H1 2020 results

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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.

Note on Alternative Performance Measures (APM):
All bridges from APM to reported figures can be found in the financial section of Sulzer's annual report 2019

Business Review

SULZER

H1 2020 highlights

- Orders up 1.7% YoY (-0.6% organic), record backlog of close to CHF 2bn
- Sales down 3.9% YoY (-5.5% organic) on lockdowns / supply chain
- Operational profitability[1] 7.5%, -160bps YoY, 80% from APS lockdown impact
- Dental and beauty outlets reopened, APS demand rebound has started
- PE and RES outperformed during Energy market correction
- FCF 37m, 45m up YoY, highest for H1 since 2014 on good cash collection
- OPEX 60m squeeze on track, 21m delivered in Q2
- 70m structural savings in Energy-related activities initiated, 50m uplift in 2021, full effect in 2022. One-off costs 80m, of which 53m booked in H1
- High FX translation impact on strong CHF

1. Operational EBITA as % of sales

COVID-19 impact on Sulzer

Employee safety achieved while maintaining business operations

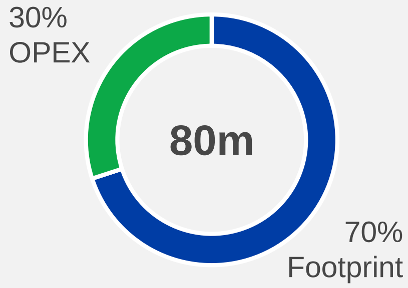
- **Keeping everyone safe always our first priority**
  - ❑ Currently 36 confirmed COVID-19 cases, mostly in US and Mexico
  - ❑ All Sulzer sites are operating although India only at half capacity
  - ❑ Supply chain still bumpy but Sulzer agility helping rebalance
- **Cost actions launched in March delivering tangible results**
  - ❑ 21m of 60m announced FY20 OPEX squeeze achieved in Q2
  - ❑ In equal parts hiring freeze, travel stop and compensation & vacation
- **Different end-markets impacted in different ways**
  - ❑ Aftermarket and Water going strong
  - ❑ O&G dropped 25% in Q2 (big geographical disparities), will stay depressed through 2021
  - ❑ Chemicals holding up (booming in China) although larger projects drifting
  - ❑ Short-cycle “human interaction” markets (e.g. dental, beauty) essentially stopped, now rebounding

Structural savings plan well underway

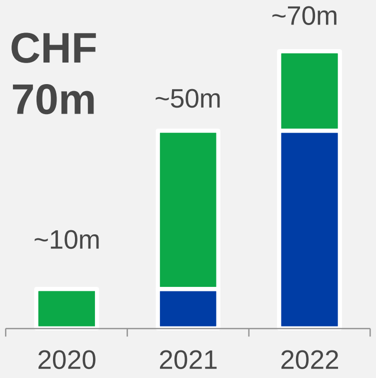
CHF 70m savings in Energy-related activities, to be delivered mostly in 2021

Cost

In CHF millions	2020
PE	32
RES	9
CT	9
H1	**53**
H2	27
Total Implementation Cost	**80**



Savings



Already announced / under discussion with social partners

- Closure of a PE Energy factory in Europe
- Resizing of a PE Energy factory in the USA
- Closure of a CT factory in the USA
- Closure of a RES Turbo Service facility in Europe
- Resizing of Corporate and Divisions overheads
- Other local actions

All remaining actions announced and launched by September

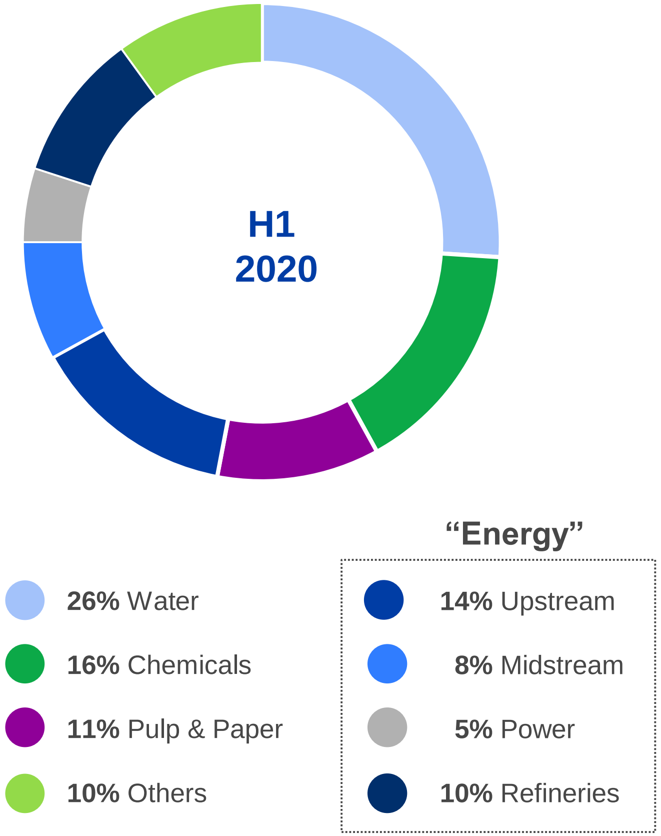
Pumps Equipment

Water outperformed, Industry 4% down but record profitability, Energy resilient

Key figures

In CHF millions	H1 20	H1 19	YOY	adj.[1]	org.[2]
Order intake	**744**	753	–1.1%	6.0%	7.3%
Sales	**617**	690	–10.7%	-4.4%	-3.1%
opEBITA	**19**	20	–3.8%	–4.5%	6.3%
operational profitability[3]	***3.1%***	*2.9%*			
Restructuring	–29	–1			
EBIT	–27	–0			

Order intake by market



Highlights

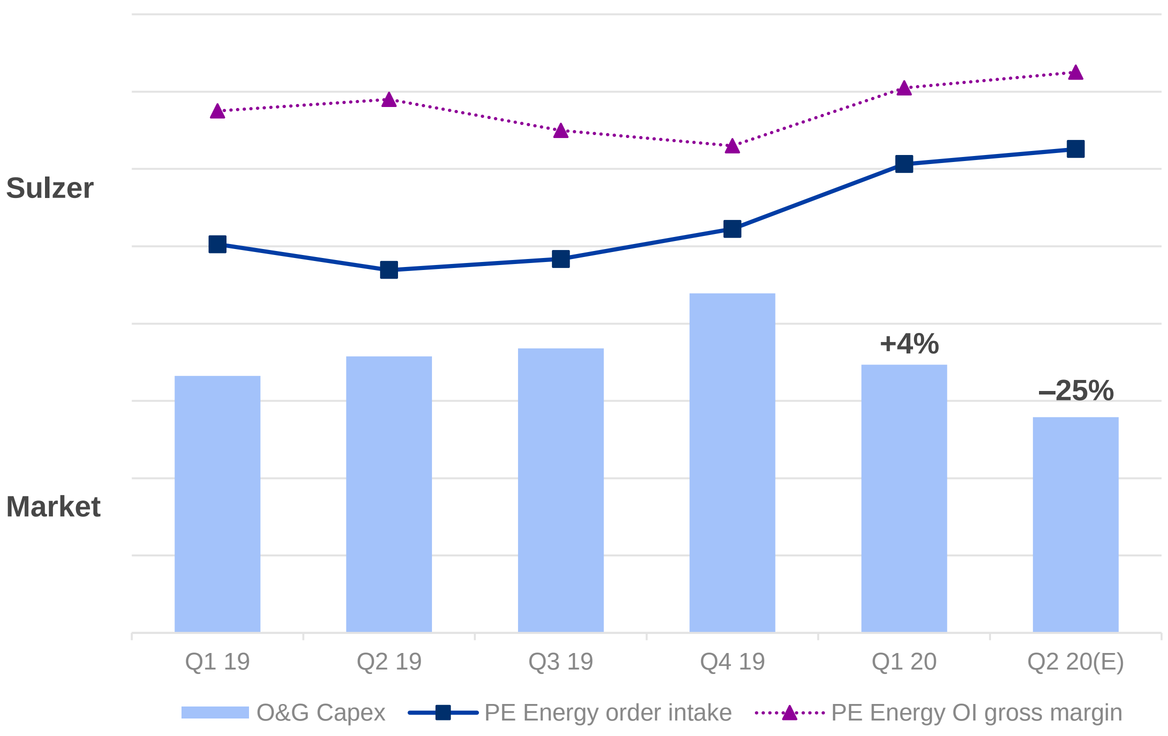
- **Orders:**
  - **Municipal and Wastewater** up 2.5% organically
  - **Chemicals** up 27% on continued market momentum
  - **Energy** up 34% on geographical exposure despite market 25% down in Q2
- **Sales** lower on lockdowns and supply chain challenges
- **Op. Profitability**: up 20 bps despite unfavorable mix and lower volumes

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. opEBITA as % of sales

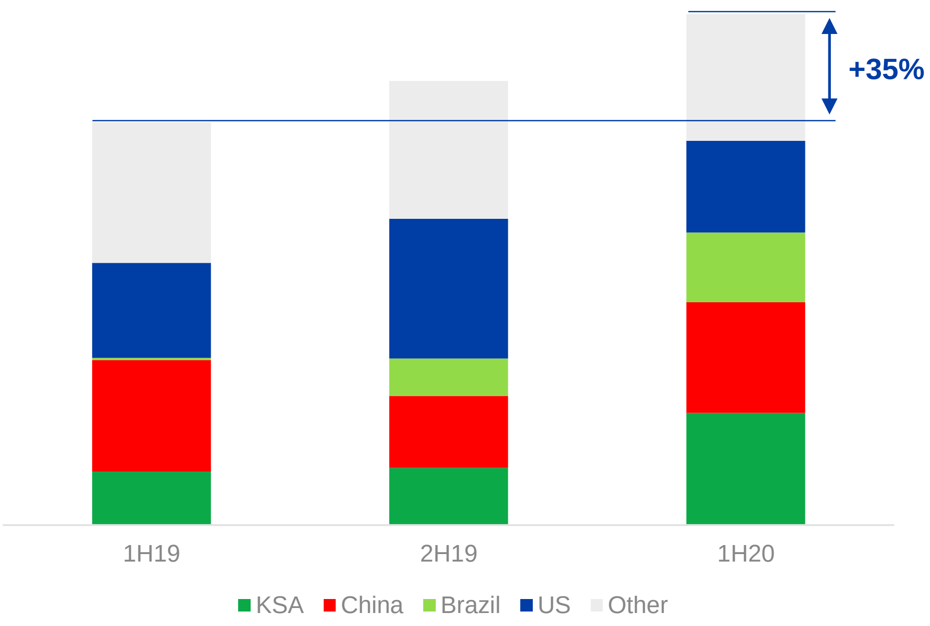
Pumps Equipment Energy BU vs. Market

Orders and gross margin up on favorable geographies despite steep market drop

Market Capex[1] vs. PE Energy Orders and Margin



PE Energy Orders by Geography



1. O&G Capex: actual figures and estimates summed for RDS, BP, Total, Eni, Chevron, Exxon Mobil and Aramco

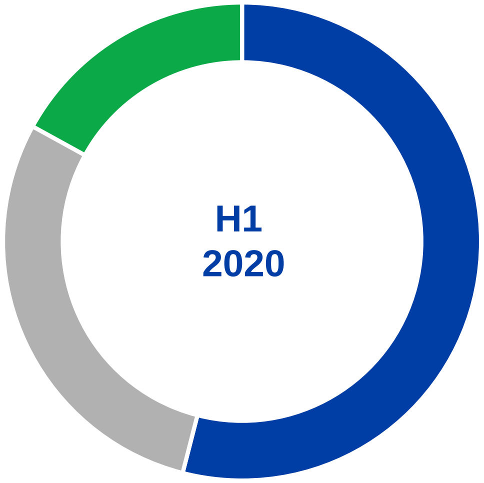
Rotating Equipment Services

Jump in orders, unchanged sales and profitability despite pandemic disruptions

Key figures

In CHF millions	H1 20	H1 19	YOY	adj.[1]	org.[2]
Order intake	**617**	602	2.5%	10.2%	6.3%
Sales	**528**	561	–5.9%	1.3%	–1.2%
opEBITA	**64**	68	–5.7%	3.8%	1.0%
operational profitability[3]	***12.1%***	*12.1%*			
Restructuring	–8	–0			
EBIT	51	64			

Order intake by product line



- **54%** Pumps Services
- **29%** Turbo Services
- **17%** Electromechanical Services

Highlights

- **All product lines up** YoY, all regions performing well
- Declared essential service provider by national governments during lockdowns
- **More agile** than OEM competitors in Turbo Services and EMS
- **Op. Profitability resilient**, in line with previous years and last downturn
- **Optimizing cost base** through selective footprint measures

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. opEBITA as % of sales

Chemtech

Chemicals growth and big China rebound mitigating India shutdown and FIDs shift

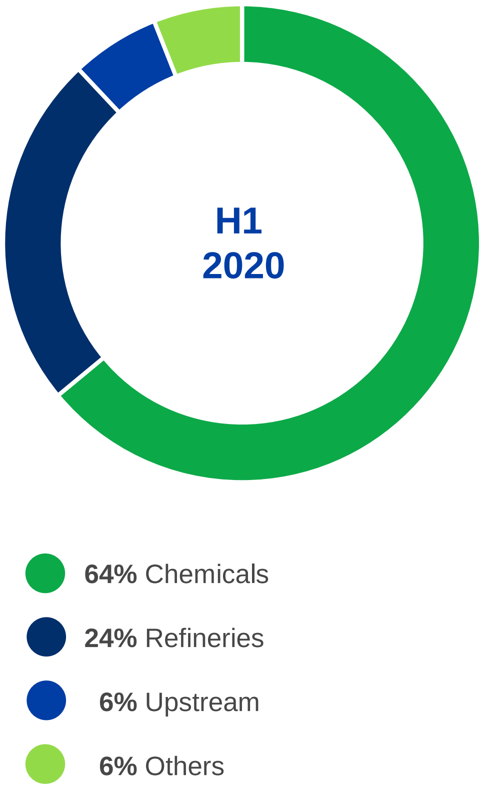
Key figures

In CHF millions	H1 20	H1 19	YOY	adj.[1]	org.[2]
Order intake	**319**	350	–8.8%	–3.2%	–12.0%
Sales	**288**	304	–5.3%	0.2%	–7.7%
opEBITA	**23**	27	–15.8%	–9.6%	–22.3%
operational profitability[3]	***8.0%***	*9.0%*			
Restructuring	–3	–0			
EBIT	11	24			

Highlights

- Lower order intake and sales due to **lockdowns particularly in India**, shift of large projects and a high H1 19 base
- **Growth in Chemicals**, decline in Refineries and Upstream
- **Strong rebound continuing in China**, Q2 25% up sequentially
- Acquisition impact 30m related to GTC 20m and internal business transfer 10m

Order intake by market



1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. opEBITA as % of sales

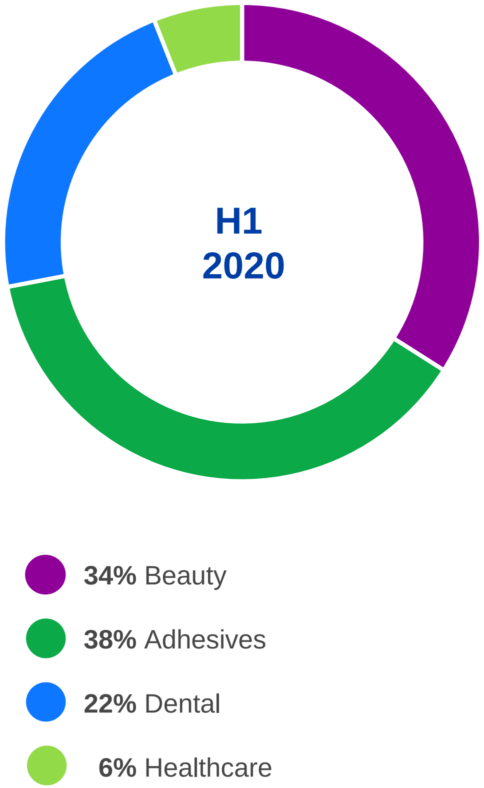
Applicator Systems

Q2 market pause on customer lockdowns, pricing intact, rebound underway

Key figures

In CHF millions	H1 20	H1 19	YOY	adj.[1]	org.[2]
Order intake	**160**	228	–29.9%	–27.3%	–27.3%
Sales	**166**	218	–23.9%	–21.0%	–21.0%
opEBITA	**20**	47	–58.7%	–58.3%	–58.3%
operational profitability[3]	***11.8%***	*21.7%*			
Restructuring	–1	–14.4			
EBIT	9	15.9			

Order intake by market



Highlights

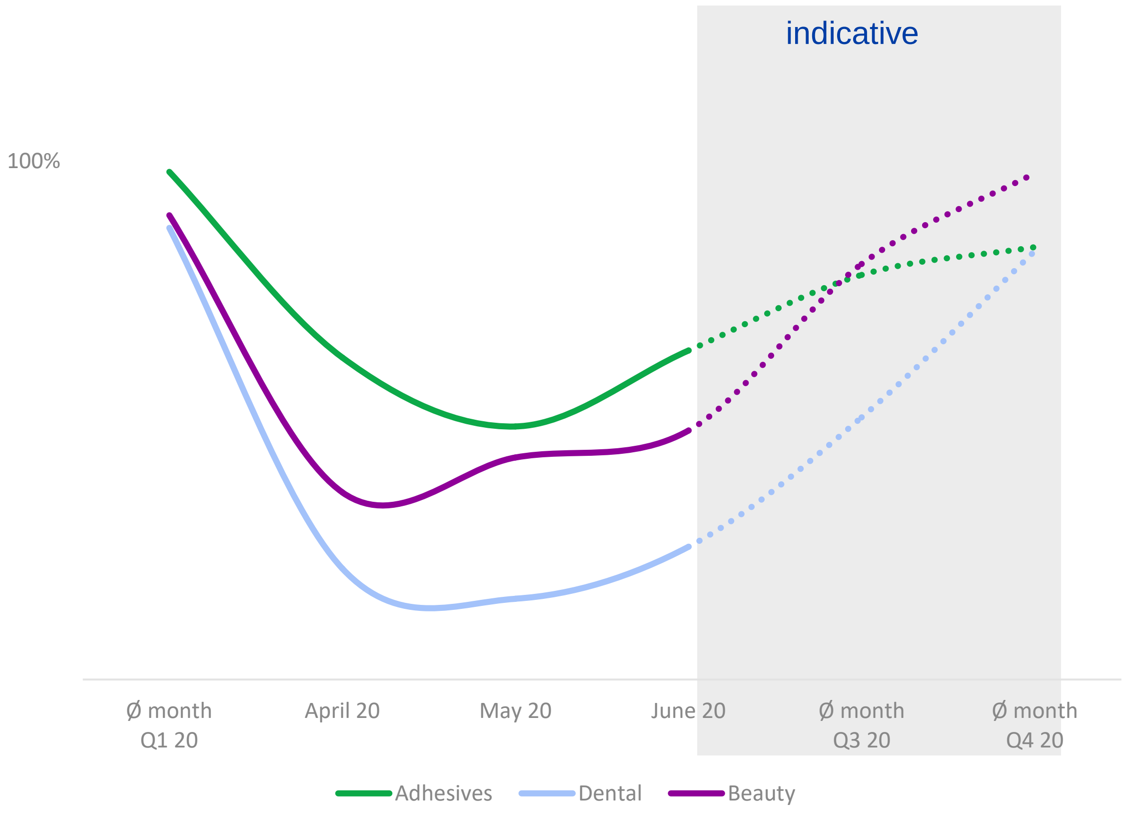
- Q2 collapse in demand amid **closures of beauty retailers and dental offices**
- **Pricing not impacted** as no elasticity against lockdowns, gross margin on orders stable
- **June rebound in all segments**, will accelerate after summer
- Op. Profitability affected by temporary volume fall of high-margin Dental and Adhesives

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. opEBITA as % of sales

Applicator Systems

Demand recovery underway in all segments

Market development YTD and expected development (as % of 2019)



Dental
- US rebound drawn out until mid 2021 (loss of health coverage)
- US dental OEM and Distributor customers ended furlough in July, EU customers still on short work
- EU recovery strongest in Germany (80-90%), UK, France, The Netherlands (40-60%), slowest in Southern Europe
- US: FL, NY, CA still heavy COVID impact

Adhesives
- Construction, electronics, automotive aftermarket recovering
- Handheld electronics, automotive, aerospace remain slow
- Europe recovers faster; USA, APAC (OEM) slower
- China up high single digit YoY
- Pace of rebound tracks industrial production

Beauty
- Divergent customers have different approaches to recovery (new product launches, restocking, etc.)
- Recovery faster in eyes and mass, slower in lips and prestige
- China market up high single digit, US continues to be slow

Financial Review

SULZER

Overview

Record high order backlog and strong H1 FCF

Key figures

In CHF millions	H1 20	H1 19	YOY	adj.[1]	org.[2]
Order intake	1’841	1’933	–4.8%	1.7%	–0.6%
Order intake gross margin	*33.3%*	*33.8%*			
Order backlog	1’946	1’793[3]	8.6%		
Sales	1’599	1’774	–9.9%	–3.9%	–5.5%
opEBITA	120	162	–25.6%	–20.5%	–22.5%
operational profitability[4]	*7.5%*	*9.1%*			
Restructuring	42	16			
EBIT	36	99	–63.6%		
ROS %	*2.3%*	*5.6%*			
Core net income	82	115	–28.9%		
Core EPS (in CHF)	2.4	3.3			
Free cash flow	37	–8			
FTEs	15’600	16’506[3]			

Comment

- Gross margins on order intake lower on mix effect (less APS)
- Backlog 8.6% higher compared to pre-pandemic level (Dec 31, 2019)
- Sales down 5.5% organic on lockdowns and supply chain impact
- Restructuring up on resizing of Energy-related activities (in 2019 APS related)
- FCF 45m ahead of last year at 37m
- FTE lower on hiring freeze, attrition and contract staff reduction
- FX impact –126m; acquisition impact +42m (on orders)

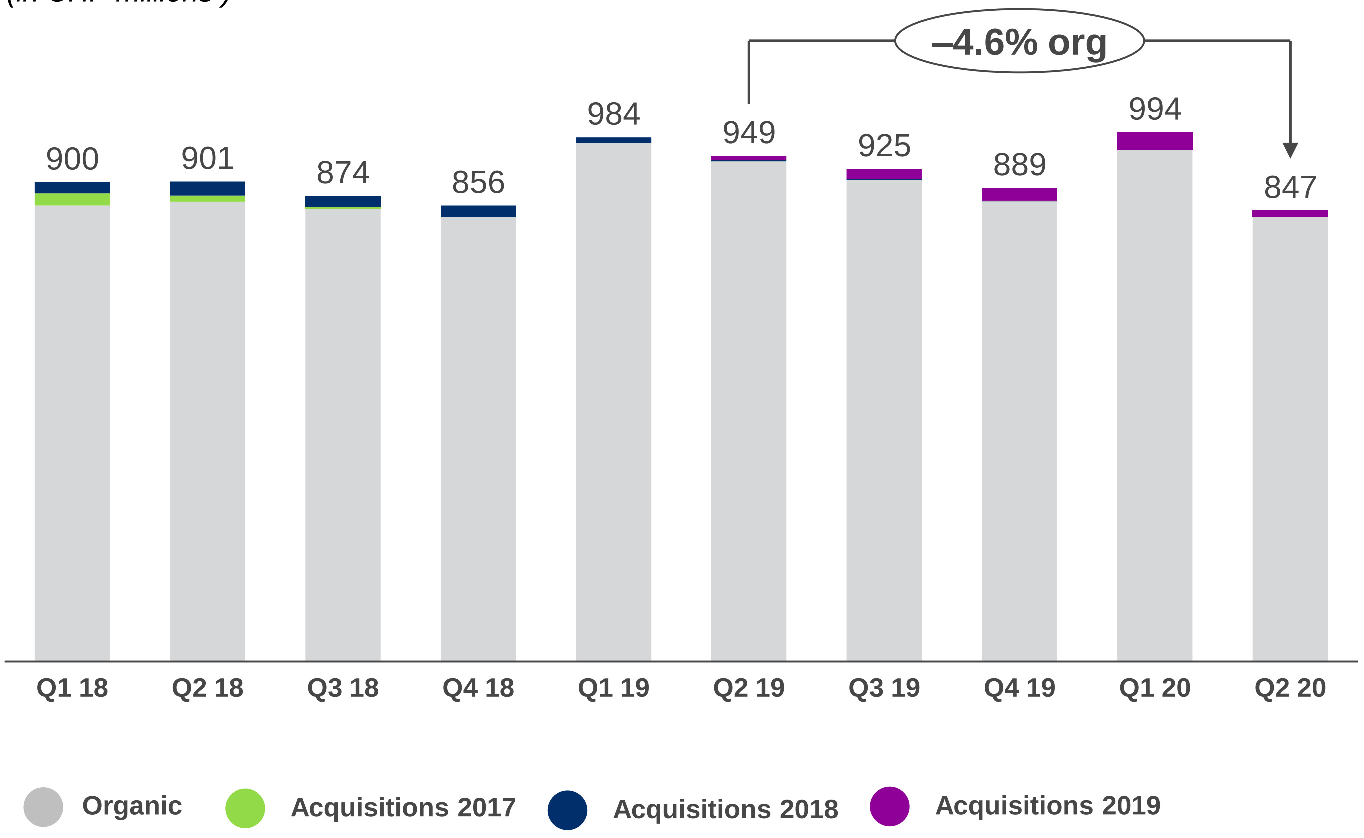
1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. As of December 31, 2019
4. opEBITA as % of sales

Quarterly order development

Q2 2020 orders show impact from lockdowns after very strong Q1

Quarterly order intake

(in CHF millions)



Comment

Q2 down 4.6% organically

- PE +10% on Energy and Chemicals
- RES flat despite lockdowns and limited site access. YOY Energy and General Industry up, Chemicals down
- Chemtech –12% with Chemicals up and Refineries down
- APS –55% with Dental, Beauty and Adhesives down on lockdowns; Healthcare up
- FX impact –71m
- Acquisition impact +11m

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

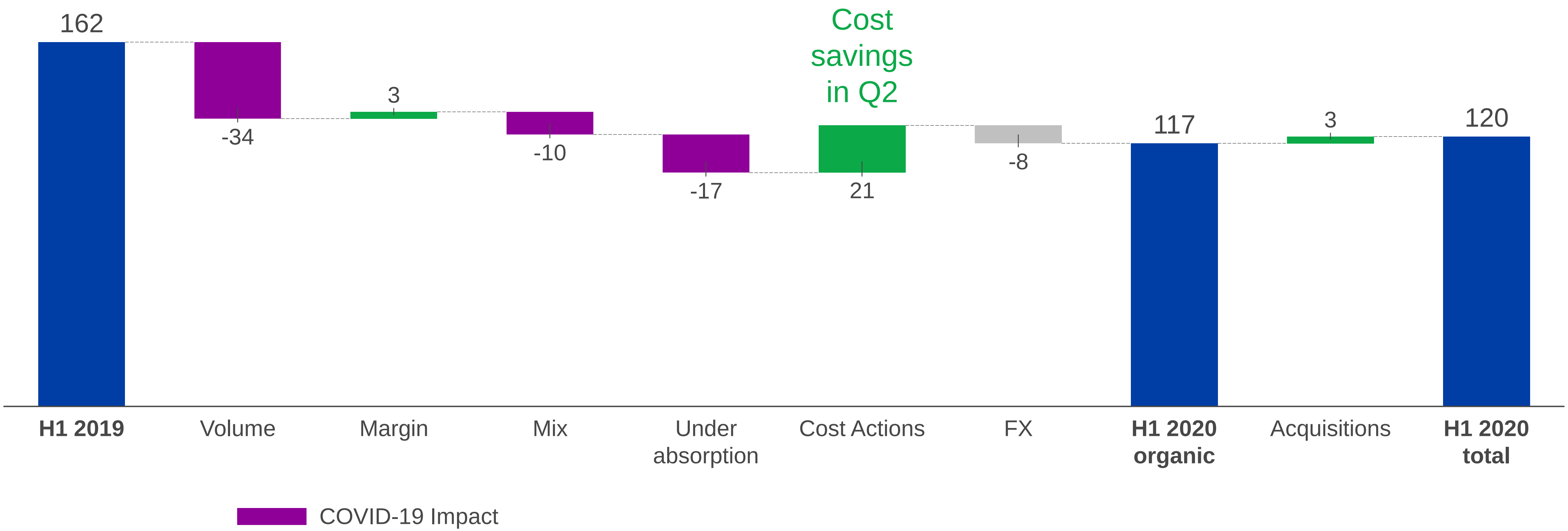
Operational Profit

Hit by COVID-19 partly mitigated by swift cost actions

Op. Profitability[1]

9.1%	**7.5%**

(in CHF millions)

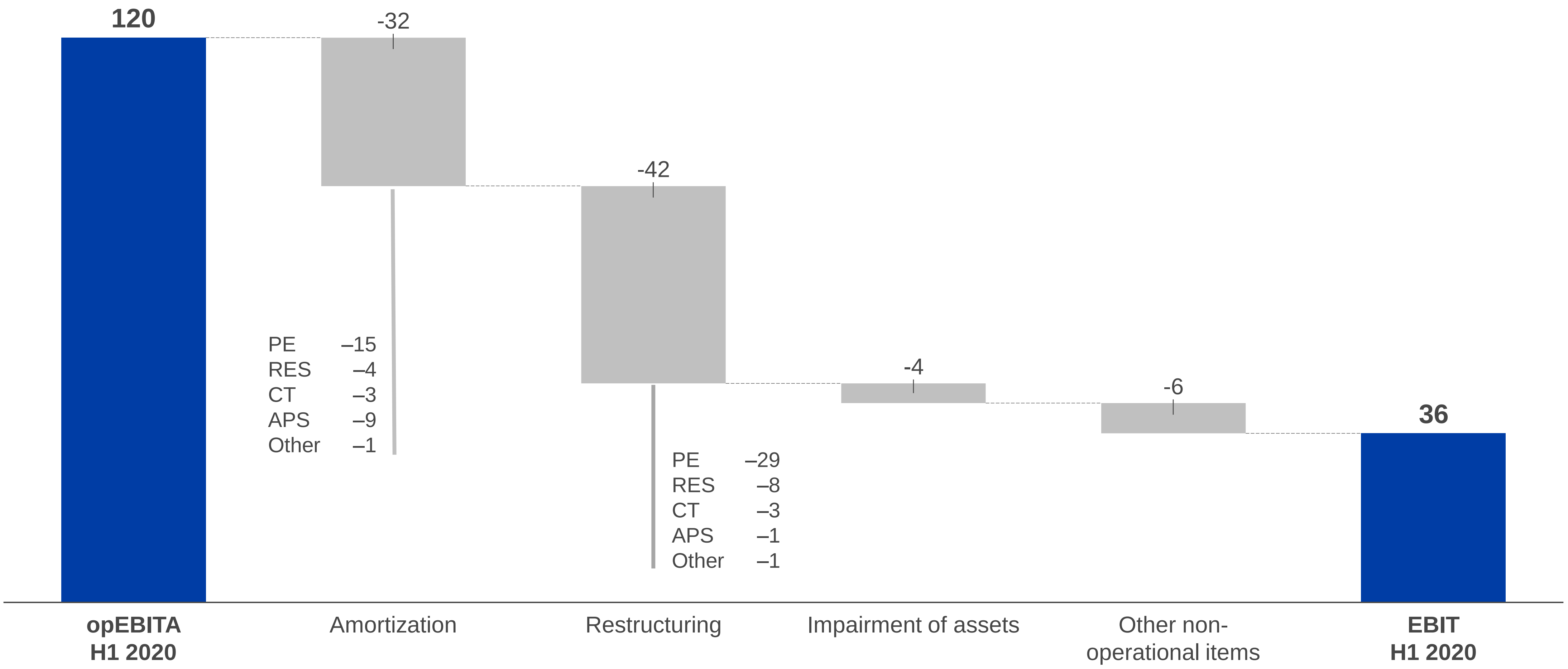


1. Operational EBITA as % of sales

Operational Profit to EBIT

Restructuring up on announced Energy resizing

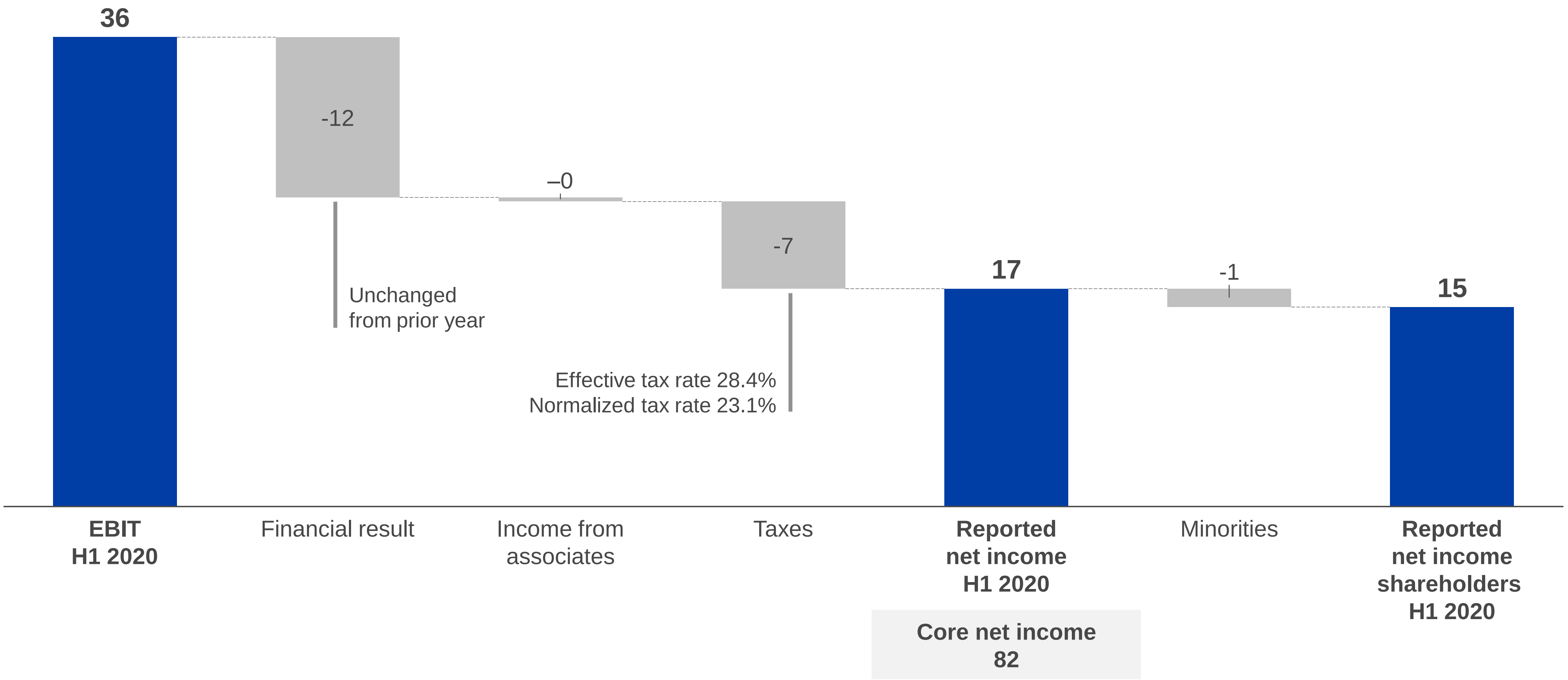
(in CHF millions)



EBIT to Net Income

Core net income down 29% to 82m

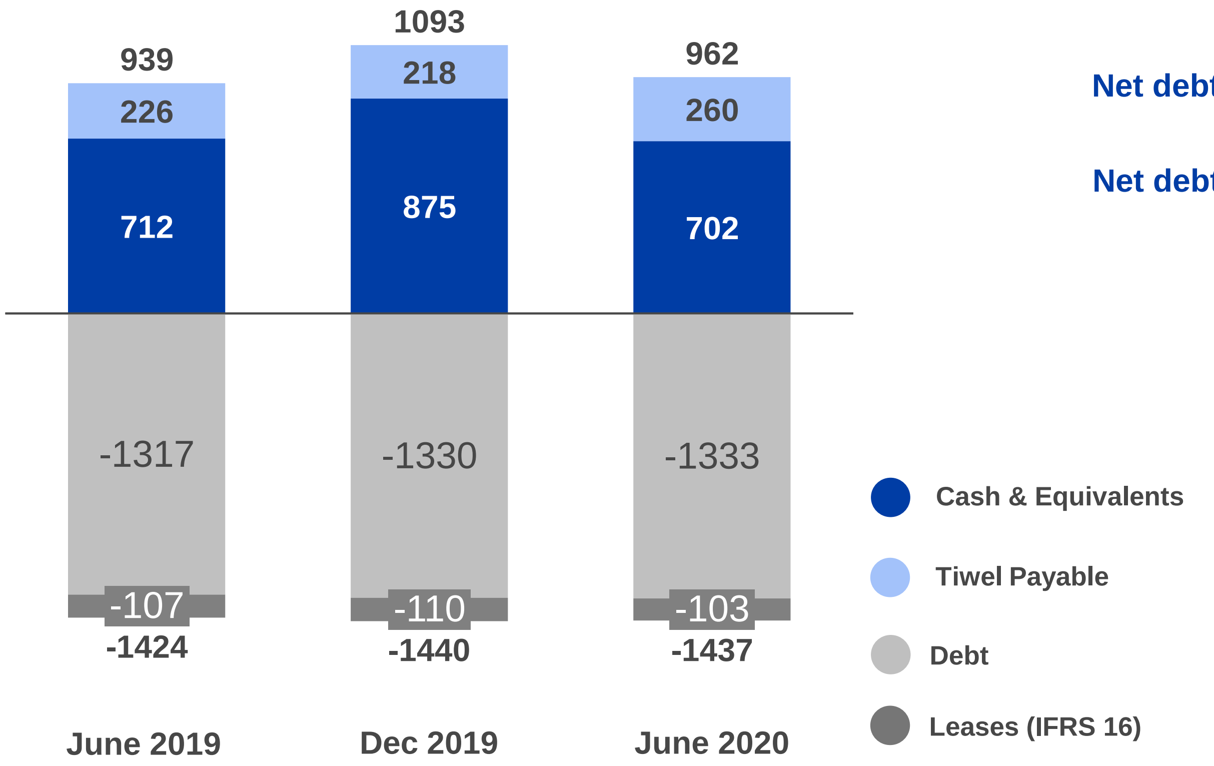
(in CHF millions)



Balance sheet

Solid balance sheet continues to support selective acquisitions

(in CHF millions)



	June 2019	Dec 2019	June 2020
Net debt	**485** / 711[1]	**347** / 565[1]	**475** / 736[1]
Net debt / EBITDA	**1.2x** / 1.8x[1]	**0.8x** / 1.4x[1]	**1.3x** / 2.1x[1]

Balance sheet June 2020:

- Total net debt of: CHF 475m
- FCF of CHF 37m
- Ordinary dividend payment of CHF 93m (net dividend to Tiwel held back = CHF 43m)
- Acquisition payments of CHF 12m
- Non-interest bearing CHF 260m payable (including above CHF 43m) in favor of Tiwel linked to share repurchase and 2017/2018/2019/2020 dividends

1. Excluding cash held on behalf of Tiwel

Summary

Summary

- Demonstrated solidity of our business model in H1, supported by the performance of service and aftermarket (45% of Sulzer)
- RES, PE Water, and CT China (chemical-driven market, 30+% of CT) performed particularly well
- Energy market corrected 25% in Q2 but Sulzer still grew its backlog at good margins and maintained profitability
- Structural savings program to yield recurring 70m per annum and further reduce exposure to O&G
- H1 160 bps Operational Profitability drop mainly due to APS end-market freeze, rebound underway (confirmed by July trading)
- Balance sheet very strong
- Based on current outlook on macro and cost savings, Operational Profitability expected at 8.5-9.0% for FY20 and back around pre-pandemic levels in FY21

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Supplementary Slides

FX Exposure