

Pumps Equipment

César Montenegro, Division President | February 12, 2015

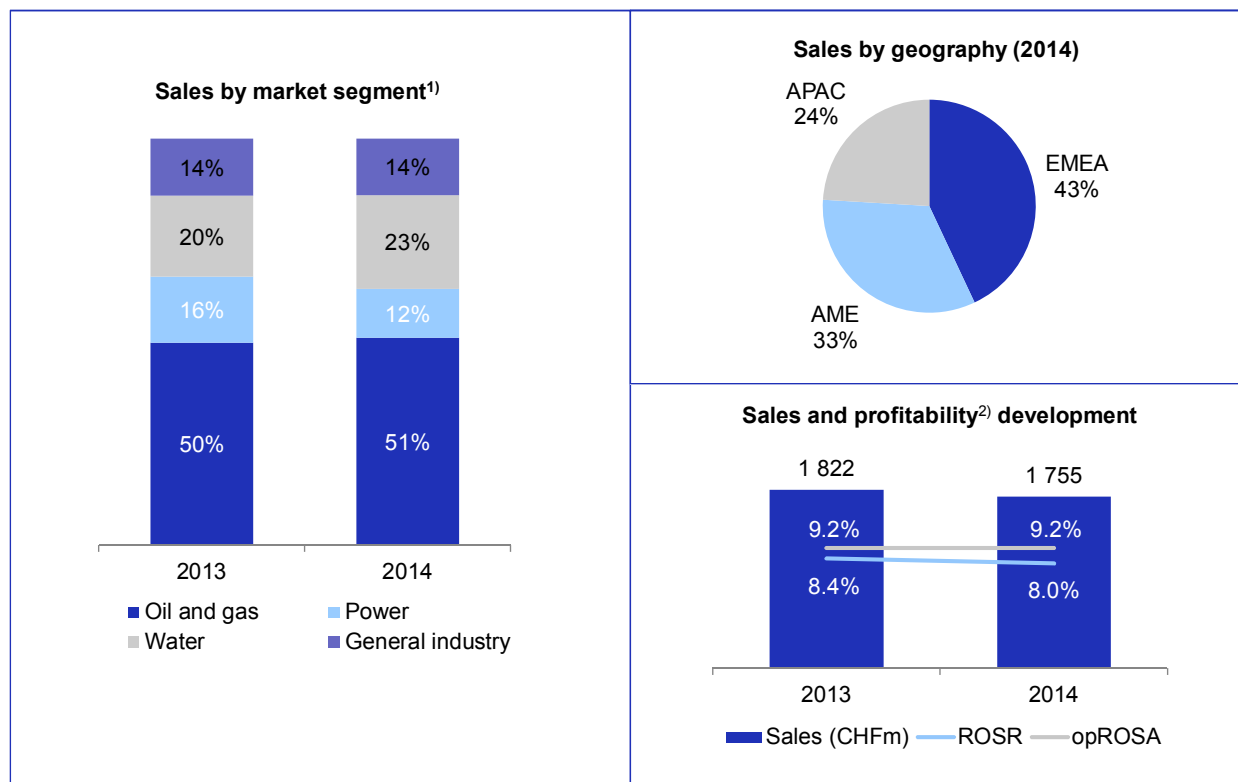


Agenda – Pumps Equipment

Sulzer Full Potential for PE

- Point of Departure
- Mission & Strategy
- Operational Excellence

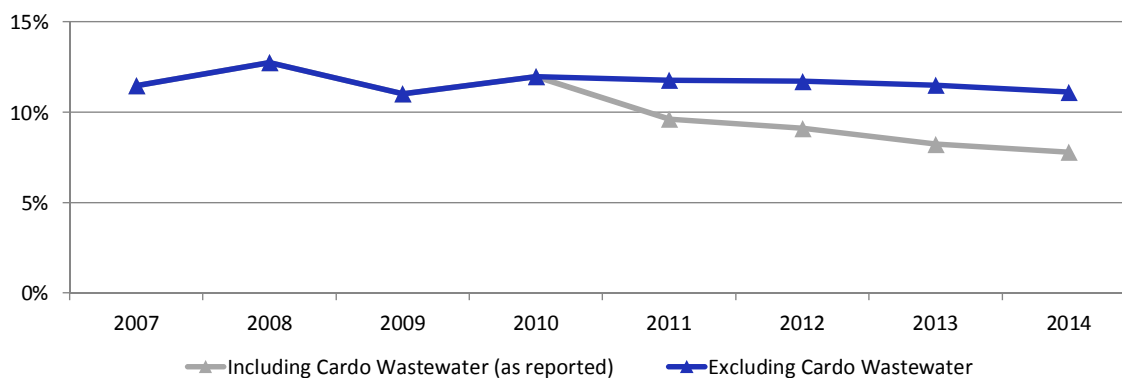
Summary



¹⁾ 2014: Pumps Equipment; 2013: Sulzer Pumps
²⁾ Before impairment on goodwill

Cardo Wastewater business has a significant dilutive effect on Pumps Equipment margins

Pumps Equipment EBIT margin (ROS)¹⁾



- Restructuring led to significant cost reductions, full savings will be visible 2015 onwards
- Main impact from production footprint consolidation (closure of 3 sites)
- Cardo Wastewater business to be profitable from 2015 onwards on opEBITA level

Note: Figures excluding Cardo Wastewater based on non-audited figures
¹⁾ 2007-2013 Sulzer Pumps; 2014 Pumps Equipment

Oil and gas market attractive in the long-term

Oil and Gas ➔ 51%

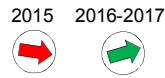
Upstream



~23%

- Decline in 2015-2016 due to decreasing oil price, recovery expected in 2017
- Depletion rate of conventional oil fields continues to drive investment
- FPSO activity to grow at slower pace
- Sub-sea to accelerate for brownfields
- China NOCs invest in assets outside China to meet future needs

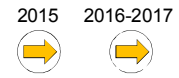
Midstream



~9%

- North America pipeline expansion peaked in 2013-2014, will slow in 2015 before recovering in 2016-2017
- Continued pipeline development with growth increasingly coming from outside of North America
- ME and APAC activity expected to be up in 2017

Downstream



~19%

- China, Russia, Brazil, India, and Middle East to continue investing in refinery and petrochemical expansions to meet their needs
- Clean fuels legislation to drive new investment in older refineries to meet stricter gasoline specifications

➔ Our market outlook

Sales share 2014

Growth opportunities in all other market segments

Power 12% Water 23% General Industry 14%



- 2-3% market growth in both coal and gas fired power as well as nuclear
- Growth expected in emerging countries where investment decisions have been delayed
- In developed countries demand is mainly driven by investments in renewable energy and replacement of older coal-based generation



- Municipal water market in EMEA and North America are now replacement markets with energy saving focus while Asia / South America continue to invest in new infrastructure
- Water shortage will continue to drive investment in desalination, main focus Middle East and SE Asia
- Construction dewatering activity is recovering in USA



- Funnel of large greenfield pulp mill projects proceeding
- Global metals demand continues weak – also in China
- Market outlook for fertilizers and chemical industry is positive

➔ Our market outlook

Sales share 2014

Strong market position in sizeable and fundamentally attractive markets

Our market position

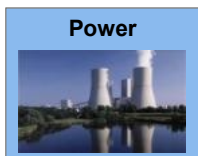


Oil and Gas

Pumps market: USD 3.5bn

- FPSO, LNG, oil sands, carbon capture storage, pipelines, oil production, sub-sea oil
- Strong market position based on customer relationships and technology leadership

- **#1** player in upstream and midstream
- **#2** player in downstream

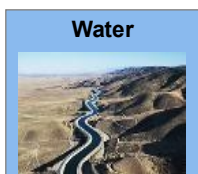


Power

Pumps market: USD 2.7bn

- Power stations, conventional, industrial and nuclear, pumped storage, geothermal, and solar power

- **#5** player in addressable market



Water

Pumps market: USD 13bn

- Municipal water and wastewater, industrial water and wastewater, water transport and production, dewatering, domestic and commercial, irrigation and flood control

- **#2** player in wastewater (market size CHF 4.5bn)



General Industry

Pumps market: USD 5.3bn

- Selected segments include pulp and paper, bioethanol, food, and zinc markets

- **#1** player in selected segments (e.g. pulp & paper, market size CHF 0.9bn)

Note: market sizes are new business only

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Summary

Mission and growth drivers for Pumps Equipment







Sulzer PE mission

Global leadership in pumping solutions and profitable growth with the right portfolio

Transform organization and portfolio	Improve and streamline quality and efficiency	Be the first choice of our customers
<ul style="list-style-type: none"> Market focused front end Regional parts organization Global operations Optimized product portfolio 	<ul style="list-style-type: none"> Optimized utilization of manufacturing assets Best practices and technology transfers Common standards and high quality levels 	<ul style="list-style-type: none"> Replicate successful applications to new geographies Joint R&D and product development with our customers Global presence and local support in spare parts

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Key strategic growth focus areas

		O&G BU	Power BU	Water BU	PRN
Growth focus areas	 FPSO / downstream business growth	✓			✓
	 PRN sales force efficiency improvement	✓	✓		✓
	 Oil and gas, and power business growth in APAC	✓	✓		✓
	 CEP and CWP product market share globally for fossil		✓		✓
	 Combined cycle power USA market driven by shale gas		✓		✓
	 Municipal clean water growth			✓	

FPSO= Floating Production Storage and Offloading
 PRN= Parts, Retrofits, and Nuclear Services
 CEP= Condensate extraction pump
 CWP= Cooling water pump

Geographic Expansion



Acquisition of 75% share of Saudi Pump Factory

- First full API pump manufacturing facility in Saudi Arabia for a global pump manufacturer
- Sulzer to become local pump manufacturer and service provider close to Saudi Aramco and Sabc

Technology Transfer



Large complex order executed in Suzhou facility

- Large complex order of six pump packages for 700MW ultra-supercritical power plant boiler feed water pumps for Chinese customer
- Operational excellence and contract execution capabilities enabled delivery on time and to specification

Product Innovation

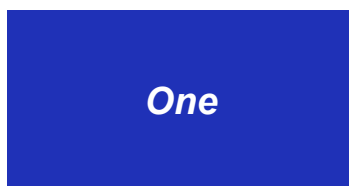


Seals and hygienic injection pumps

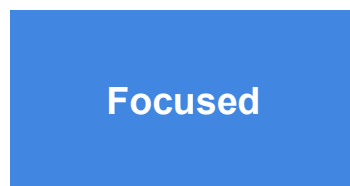
- Sulzer now provides in-house designed and manufactured seals for its process pumps
- Sulzer and Wetend Technologies are launching an innovative hygienic injection pump series with several patent-pending features

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PE execution delivers Sulzer vision



- One global operations organization
- One common global procurement organization
- Common regional structure between PRN and RES



- Optimized workload through global manufacturing network
- Category driven procurement setup
- Common KPIs shared with RES



- New BU organization enhances customer intimacy
- Parts organization close to the customer
- Joint R&D and product development with our customers

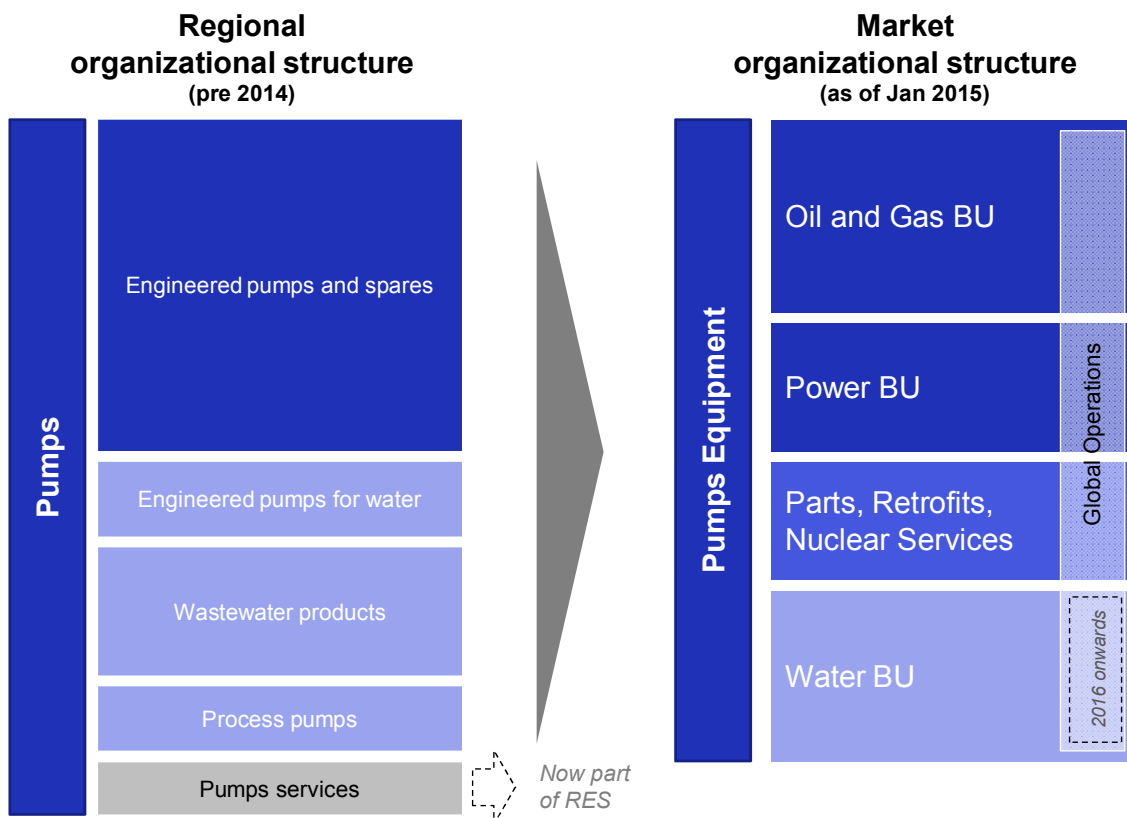
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Summary

Pumps Equipment’s new organizational setup to better support the needs of our customers



Sulzer Full Potential: Productivity improvement, global footprint, and complexity reduction



Fulfillment Excellence



Globally enhance engineering, production, supply chain execution



Strengthen quality assurance and improvement processes



Achieve planning accuracy and state of the art project execution

Site Productivity



Establish global Sulzer Production System



Optimize shop floor operations



Enhance engineering capabilities and streamline indirect functions

Footprint



Establish global engineering and manufacturing network



Specialize engineering and manufacturing sites



Globally optimize footprint to best serve market requirements

Product complexity reduction

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Moving from a regional to a global setup to achieve better utilization and to increase operational excellence

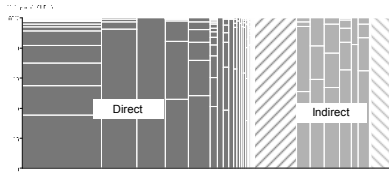


● PE manufacturing unit 10

○ Water BU manufacturing unit 8

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Spend Transparency



- Drill down into **addressable spend** (direct and indirect)
- **Optimize category by category**

Category Targets

Category Level 1	Sub-category (Level 2)	Sub-sub-category (Level 3)	Number of Initiatives
Outfitting and Outfitting Accessories	-	Engineered Seals	5
	Seals	Standard Seals	4
	-	Clutching	10
	-	Hardware	5
Manufacturing Components and Supplies	-	Seatings and Bushings and Wrenches and Gaskets	6
	-	Seatings, Wrenches, Gaskets, etc.	5
	-	Washings	6
	-	Others	-
	-	Power Sources	5
Power Generation and Distribution Machinery and Accessories	Power Sources	All (incl. Turbines)	5
	Others	Turbines	-
Structures and Building and Construction and Manufacturing Components and Supplies	Structures and Building and Construction	Sheet, Pipe and Coil	11
	Manufacturing Components and Supplies	Composites	6
Distribution and Logistics Systems and Components and Accessories	-	Other	-
	-	Industrial Pumps and Compressors	-
	-	Industrial Pumps, Filings and Flanges	4
Distribution and Logistics Systems and Components and Accessories	-	Pipe, Flanges and Pipe Flanges	5
	-	Pipe, Lamination Filings	4
-	Others	-	

- Detail the already defined **~130 initiatives**
- **Review** and align initiatives and **prioritization**
- Setup integrated **savings program**

Shift from distributed / transactional procurement to global / strategic

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Pumps Equipment summary

- Strong position in **attractive markets with solid fundamentals**
- Global operations and procurement to generate **tangible savings benefits**
- Applications that can be leveraged to **expand into new geographies**
- **Technology leadership** and strong **engineering capabilities**

Global leader for pumping solutions to selected markets providing customers with competitive and innovative products that set industry standards



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