Annual Results 2017

Greg Poux-Guillaume, CEO | Thomas Dittrich, CFO | February 28, 2018

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.

Business Review

Update on SFP

Financial Review

Outlook

Highlights

- Delivered on guidance
- Order intake up 12% (+2% organically)
- Sales up 5% (–4% organically)
- opROSA increased to 8.4%, despite CHF 10m (= 0.3%) one-time charge for a discontinued business activity in Chemtech
- SFP over-delivered in 2017
  - 2017 incremental savings of CHF 61m, at upper end of 40-60m range communicated
  - SFP to be extended by at least one year until 2019
  - Cumulative savings target raised from CHF 200m previously to CHF 230m

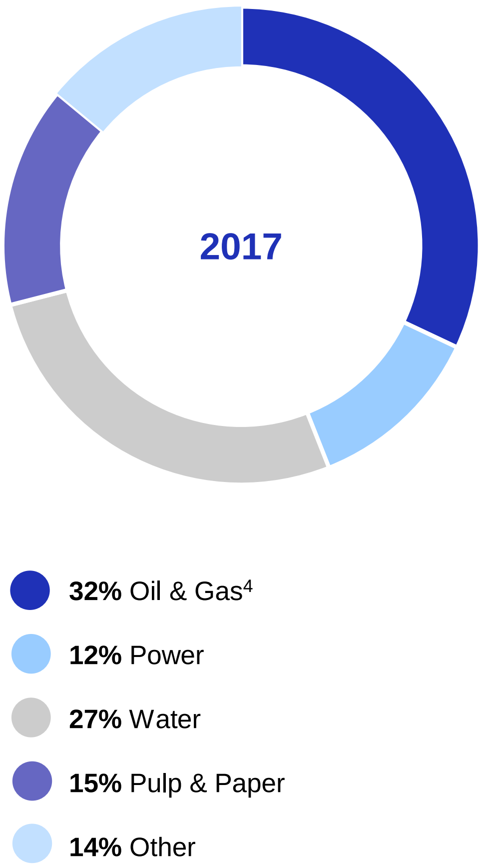
Pumps Equipment

Back to organic growth, eroding sales to rebound in 2018

Key figures

In CHF millions	2017	2016[1]	YOY	adj.[2]	org.[3]
Order intake	1’190	1’090	9.1%	8.1%	1.5%
Sales	1’123	1’159	-3.1%	-4.3%	-12.9%
opEBITA	–3.6	13	n.m.	n.m.	n.m.
opROSA	*–0.3%*	*1.1%*			

Order intake by market



Highlights

- **Orders:**
  - **O&G** rebounded (downstream growing, upstream seeing more inquires)
  - **Power** declined on fewer projects mainly in China
  - **Municipal Water** up 3%; strong rebound in **Pulp & Paper**
- **Sales** declined on lower opening backlog and phasing of projects
- **opROSA** close to break-even despite lower volume
- **Acquisition of JWC** closed in Jan 2018. Strengthens Water portfolio
- **Ensival Moret** integration progressing; return to profitability in 2018 as planned

1. Since January 1, 2017, the pumps spare parts business is reported in RES
2. Adjusted for currency effects
3. Organic: adjusted for currency and acquisition effects
4. Includes: 7% Upstream, 21% Mid- and Downstream and 4% Chemical Process Industry

Rotating Equipment Services

Resilient, outperforming the market

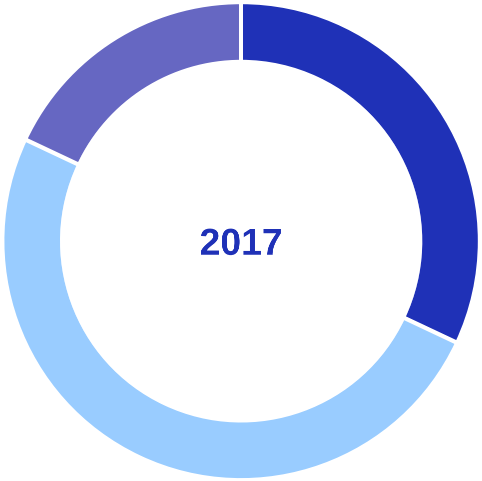
Key figures

In CHF millions	2017	2016[1]	YOY	adj.[2]	org.[3]
Order intake	1’071	1’010	6.1%	4.9%	-0.9%
Sales	1’035	1’011	2.3%	1.6%	-2.1%
opEBITA	144	140	3.2%	2.4%	-1.8%
opROSA	*13.9%*	*13.8%*			

Highlights

- **Turbo Services** up on Rotec acquisition. Slight organic decline, but outperforming a challenging market
- **Pumps Services and Spares** flat on lower recent new equipment sales
- Positive developments in **Electromechanical Services**
- **opROSA** essentially flat despite significant price pressure in Turbo Services
- **Acquisition of Rotec gas turbine services** closed on June 29, 2017. Integration successful, significant contribution to RES 2017 results. Strong platform in important Russian market

Order intake by product line



- **32%** Turbo Services
- **50%** Pumps Services & Spares
- **18%** Electromechanical Services

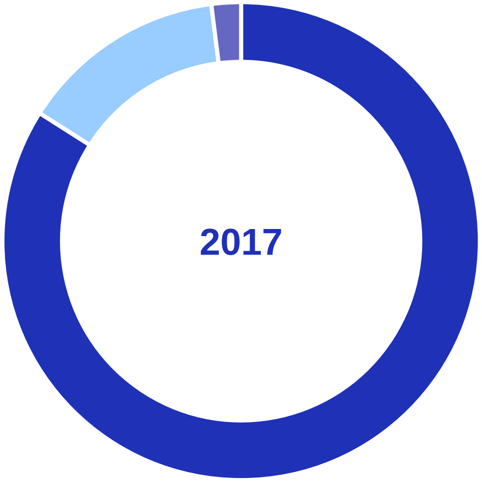
1. Since January 1, 2017, RES includes the pumps spare parts business
2. Adjusted for currency effects
3. Organic: adjusted for currency and acquisition effects

Chemtech
Strong recovery, impact of one-time charge

Key figures

In CHF millions	2017	2016[1]	YOY	adj.[2]	org.[3]
Order intake	502	472	6.4%	5.9%	5.1%
Sales	478	446	7.2%	7.0%	6.2%
opEBITA	25	18	38.9%	35.2%	39.7%
opROSA	*5.2%*	*4.0%*			

Order intake by market



84% Oil and Gas

14% CPI

2% Other

Highlights

- **Orders up** on continued recovery in O&G downstream and CPI segments, particularly in China
- **One-time CHF 10m charge** for discontinued activity within Tower Field Services
- **Strong profitability rebound** on additional volume and SFP impact.
- **opROSA 7.3%** before one-time charge.

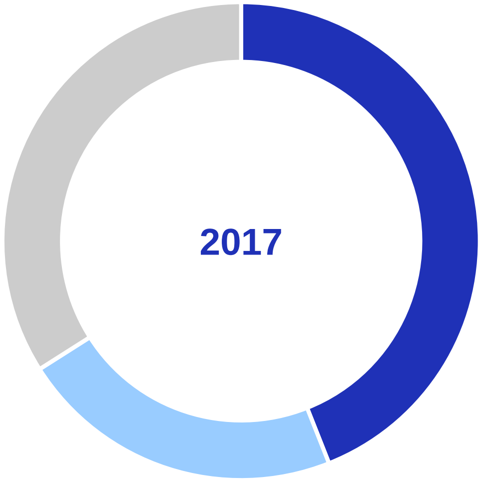
1. Since Jan 1, 2017 only Separation Technology and Tower Field Services; Sulzer Mixpac Systems (SMS) and Geka reported as new Applicator System division
2. Adjusted for currency effects
3. Organic: adjusted for currency and acquisition effects

Applicator Systems
Solid growth in all markets, ahead of plan

Key figures

In CHF millions	2017	2016[1]	YOY	adj.[1]	org.[2]
Order intake	426	273	56.4%	55.7%	6.0%
Sales	424	272	55.7%	54.9%	5.0%
opEBITA	87	64	35.4%	34.8%	10.3%
opROSA	*20.5%*	*23.6%*			

Order intake by market



44% Beauty

22% Dental

34% Industrial Adhesives & Other

Highlights

- Beauty, Dental and Industrial Adhesives all showing **solid organic growth**
- **OpROSA**
  - lower YoY due to Geka consolidation (since August 23, 2016)
  - lower in H2 vs. H1 on seasonality (Haag December shut-down) and sales mix
  - higher by 40bps in 2017 vs. 2016 pro forma
- **Transcodent** acquisition closed on Sept 29, rounds out dental portfolio
- Acquisitions performing well, only Cox behind plan, to be fixed in 2018

1. New division reported since January 1, 2017 including Sulzer Mixpac Systems, Geka and PC Cox
2. Adjusted for currency effects
3. Organic: adjusted for currency and acquisition effects

Market Review

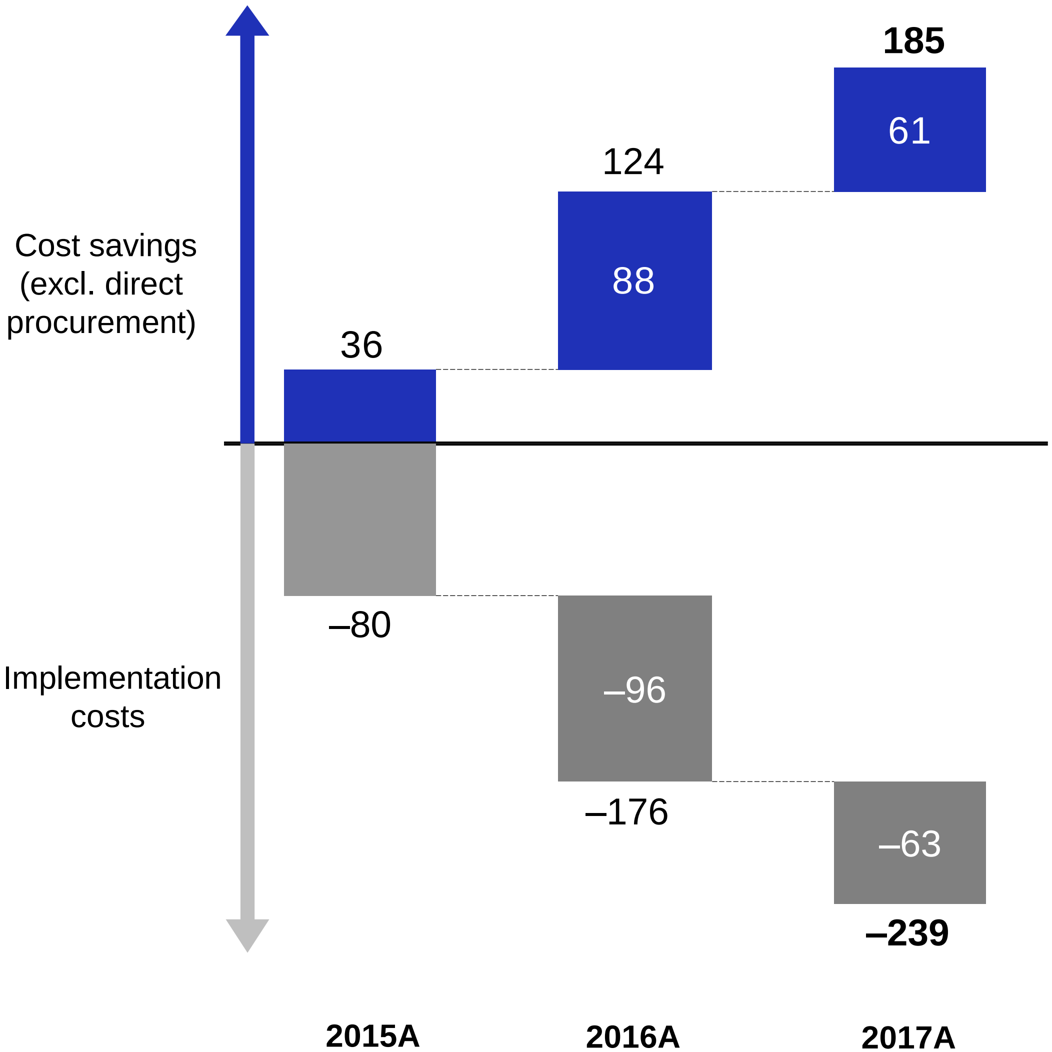
Update on SFP

Financial Review

Outlook

SFP
Ahead of target, ahead of schedule

(in CHF millions)



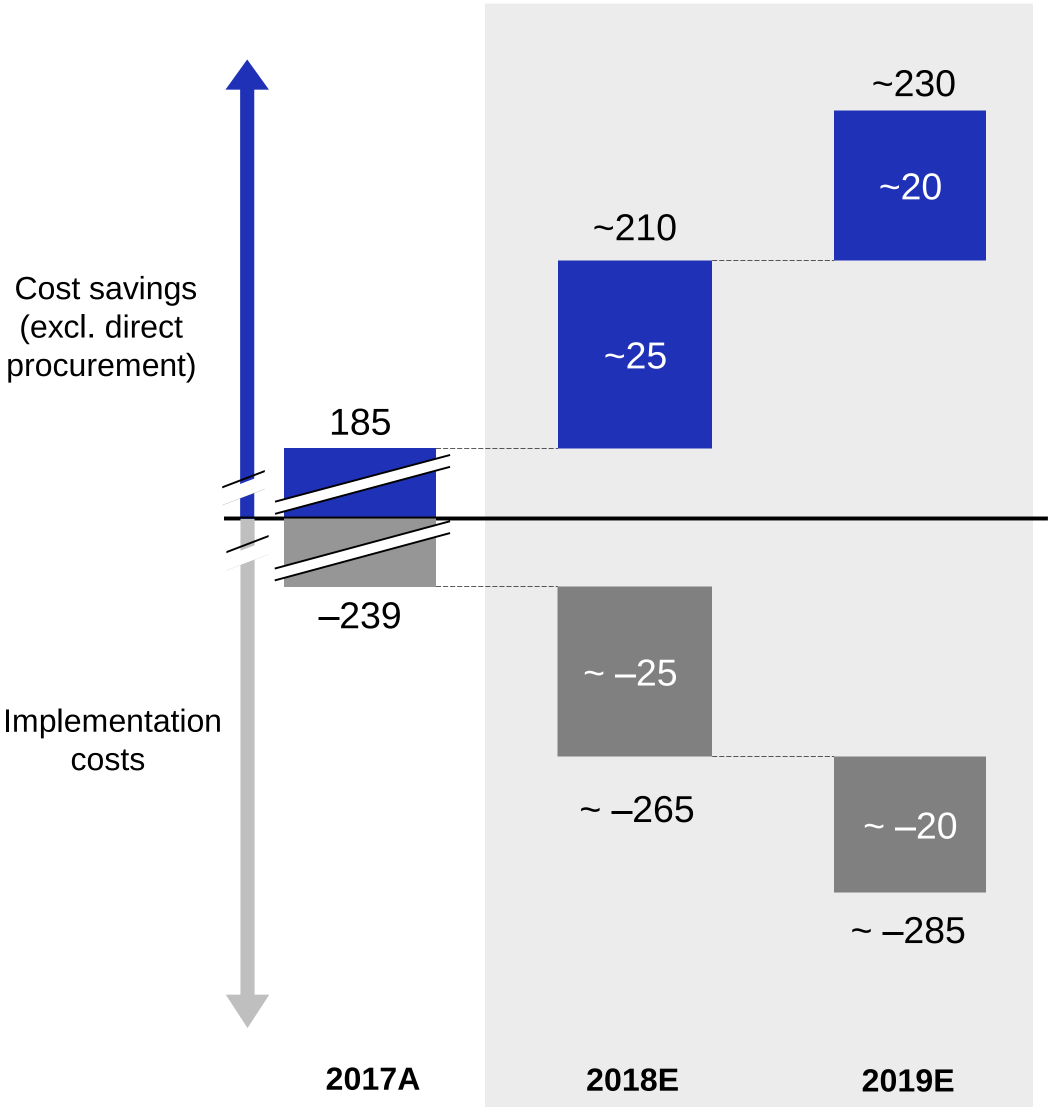
- CHF 185m P&L impact achieved to-date, ahead of previously communicated CHF ~160-180m range
- CHF 61m incremental savings delivered in 2017, ahead of previously communicated CHF 40-60m range
- Implemenation costs within ~1.2x savings envelope
- Additional opportunities leading to program extension

1. Gross savings, pre market impact

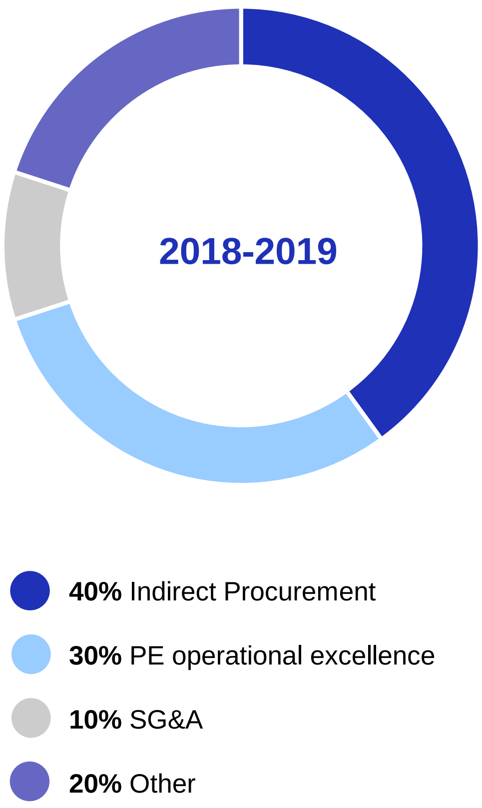
SFP

Program extended, savings target increased to CHF 230m

(in CHF millions)



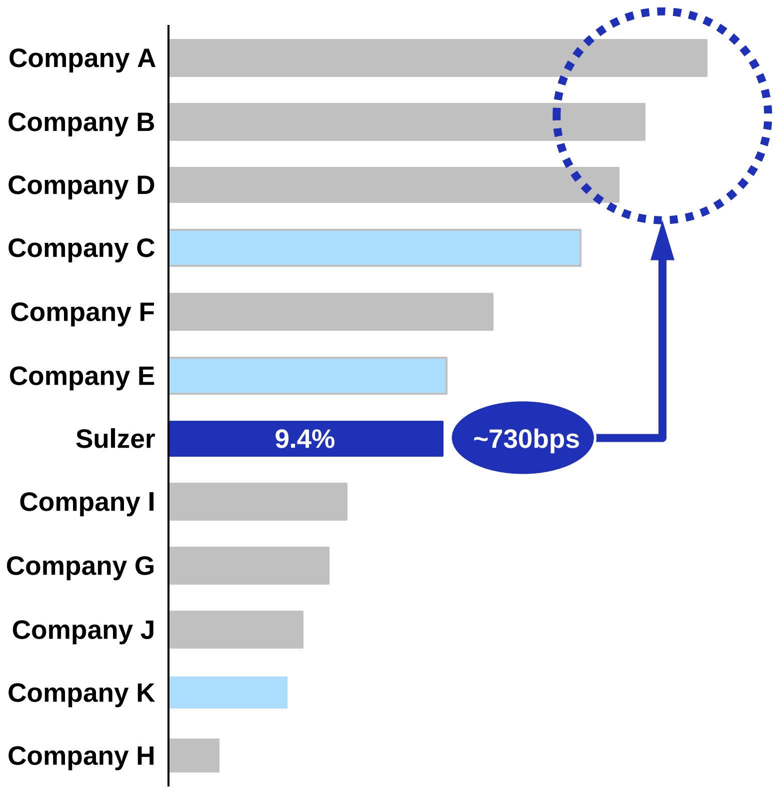
Additional savings



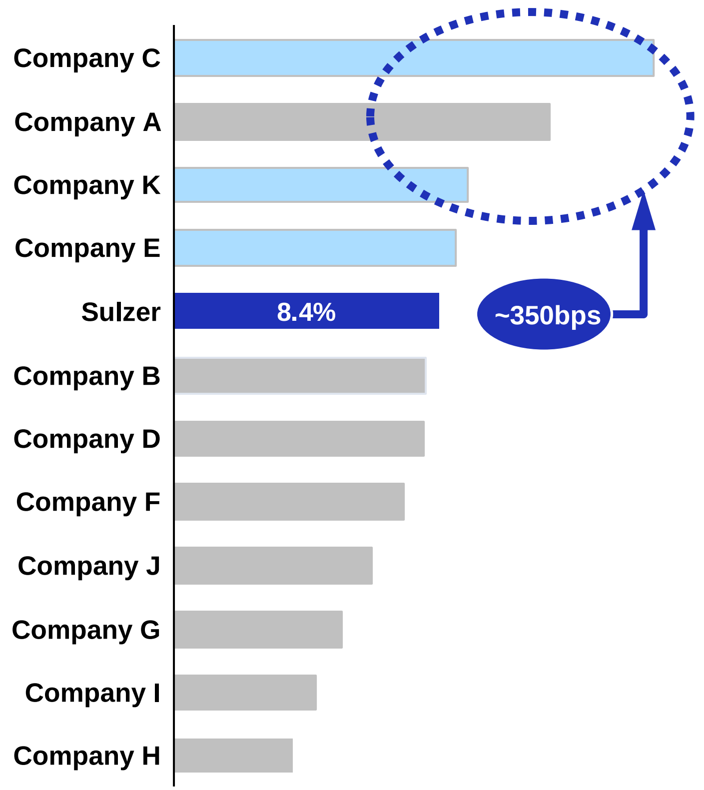
1. Gross savings, pre market impact

League Table
Profitability gap stabilized

2014 profitability comparison



Expected 2017 profitability[1]



Companies with no oil and gas exposure

1. Based on actual and Bloomberg consensus estimates as of February 1, 2018 and own calculations

SULZER

Market Review

Update on SFP

Financial Review

Outlook

Overview
Delivered on guidance despite continuing headwinds

Key figures

In CHF millions	2017	2016	YOY	adj.[1]	org.[2]
Order intake	3’156	2’798	12.8%	11.8%	2.2%
Order intake gross margin	*34.4%*	*34.0%*			
Order backlog (Dec 31)	1’598	1’439	10.7%		
Sales	3’049	2’877	6.0%	5.2%	–4.4%
opEBITA	255	239	6.9%	5.3%	–2.9%
opROSA %	*8.4%*	*8.3%*			
EBIT	137	115	18.4%		
ROS %	*4.5%*	*4.0%*			
Core net income	178	154	15.9%		
Core EPS (in CHF)	5.1	4.5			
Free cash flow	127	201	-36.4%		
FTEs (Dec 31)	14’732	14’005	5.2%		–0.8%

Commentary

- **Sales decreased** on lower opening backlog in 2017
- **opEBITA margin** impacted by CHF 10m one-time charge in Chemtech
- **EBIT increased** on lower SFP cost vs. savings, despite high base in 2016 (pension gain of CHF 35.4m)
- **Free cash flow** down due to strong 2016 performance and higher 2017 SFP cash-out

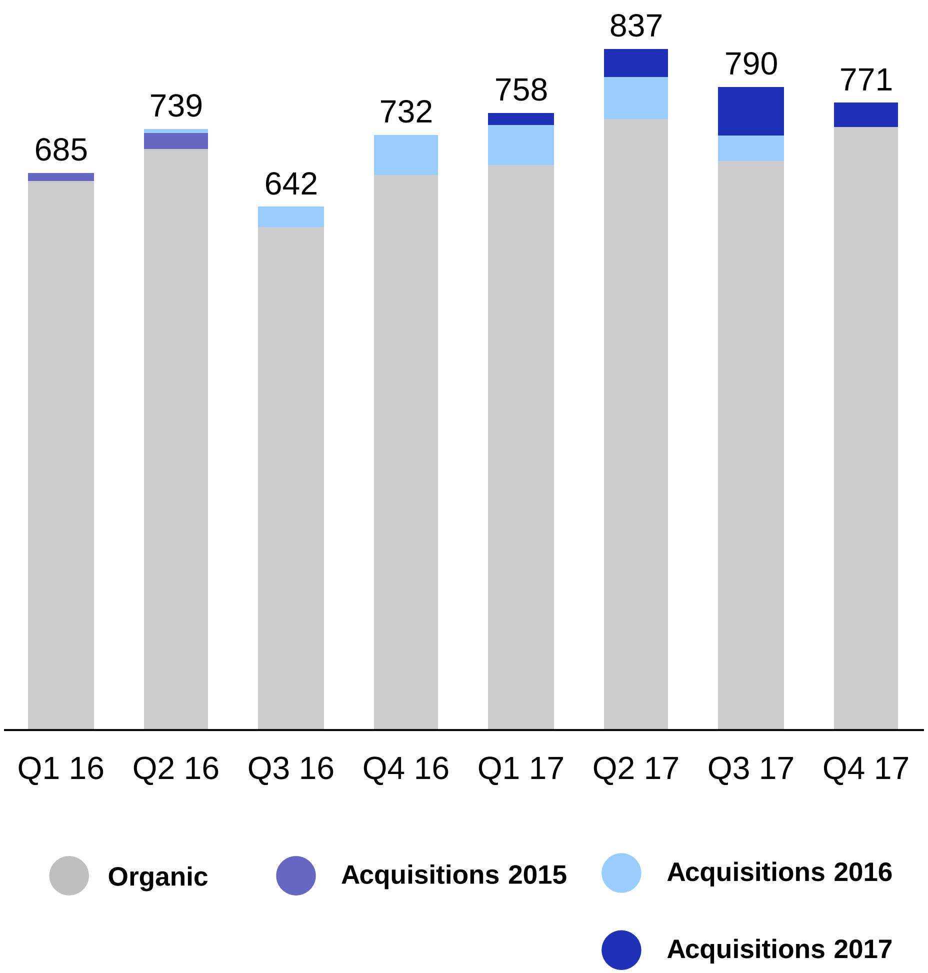
1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects

Quarterly order development

Q4 orders up 3%[1] YOY and down 2% organically

(in CHF millions)

Quarterly order intake



Commentary

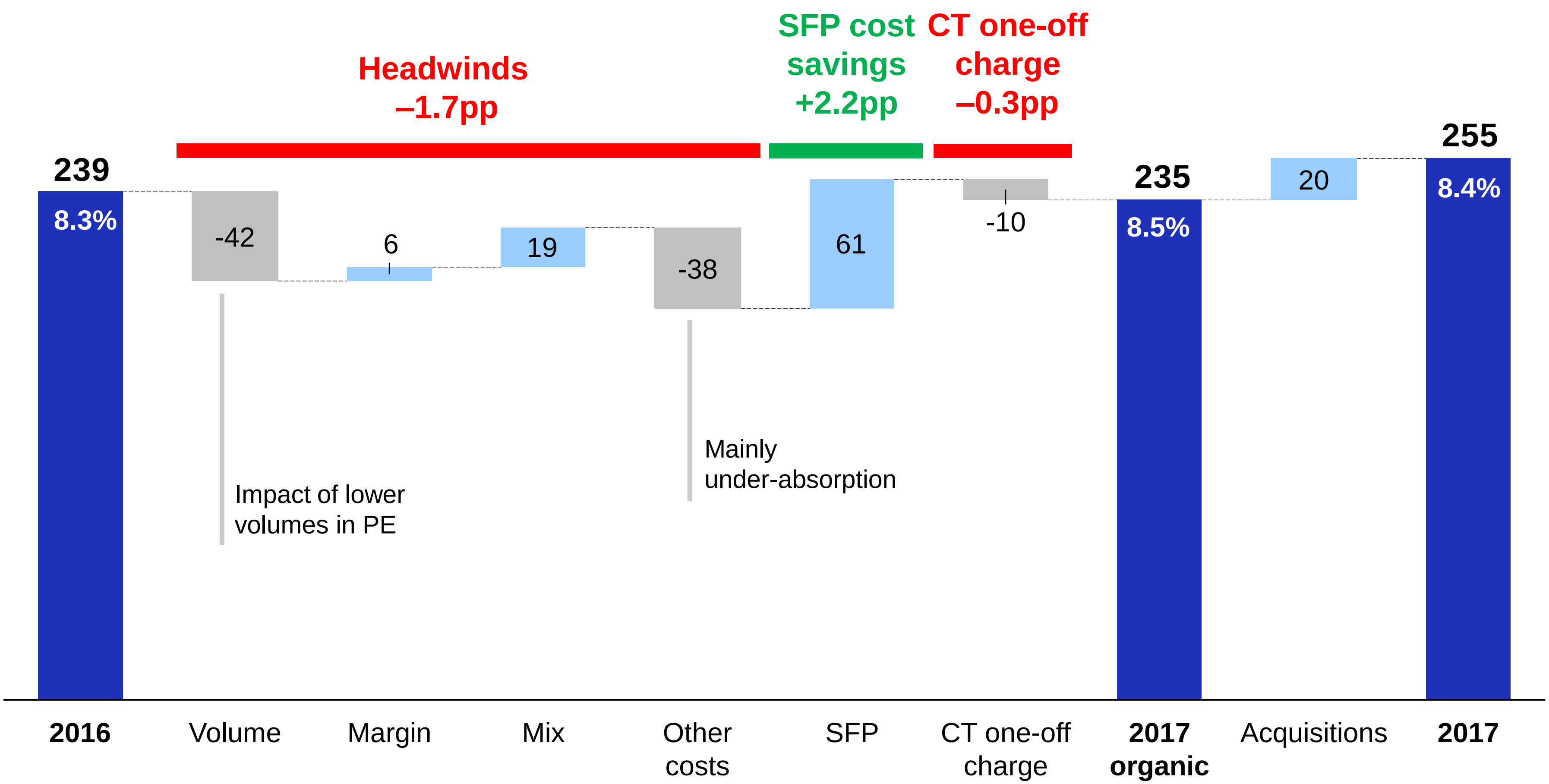
- Q4 YOY: +5% reported; +3% FX adjusted; –2% FX and acquisition adj.
- Drivers of Q4 order intake:
  - Relatively high base in Q4 2016
  - Slightly lower order volumes in O&G and Power in Pumps Equipment and Rotating Equipment Services
- FX impact in Q4 CHF +20m (CHF +27m for FY2017)
- Acquisition effect in Q4 CHF 30m (CHF 269m FY2017)

1. Adjusted for currency effects

OpEBITA / opROSA

SFP savings over-compensate for headwinds

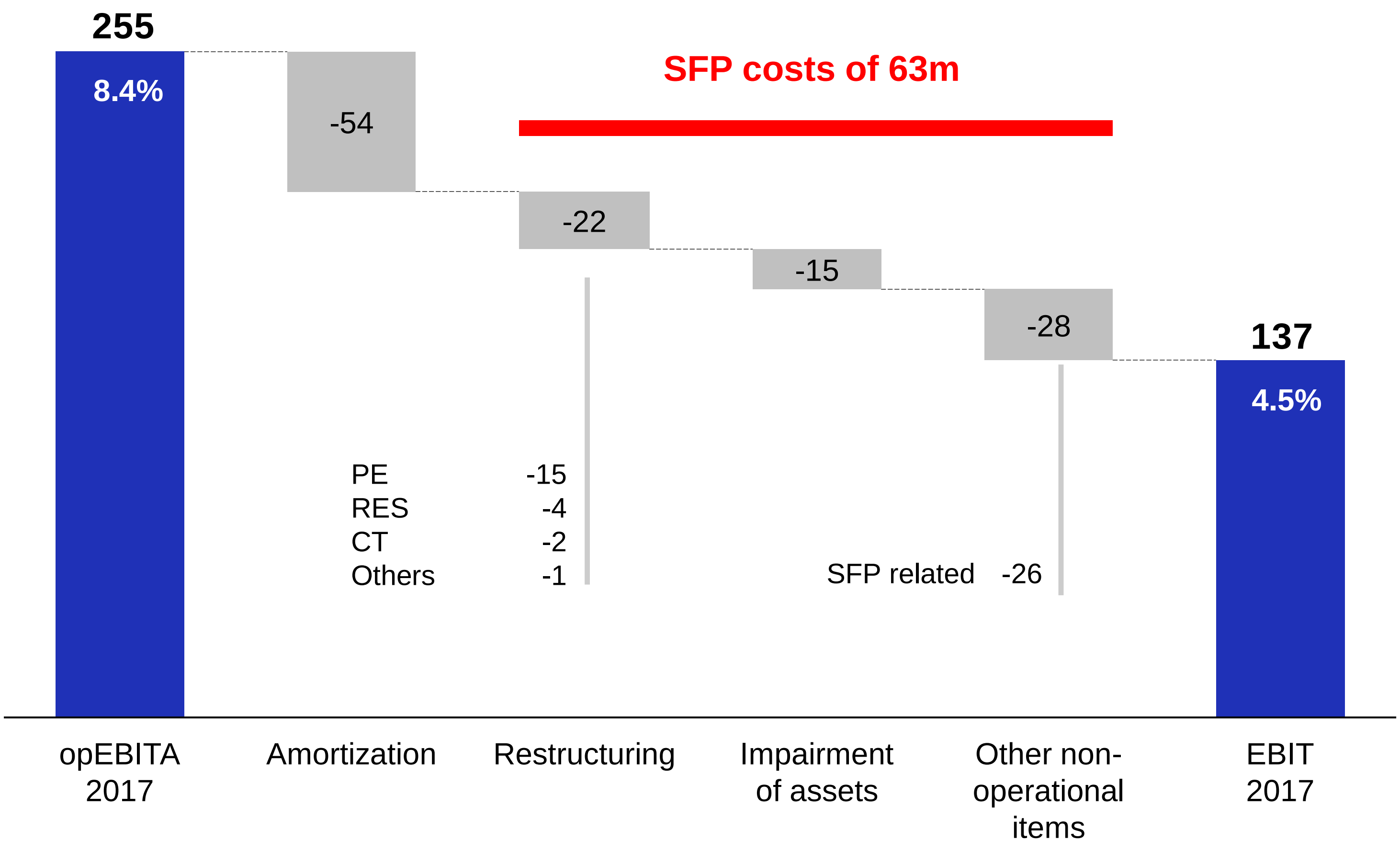
(in CHF millions)



opEBITA to EBIT
EBIT impacted by SFP costs of CHF 63m

(in CHF millions)

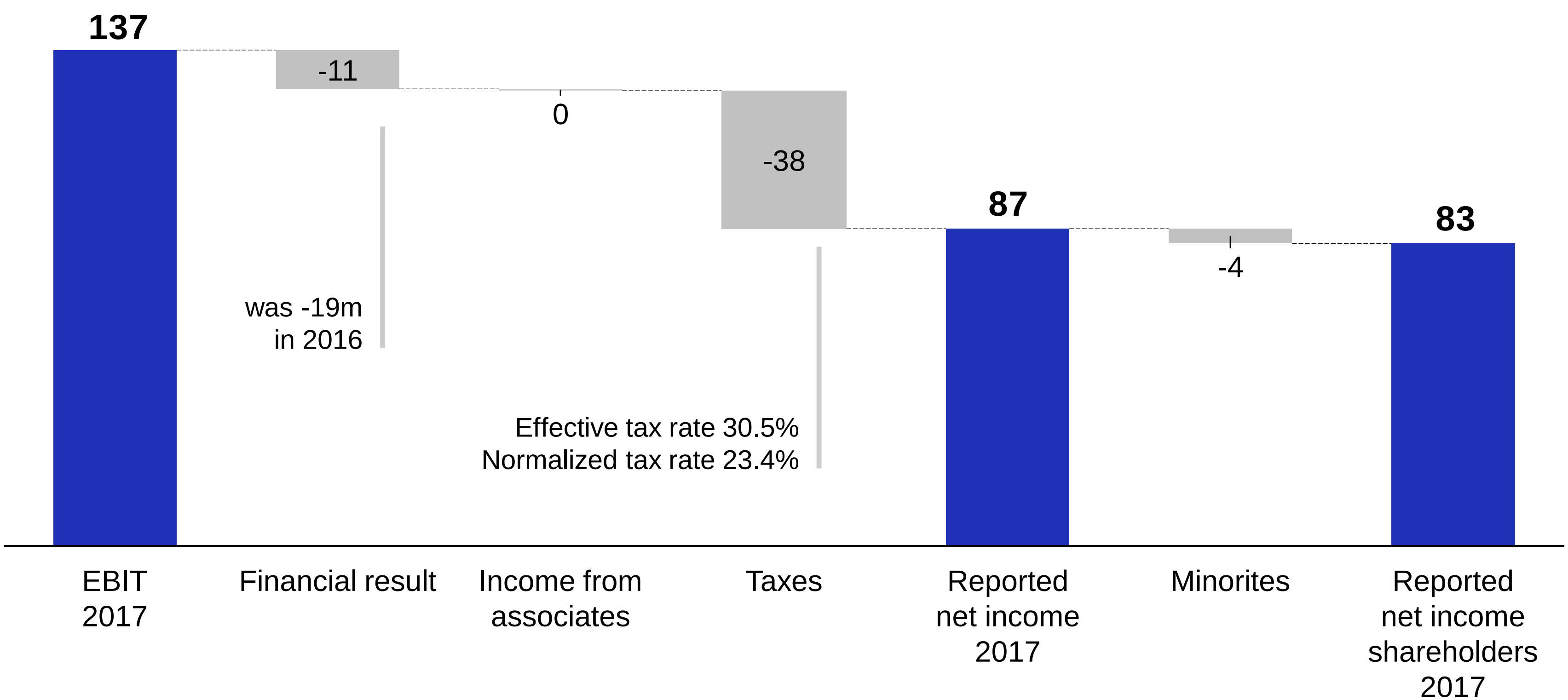
Operational EBITA to EBIT



EBIT to net income

Normalized tax rate 23.4% in 2017 versus 24.3% in 2016

(in CHF millions)



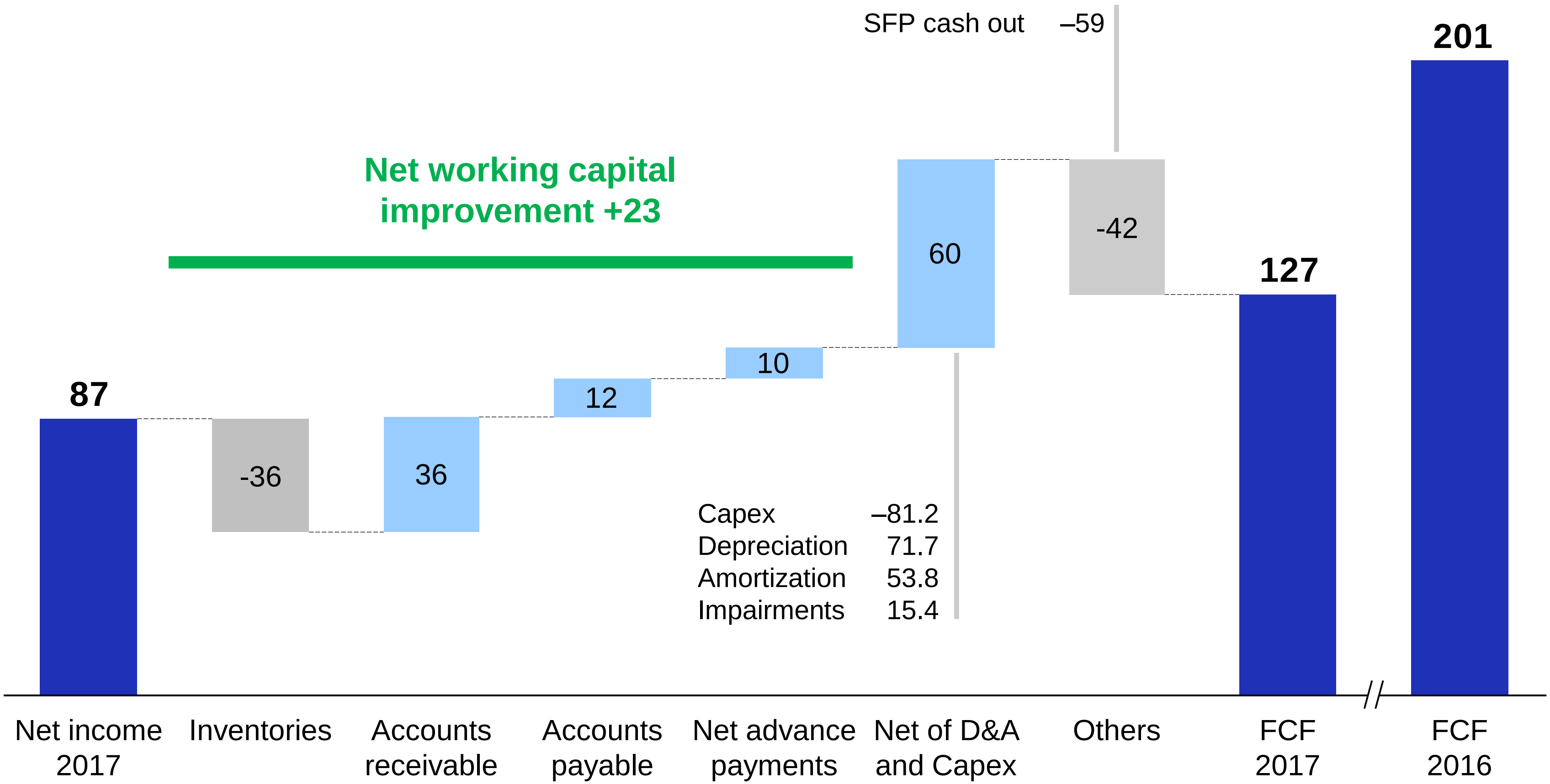
Core net income 178 (5.8% of sales vs. 5.3% in 2016)

Core net income shareholders 174

Free Cash Flow

Impacted by SFP cash outs and smaller NWC improvement

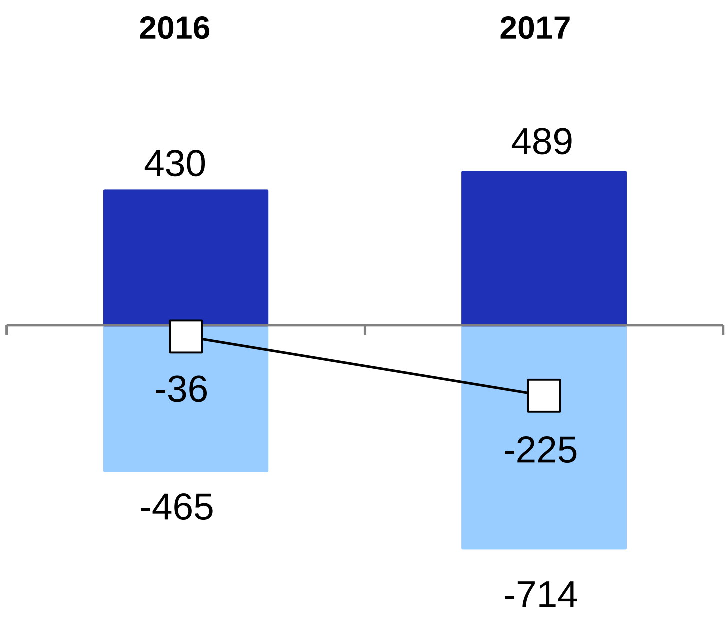
(in CHF millions)



Balance Sheet

Deploying balance sheet for bolt-on M&A

(in CHF millions)



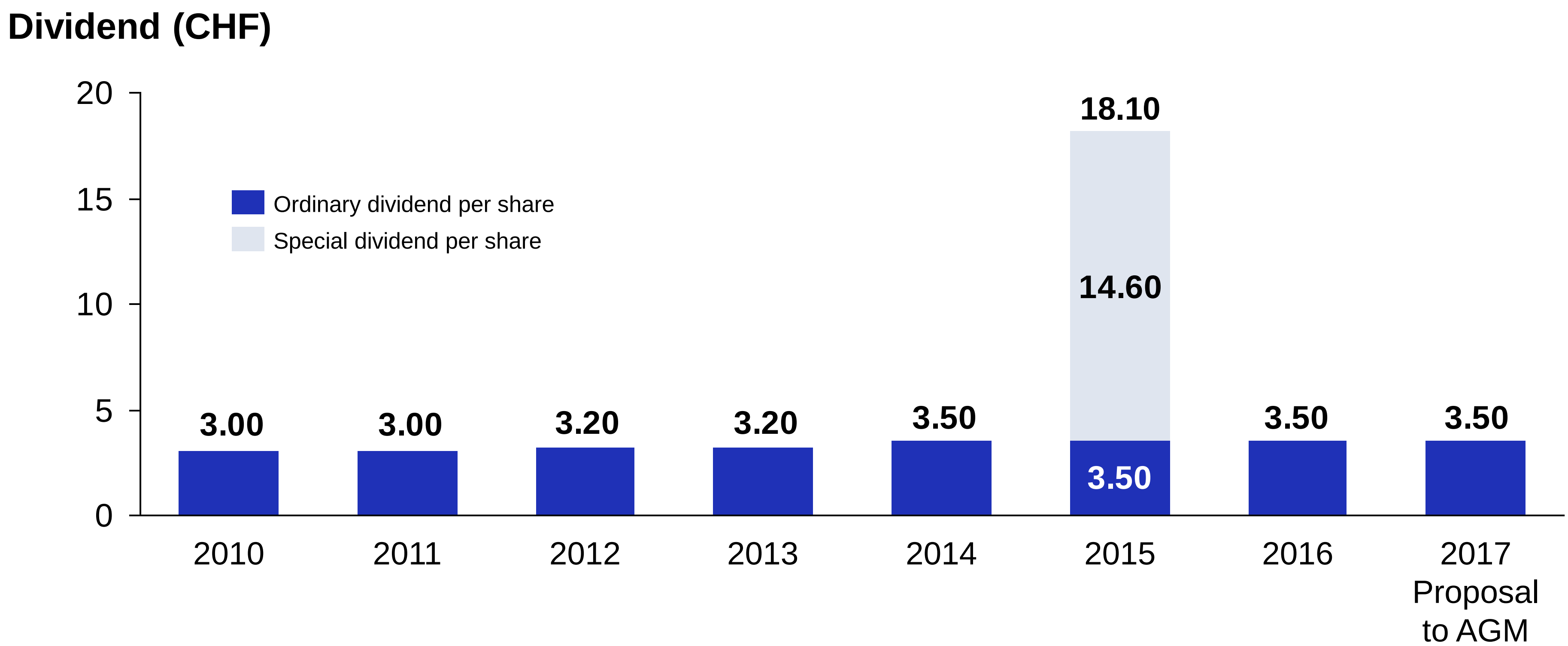
Net debt / EBITDA	0.1x	0.8x

Balance sheet December 2017:

- Total net debt of: CHF 225m
- FCF of CHF 127m (CHF 201m in 2016)
- Ordinary dividend payment of CHF 119m
- Acquisition payments of CHF 163m
- Net debt / EBITDA pro-forma 1.4x after JWC acquisition

Dividend

Unchanged ordinary dividend of CHF 3.50 proposed



Dividend yield[1]	**2.1%**	**3.0%**	**2.2%**	**2.2%**	**3.3%**	**3.7%**	**3.3%**	**3.0%**

1. Dividend yield = ordinary dividend per share / share price on Dec 31.

SULZER

Market Review

Update on SFP

Financial Review

Outlook

Market Outlook

GI 30%

- Solid growth in APS markets
- Continuing positive trend in Pulp & Paper

Water 11%

- Solid growth in Municipal Water
- Engineered Water projects remain lumpy

Power 16%

- Continuing price pressure in gas turbine service
- Fewer projects for power plants in China
- Nuclear active but lumpy

Oil & Gas 43% [1]

- Start of upstream rebound from trough
- Continuing recovery in downstream
- Few pipeline projects (midstream)

1. Includes 9% Upstream, 5% Midstream, 23% downstream and 6% Chemical Process Industry (CPI)

Financial guidance 2018 as of February 28

Order Intake[1]	**up 5% – 7%**
Sales[1]	**up 4% – 6%**
Operational ROSA[2] %	**around 9.5%**

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

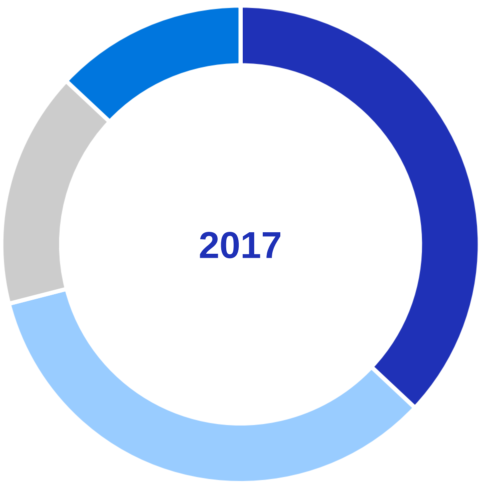
Summary

- 2017 results **in-line with guidance**
- Original **SFP** commitment to be **exceeded**
- SFP **extended** and total savings target **increased to CHF 230m**
- Markets back to growth in 2018 except Power
- Volume rebound and SFP savings stickiness driving **2018 profitability upswing**

Reconciliations and supplementary slides

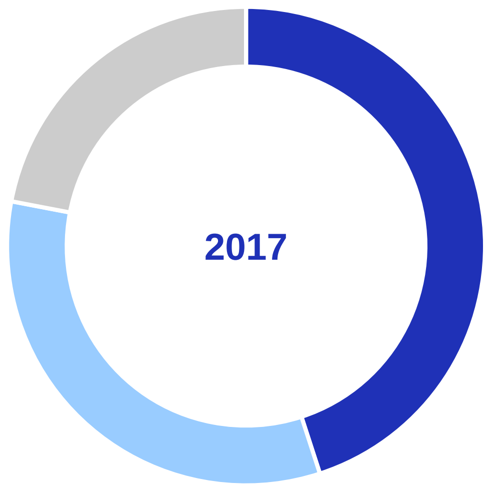
Order intake split 2017

Order intake by division



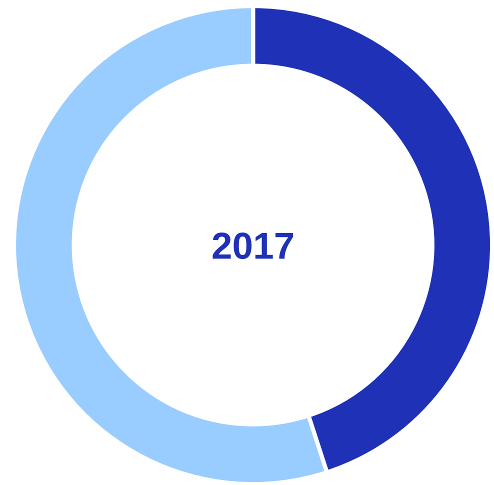
- **37%** Pumps Equipment
- **33%** Rotating Equipment Services
- **16%** Chemtech
- **14%** Applicator Systems

Order intake by region



- **45%** Europe, Middle East, Africa
- **33%** Americas
- **22%** Asia-Pacific

Order intake by type (excl APS)



- **45%** Equipment
- **55%** Aftermarket

OpEBITA to EBIT bridge for divisions 2017

In CHF millions	PE	RES	CT	APS	Other	Total
opEBITA	**-3.7**	**144.0**	**25.0**	**86.8**	**3.3**	**255.4**
as % of sales	*-0.3%*	*13.9%*	*5.2%*	*20.5%*	–	*8.4%*
Amortization	-23.2	-6.8	-5.6	-17.0	-1.2	-53.8
Impairments	-10.5	-2.3	-2.6	-0.0	-0.0	-15.4
Restructuring	-15.0	-3.8	-1.7	-0.3	-0.9	-21.7
Other non-operational items	-9.3	3.3	-4.1	-6.3	-11.6	-28.0
EBIT	**-61.7**	**134.4**	**11.0**	**63.2**	**-10.4**	**136.5**
as % of sales	*-5.5%*	*13.0%*	*2.3%*	*14.9%*	–	*4.5%*

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects

Acquisitions

SULZER

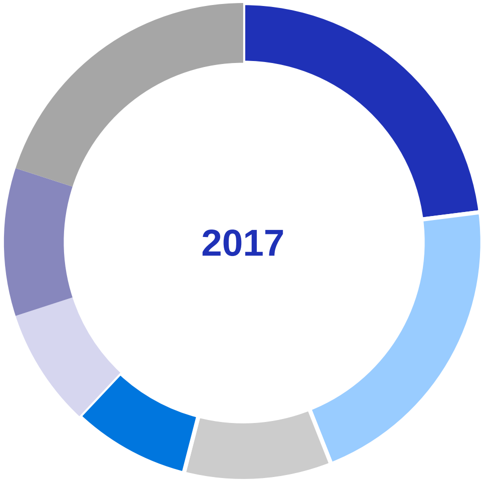
- Seven transactions since April 2016
- Acquired at reasonable multiples
- Total acquired sales of CHF ~435m

2016 2017 2018

(in CHF millions)	COX	GEKA	Ensival Moret	ROTEC GT	WÄRTSILÄ VIEC	transcodent	JWC Environmental
Sales[1]	20	160	120	35	mid single digit	19	81
EBITDA margin	~16%	~18%	break even	~20%	—	>30%	>20%
EV paid	22	280	85	28	4	75	212
EV/EBITDA	7x	9.6x	—	4x	—	<10x[2]	~10x[3]
Consolidated from	April 4 2016	Aug 23 2016	Feb 1 2017	June 30 2017	Feb 1 2017	Sept 29 2017	Jan 11 2018

1. Acquisition impact on sales in 2016: Cox 15m; Geka 63m;
   Acquisition impact on sales in 2017: Cox 6.9m; Geka 124m; Ensival Moret 100m; Rotec 37m; VIEC 3.3m; Transcodent 4.4m
2. Incl. synergies
3. Expected 2018 EBITDA; EV adjusted for tax asset of USD 25m

Currency exposure order intake 2017



23% USD

21% EUR

10% CNY

8% GBP

8% CHF

10% BRL, INR, RUB

20% Other

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects