT benefitted from Geka consolidation offsetting decline in O&G
- Total effect from acquisitions/divestitures: CHF 91m
- Total effect from currency translation: CHF –35m
- Share of sales from emerging markets: 38% (2015: 40%)

1. Adjusted for currency effects

OpEBITA declined mainly on O&G headwinds in Pumps Equipment division

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Operational EBITA

In CHF millions	**2016**	2015	YOY	YOY adj.[1]
Total Sulzer	**239**	254	-6.0%	-4.4%
opROSA %	*8.3%*	*8.6%*		
Divisions	**235**	256	-8.5%	-6.9%
opROSA %	*8.1%*	*8.6%*		
Pumps Equipment	**86**	118	-26.9%	-23.8%
opROSA %	*5.7%*	*7.3%*		
Rotating Equipment Services	**66**	71	-6.6%	-7.2%
opROSA %	*9.9%*	*10.2%*		
Chemtech	**82**	67	21.8 %	23.0%
opROSA %	*11.4%*	*10.1%*		
Others	**4.3**	-2.2		

PE with lower margins mainly due to lower volumes and pricing in O&G

Higher margins in CT due to improvements in all business units and consolidation of Geka

- Total effect from currency translation CHF –4.1m

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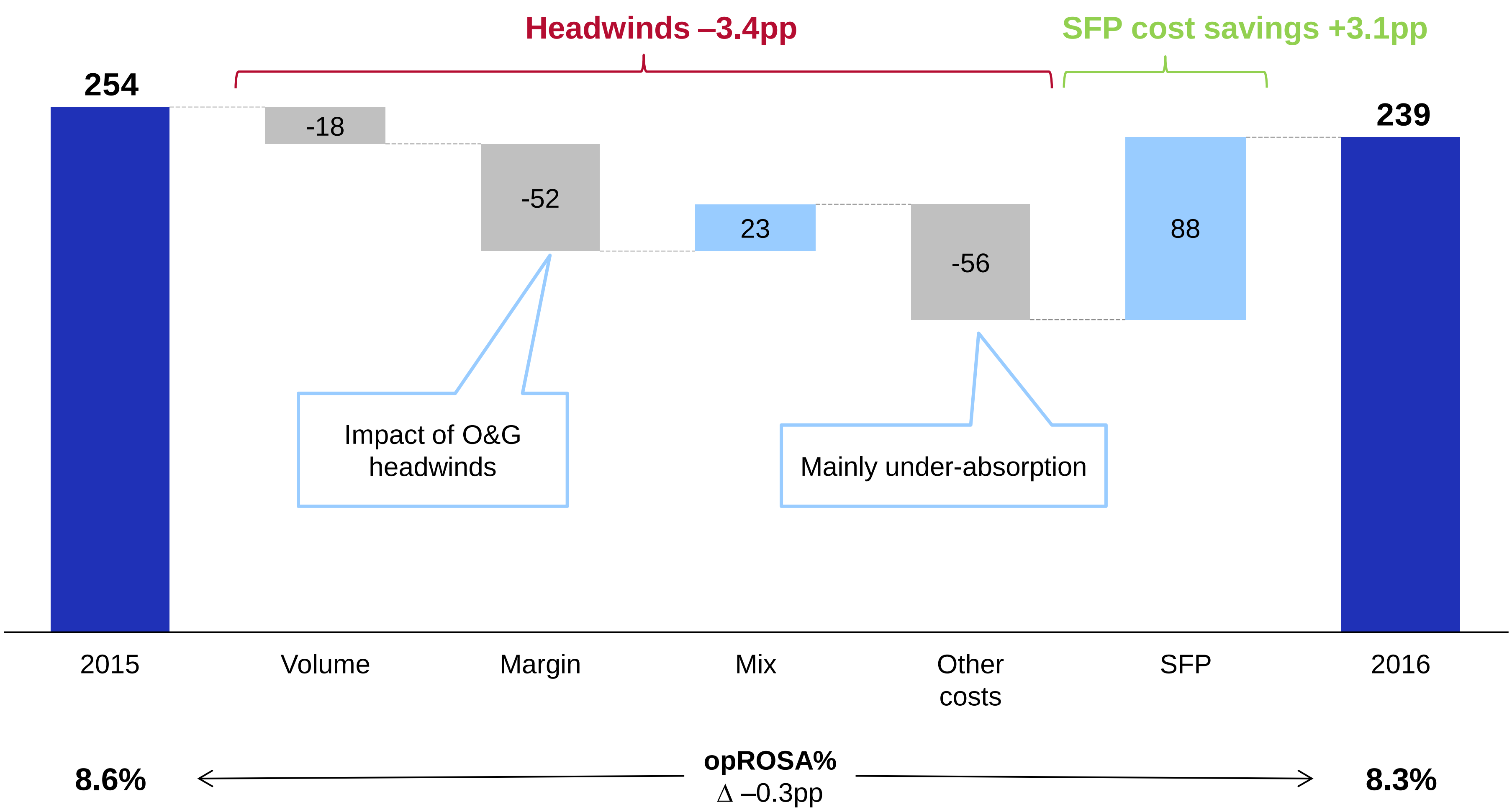
SFP savings largely offset headwinds impact on profitability

(in CHF millions)

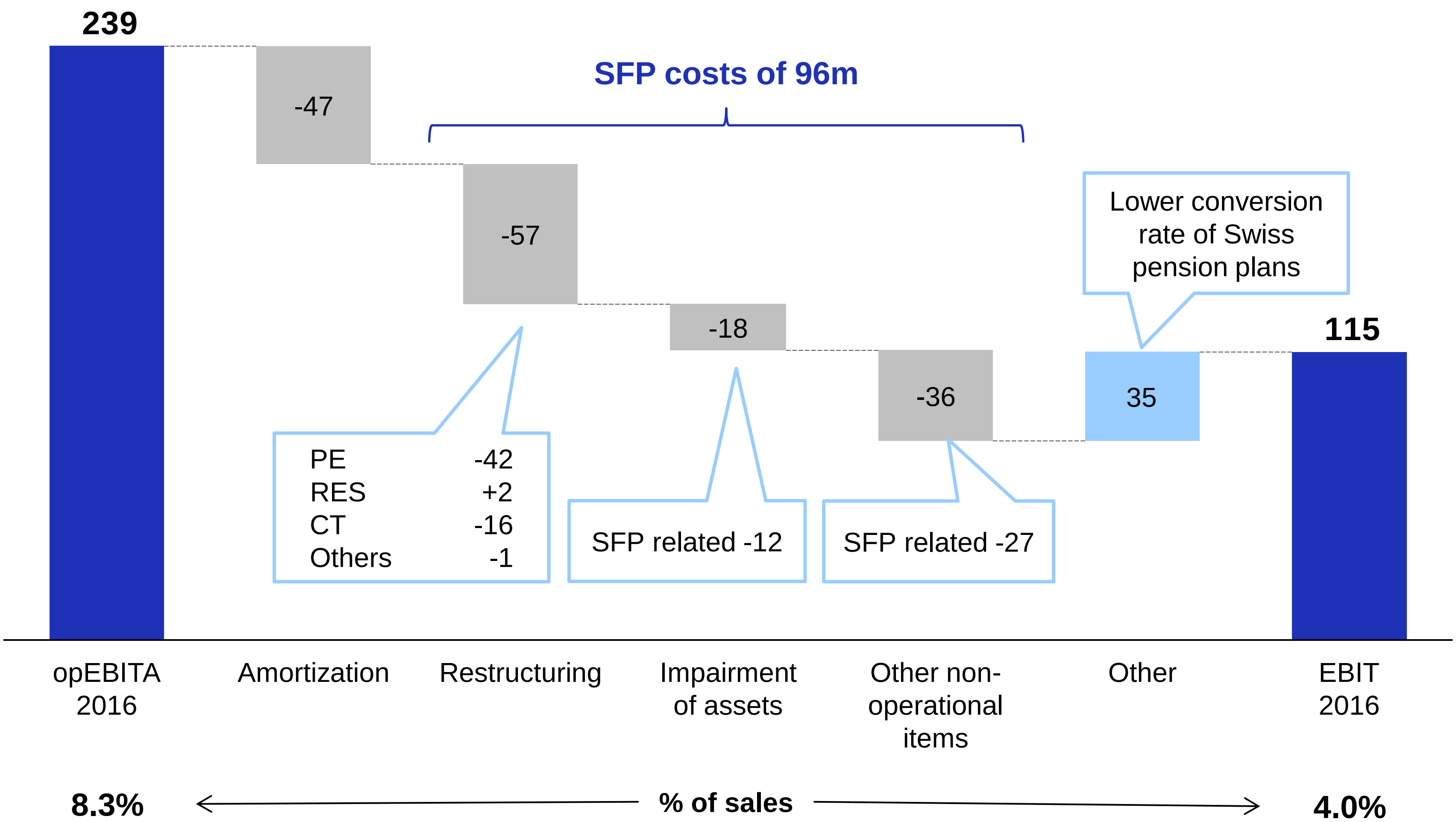
Operational EBITA



EBIT impacted by SFP costs of CHF 96m

(in CHF millions)

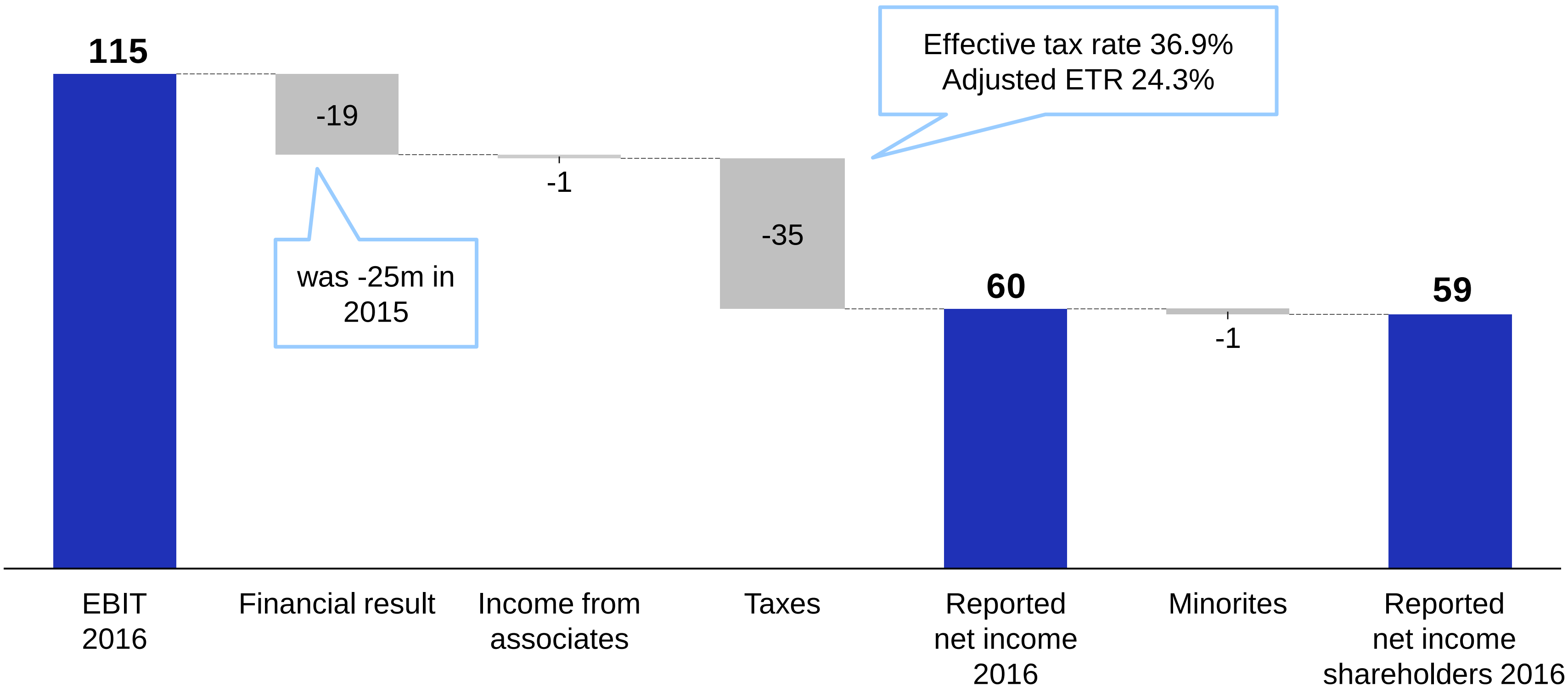
Operational EBITA to EBIT



Adjusted effective tax rate improved to 24.3% in 2016 (vs. 24.9% in 2015)

(in CHF millions)

EBIT to Net income shareholders



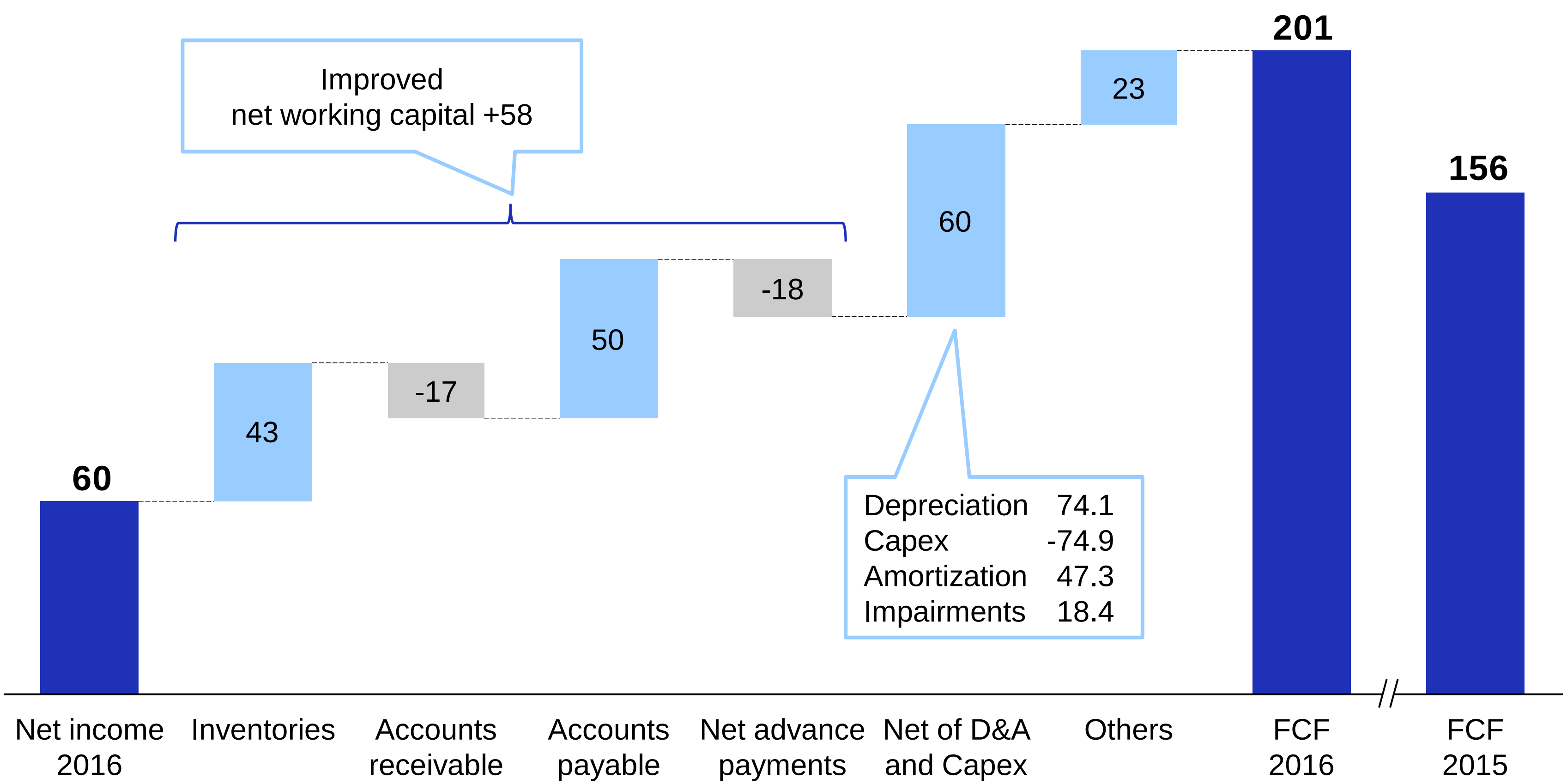
Core net income 154 (5.3% of sales vs. 5.9% in 2015)

Core net income shareholders 153

FCF boosted by strong working capital management

(in CHF millions)

Free Cash Flow



	FCF 2016	FCF 2015
% of sales	**7.0%**	**5.2%**

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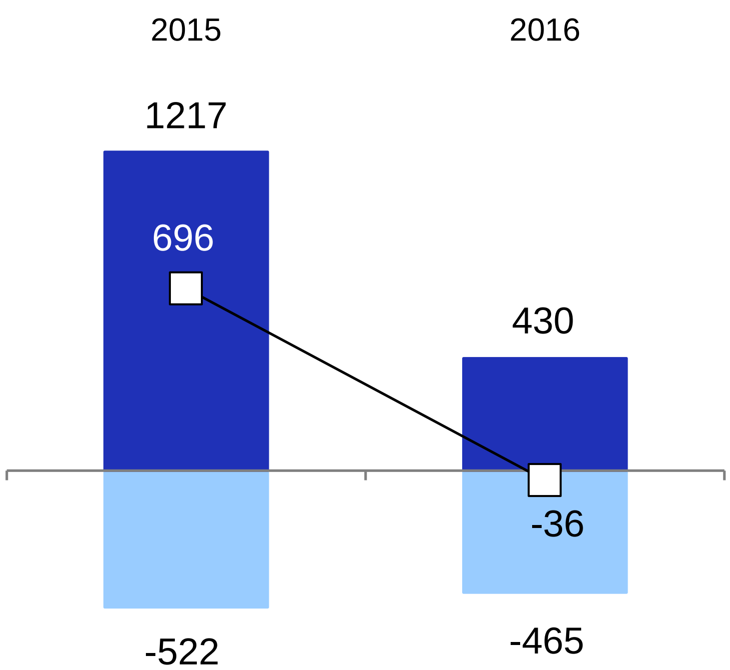
One of the strongest balance sheets in the industry

(in CHF millions)

Balance Sheet



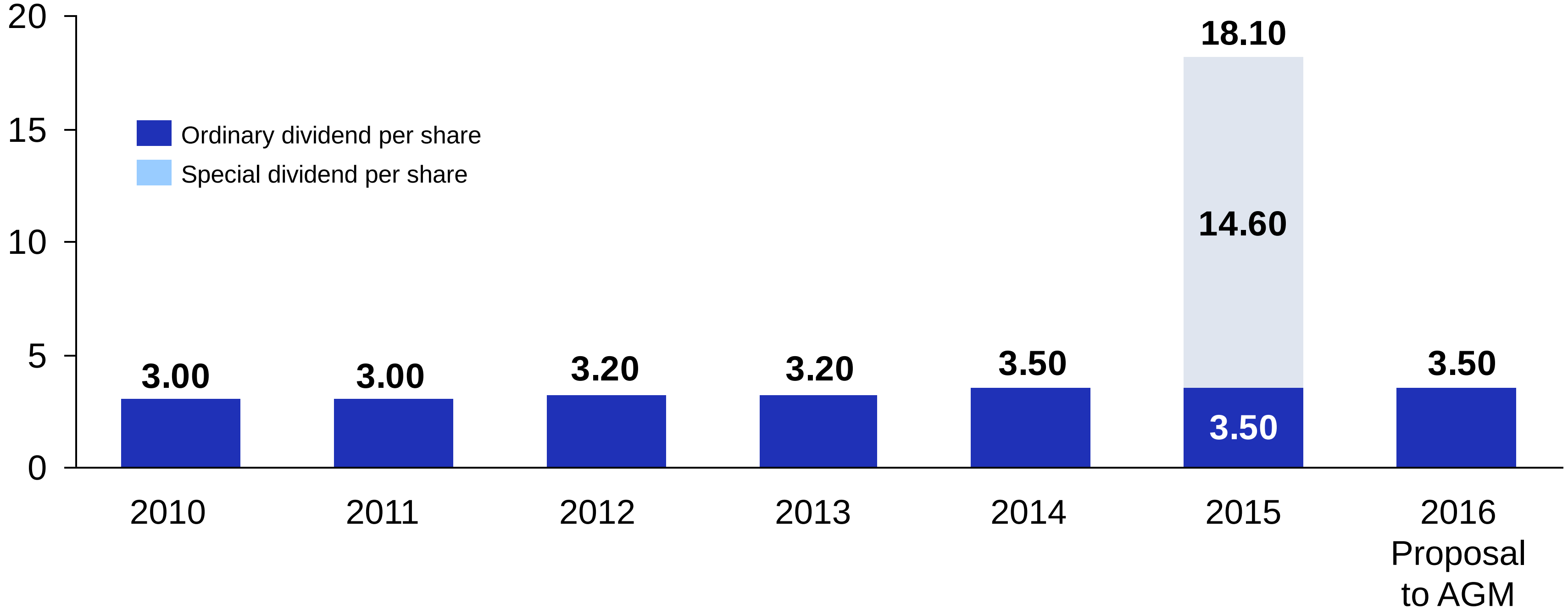
Net debt / opEBITDA	**–2.1x**	**0.1x**

Balance sheet December 2016:

- Total net debt of: CHF 36m
- FCF of CHF 201m (CHF 156m in 2015)
- Special dividend payment of CHF 498m
- Ordinary dividend payment of CHF 119m
- Acquisition payments of CHF 309m
- Positive FX impact on cash flows CHF 7m

Unchanged ordinary dividend of CHF 3.50 proposed

Dividend (CHF)



Dividend yield[2]	2.1%	3.0%	2.2%	2.2%	3.3%	3.7%	3.3%

1. Based on DPS / reported EPS (core EPS for 2015)
2. Dividend yield = ordinary dividend per share / share price on Dec 31.

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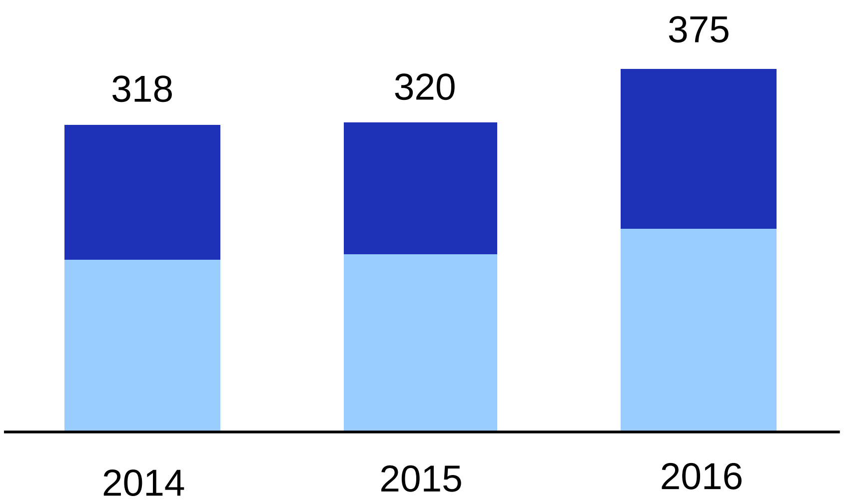
SMS + Cox + Geka reported as separate Applicator Systems (APS) division as of January 1, 2017

- Leading market positions in dental, industrial adhesives and beauty B2B verticals
- Shared industrial core in innovative high-precision plastic injection molding
- Combination has differentiating scale and global presence

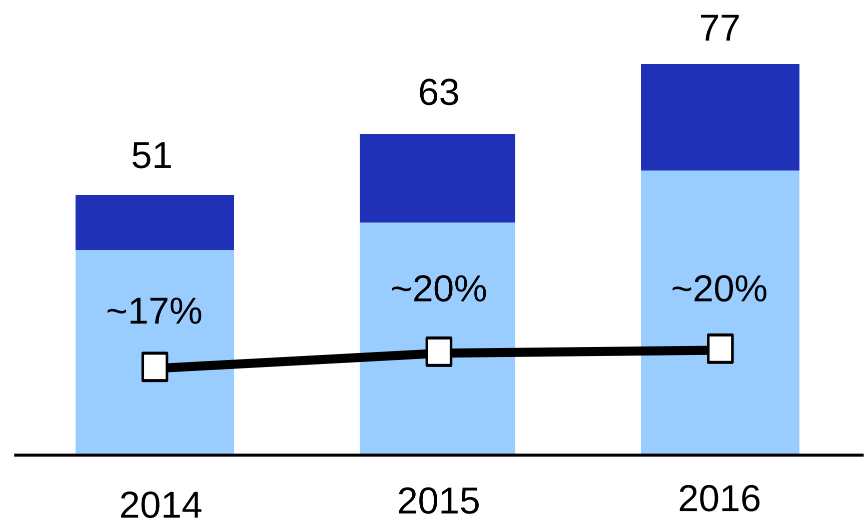
Historical pro-forma figures for APS

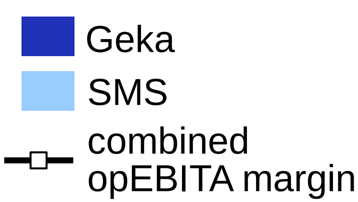
APS pro-forma sales

(in CHF millions)



APS pro-forma opEBITA



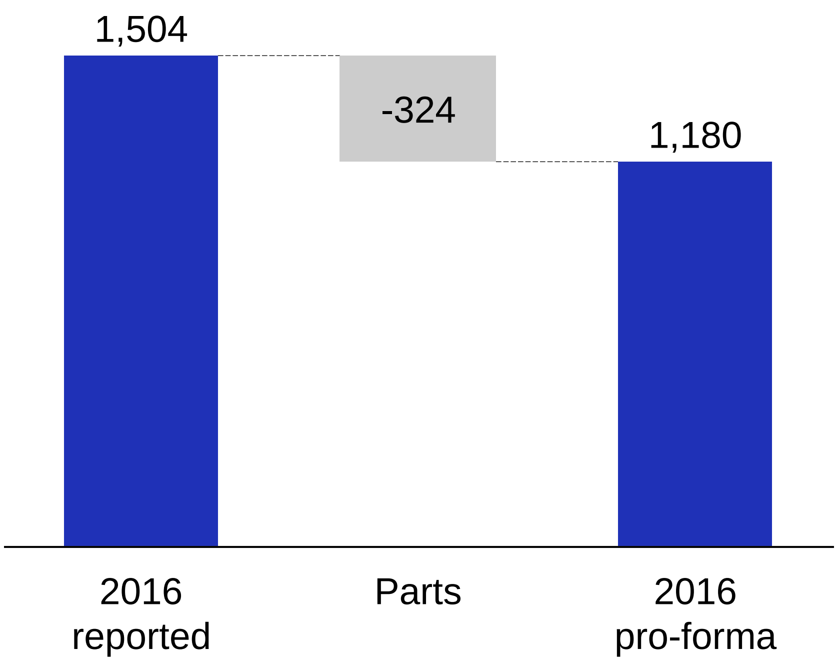


- Cost synergy run rate of EUR ~9m within 3 years
- One-off costs to achieve synergies expected to be EUR ~10m spread over 3 years
- Top-line synergies through expanded geographical manufacturing presence not factored in

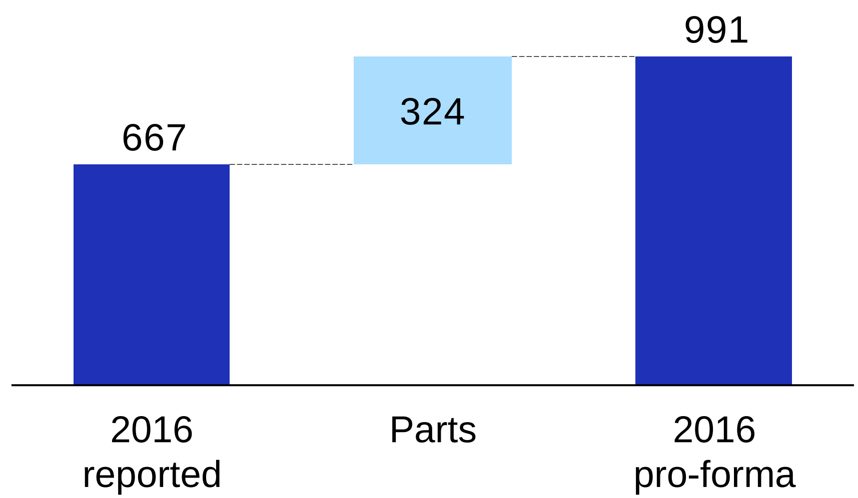
Spare parts reported within RES from January 1, 2017

PE 2016 sales and opROSA

(in CHF millions)



RES 2016 sales and opROSA



opROSA

5.7%	~1.3%	9.9%	~13.8%

Ensival Moret to strengthen PE General Industry portfolio

Ensival Moret

Date	Closed January 31, 2017
Sales (CHF)	123m
Profitability	breakeven
Employees	~730
EV paid (CHF)	85m
EV/EBITDA	–
Rational	■ Complementary application portfolio in fertilizers, sugar, mining, and chemicals ■ Closes product gaps in axial flow pumps, slurry pumps ■ Significant synergies, relutive starting in year 2

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Rotec GT brings gas turbine service in Russia to next level

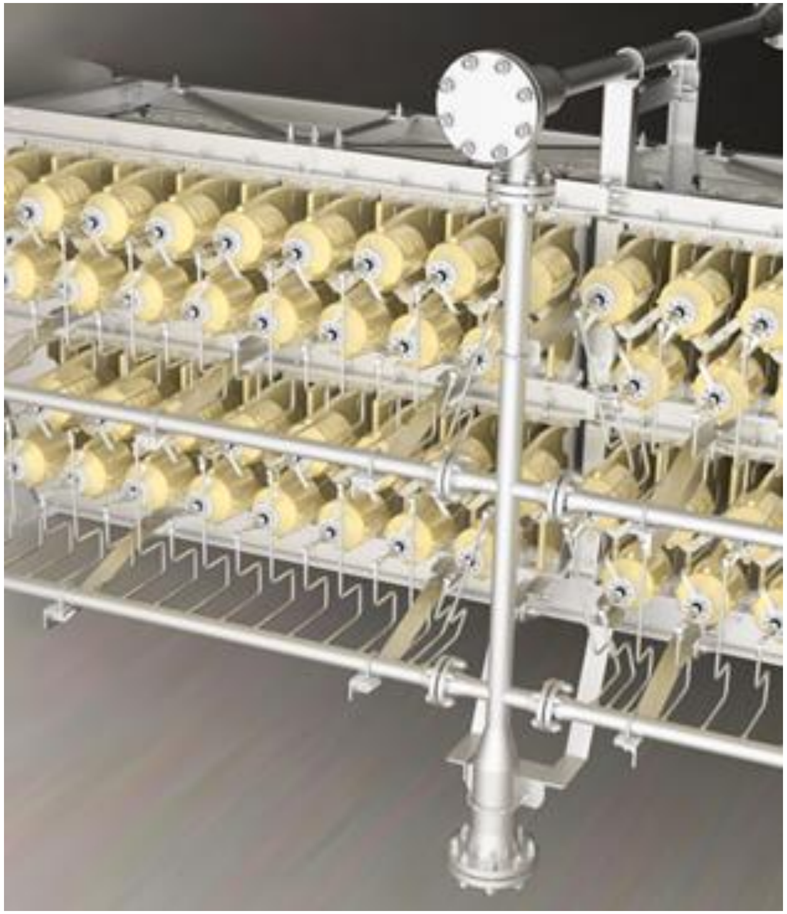
ROTEC GT

Date	Transaction expected to close in Q1
Sales (CHF)	35m
Profitability	~20% EBITDA
Employees	~50
EV paid (CHF)	28m
EV/EBITDA	4x
Rational	■ Become a sizable player in the Russian/CIS GT service market with revenues of about CHF 40m (incl. Sulzer Russia service) ■ Increase local content (refurbishment of spare parts in own facility)

VIEC boosts Chemtech's upstream product portfolio

WÄRTSILÄ ***VIEC***

Date	Closed January 31, 2017
Sales (CHF)	Mid-single digit
Profitability	–
Employees	13
EV paid (CHF)	4m
EV/EBITDA	–
Rational	▪ Vessel Internal Electrostatic Coalscer (VIEC) technology complementary to Chemtech's upstream portfolio for advanced oil and water separation ▪ Product well recognized in the market with multiple references



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2017 market assumptions

Oil & Gas

- Rebalancing of supply and demand expected for 2017, leading to Sulzer commercial rebound in 2018
- Price pressure to persist
- Both new equipment and services impacted

Power

- Gas positive but increasing com-petition in service
- Coal substantial but dropping except for Asia
- Low O&G activity results in more competition in Power

Water

- Active municipal markets
- Desalination projects in the Middle East, Asia and Americas

General Industry

- Dental, Beauty and Industrial Adhesives growing
- Pulp & Paper healthy
- Metals & Mining still challenging, but commodity cycle turning

Financial guidance 2017 as of March 1

Order Intake[1]	up 5–8%
Sales[1]	up 3–5%
Operational ROSA[2] %	around 8.5%

1. Adjusted for currency effects
2. Operational EBITA divided by sales

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Summary

- **Oil & Gas headwinds expected to continue in 2017 before rebound in 2018**
- **SFP program well on track to reach the CHF 200m from 2018 onwards**
  - Achieved **additional CHF 88m savings in 2016** bringing total to date to CHF124m
  - **Additional cost savings** of CHF 40–60m expected in 2017
  - Sulzer **narrowed profitability gap** versus leading competitors again in 2016
- **Sulzer is back to growth in 2017, helped by acquisitions announced in 2016**
  - **Organic order intake to be flattish**, **growing by 5–8%** including acquisitions
  - Order intake profile is expected to be **back-end loaded**. Q1 is expected to be soft.
  - Sales expected to **decrease organically** but **grow by 3–5%** including acquisitions
  - **Acquisitions** expected to have a **neutral impact on the operational EBITA margin**

Reconciliations and supplementary slides

Acquisitions partly offset market headwinds impact on sales

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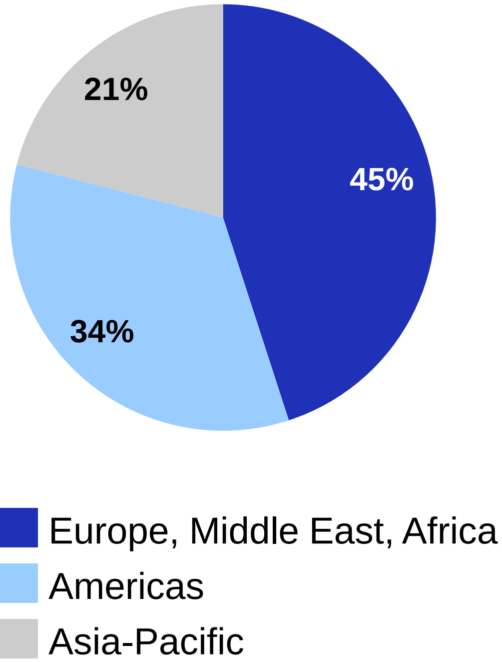
Order intake

In CHF millions	**2016**	2015	YOY	YOY adj.[1]
Total Sulzer	**2,798**	2,896	-3.4%	-2.0%
Total Divisions	**2,807**	2,908	-3.5%	-2.0%
Pumps Equipment	**1,402**	1,501	-6.6%	-5.4%
Rotating Equipment Services	**661**	698	-5.3%	-3.1%
Chemtech	**745**	709	5.0%	6.1%
Adj./Eliminations	**-10**	-12		

- PE mainly impacted by lower orders in oil and gas (–20%)
- RES orders lower due to decline in general industry
- In CT, orders from the acquisitions more than offset decrease in the Tower Field Services (TFS) business unit
- Total effect from acquisitions/divestitures: CHF 108m
- Total effect from currency translation: CHF –41m

By region



1. Adjusted for currency effects

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Operational EBITA to EBIT bridges for divisions

In CHF millions	**PE**	**RES**	**CT**	**Divisions**	**Others**	**Total**
opEBITA 2016	**86.3**	**66.2**	**82.1**	**234.6**	**4.3**	**238.9**
Restructuring costs	-41.5	1.8	-16.1	-55.8	-1.2	-57.0
Amortization	-17.9	-6.3	-21.7	-45.9	-1.4	-47.3
Impairments tangible and intangible assets	-8.8	-3.8	-5.9	-18.5	0.1	-18.4
Other non-operational items	-11.0	-0.6	-1.2	-12.8	11.9	-0.9
EBIT 2016	**7.1**	**57.3**	**37.2**	**101.6**	**13.7**	**115.3**
as % of sales	*0.5%*	*8.6%*	*5.2%*	*3.5%*		*4.0%*