Midyear Results 2018

Greg Poux-Guillaume, CEO  |  Jill Lee, CFO  |  July 25, 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.

IFRS 15
Sulzer has adapted its reporting to reflect the new IFRS 15 standard. For comparability, the figures in this presentation are reported without consideration of IFRS 15, i.e. applying the same accounting policies as in the prior year. For a full discussion of the differences please refer to note 13 of the Midyear Report 2018.
Sulzer and the Wild Boars

“How they did it was a mix of trial and error, improvisation, skill, massive water pumps, miles of guide rope and strategically placed air tanks along the two-mile-long escape route, much of it submerged.”

The New York Times
Highlights H1 18

- **Order intake** up 11.6% (+6.5% organically), driven by O&G (+19%) and acquisitions (JWC and Transcodent)

- **Sales** up 10.5% (+5.4% organically) on higher orders and acquisitions

- **OpEBITA margin** (opROSA) in H1 2018 8.5% up from 7.4% in H1 2017

- **Confirmation of no impact from sanctions** with US order intake up 15% in Q2

- **FY guidance increased for Orders and Sales**
  Orders “up 7% to 10%” (previously +5-7%)
  Sales “up 6% to 8%” (previously +4-6%)
Pumps Equipment

Strong growth, return to profitability

Key figures

<table>
<thead>
<tr>
<th>In CHF millions</th>
<th>H1 18</th>
<th>H1 17</th>
<th>YOY</th>
<th>adj.¹</th>
<th>org.²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>720</td>
<td>582</td>
<td>23.7%</td>
<td>21.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Sales</td>
<td>603</td>
<td>515</td>
<td>17.2%</td>
<td>14.4%</td>
<td>5.7%</td>
</tr>
<tr>
<td>opEBITA</td>
<td>6</td>
<td>–13</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>opROSA</td>
<td>1.0%</td>
<td>–2.5%</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Order intake by market

- 35% Oil & Gas³
- 10% Power
- 29% Water
- 13% Pulp & Paper
- 13% Other

Highlights

- **Orders:**
  - O&G up 45% with upstream more than doubling from very low base
  - Power down 3% on fewer projects
  - Water up 4% organically, further supported by acquisition of JWC
  - Industry up 4% organically

- **Sales** start to ramp up on higher order backlog

- **opROSA** benefiting from higher volume, SFP savings and acquisitions more than offsetting the conversion of lower margin orders from backlog to sales

- JWC integration progressing well, performing ahead of plan

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1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. Of which 11% Upstream, 19% Mid+Downstream, 5% Chemical Process Industry
Rotating Equipment Services
Growing despite power downturn, margins holding up

Key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 18</th>
<th>H1 17</th>
<th>YOY</th>
<th>adj.¹</th>
<th>org.²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>572</td>
<td>537</td>
<td>6.5%</td>
<td>6.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Sales</td>
<td>505</td>
<td>474</td>
<td>6.4%</td>
<td>6.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>opEBITA</td>
<td>61</td>
<td>61</td>
<td>0.6%</td>
<td>1.6%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>opROSA</td>
<td>12.1%</td>
<td>12.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Order intake by product line

- 26% Turbo Services
- 57% Pumps Services & Spares
- 17% Electromechanical Services

Highlights

- **Pumps Services and Spares** orders up 16% on O&G
- **Turbo Services** orders down 7% on low power market activity
- **Electromechanical Services** orders up 4%
- **OpROSA** slightly lower on price in turbo and unfavorable mix in pumps

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
Chemtech
2017 volume and profitability rebound confirmed, shrink TFS

Key figures

<table>
<thead>
<tr>
<th></th>
<th>H1 18</th>
<th>H1 17</th>
<th>YOY</th>
<th>adj.¹</th>
<th>org.²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>280</td>
<td>266</td>
<td>5.5%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Sales</td>
<td>264</td>
<td>231</td>
<td>13.9%</td>
<td>13.3%</td>
<td>13.1%</td>
</tr>
<tr>
<td>opEBITA</td>
<td>20</td>
<td>11</td>
<td>73.5%</td>
<td>71.1%</td>
<td>71.2%</td>
</tr>
<tr>
<td>opROSA</td>
<td>7.5%</td>
<td>4.9%</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Order intake by market

- 84% Oil and Gas
- 13% CPI
- 3% Other

Highlights

- **Separation Technology** orders and sales up double digit on continuing recovery in downstream / CPI, particularly in China
- **Tower Field Services** orders and sales down double digit due to previously announced discontinued “extended scope” segment
- **Profitability rebound continuing** to 7.5% opROSA on higher volumes and business mix (TFS from ca. 30% to ca. 20% of CT)
Applicator Systems
Continuing to grow, one-off customer product plan impact in Beauty

<table>
<thead>
<tr>
<th>Key figures</th>
<th>H1 18</th>
<th>H1 17</th>
<th>YOY</th>
<th>adj.¹</th>
<th>org.²</th>
</tr>
</thead>
<tbody>
<tr>
<td>In CHF millions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order intake</td>
<td>230</td>
<td>210</td>
<td>9.3%</td>
<td>6.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Sales</td>
<td>229</td>
<td>209</td>
<td>9.8%</td>
<td>6.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>opEBITA</td>
<td>49</td>
<td>45</td>
<td>7.5%</td>
<td>6.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>opROSA</td>
<td>21.2%</td>
<td>21.6%</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Order intake by market

- **Dental and Adhesives** up 7.5% organically
- **Beauty** volume and profitability impacted by decision by significant customer to stop a Generation 1 product early to move to Gen 2. Production gap to impact APS in Q2 and Q3 pending Gen 2 launch.
- OpROSA lower on Beauty segment impact
- Transcodent integration progressing well

Highlights

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
FY target already achieved in H1, increased by 10m

(in CHF millions)

Cost savings (excl. direct procurement)

<table>
<thead>
<tr>
<th></th>
<th>2017A</th>
<th>2018E</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation costs</td>
<td>~-239</td>
<td>~-275</td>
<td>~-285</td>
</tr>
<tr>
<td>Cost savings (excl. direct procurement)</td>
<td>185</td>
<td>25</td>
<td>2017A</td>
</tr>
<tr>
<td></td>
<td>H1 A</td>
<td>H2 E</td>
<td></td>
</tr>
<tr>
<td>CHF 210m P&amp;L impact achieved to-date</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHF 25m incremental savings delivered in H1 18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation costs within ~1.2x savings envelope</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Gross savings, pre market impact
Sanctions timeline recap
Free from all sanctions, no restrictions for shareholders

Timeline

6 April PM: Renova put under sanctions by OFAC
8 April PM: Applied with OFAC for sanctions relief
8 April PM: Signed binding agreement on acquisition of shares
11 April PM: OFAC approval of transaction (special license)
12 April AM: Transfer of shares completed (Renova <50%)
13 April PM: Unblocking license issued by OFAC for US assets
28 May: Renova reduces Board representation

Free from US sanctions

Highlights

- **Sulzer free from US sanctions in 3 days**, no conditions, no reporting obligations
- **Sulzer owns 5 million shares** acquired from Renova at CHF 109 per share (CHF 546m)
- **Renova now 48.8% shareholder**, blocked from further Sulzer financial instrument purchase
- **Renova minority Board representation** (independents hold 4 out of 7 seats)
- OFAC confirmed (license) that **US persons can buy Sulzer shares** with no restrictions
- **Short-term impact** (2018, non op) estimated **well below CHF 10m** (CHF 3m direct to date)
- **No long term impact** (orders in the US up 15% organically in Q2)
Overview
Growing volumes and profitability

Key figures

<table>
<thead>
<tr>
<th>In CHF millions</th>
<th>H1 18</th>
<th>H1 17</th>
<th>YOY</th>
<th>adj.</th>
<th>org.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>1'801</td>
<td>1'595</td>
<td>13.0%</td>
<td>11.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Order intake gross margin</td>
<td>33.8%</td>
<td>34.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order backlog (June 30 / Dec 31)</td>
<td>1'807</td>
<td>1'594</td>
<td>13.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1'600</td>
<td>1'429</td>
<td>12.0%</td>
<td>10.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td>opEBITA</td>
<td>136</td>
<td>106</td>
<td>27.9%</td>
<td>27.0%</td>
<td>16.8%</td>
</tr>
<tr>
<td>opROSA %</td>
<td>8.5%</td>
<td>7.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>78</td>
<td>55</td>
<td>41.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROS %</td>
<td>4.9%</td>
<td>3.9%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Core net income</td>
<td>101</td>
<td>76</td>
<td>32.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core EPS (in CHF)</td>
<td>3.1</td>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>−30</td>
<td>−2.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTEs (June 30 / Dec 31)</td>
<td>15'031</td>
<td>14'732</td>
<td>2.0%</td>
<td></td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Comment

- **Sales** increased on higher order intake and higher opening backlog
- **opROSA** increased on higher volumes, SFP savings and acquisitions, more than offsetting continued pressure due to conversion of low margin orders
- **FCF** impacted by volume-driven inventory buildup; reverses in H2

1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
Quarterly order development
Q2 orders up 5.3%\(^1\) YOY and 0.8% organically

(in CHF millions)

<table>
<thead>
<tr>
<th>Comment</th>
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<tbody>
<tr>
<td><strong>Acquisitions contributed a total of CHF 38m</strong></td>
</tr>
<tr>
<td>- JWC CHF 26m</td>
</tr>
<tr>
<td>- Rotec CHF 7m</td>
</tr>
<tr>
<td>- Transcodent CHF 5m</td>
</tr>
<tr>
<td><strong>FX impact was a positive 2.4% or CHF 20m</strong></td>
</tr>
</tbody>
</table>

1. Adjusted for currency effects
OpEBITA / opROSA
SFP savings over-compensate for headwinds

(in CHF millions)

<table>
<thead>
<tr>
<th>Headwinds</th>
<th>SFP cost savings</th>
<th>Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.9pp</td>
<td>+1.6pp</td>
<td>+0.3pp</td>
</tr>
</tbody>
</table>

opROSA

7.4%

H1 17  | Volume | Margin | Mix | Other costs | SFP | H1 18 (organic) | Acquisitions | H1 18 |
106    | 27     | -22    | -7  | -2          | 25  | 126             | 11           | 136   |

Volume increase across all divisions
Margin decline
PE Energy,
RES TS

Midyear Results 2018 | July 25, 2018
opEBITA to EBIT
EBIT impacted by SFP costs of CHF 22m

(in CHF millions )

- 136
- 78

SFP costs of 22m

- 8.5%
- 4.9%

opEBITA
H1 18
Amortization
Restructuring
Impairment of assets
Other non-operational items
EBIT
H1 18

- 34
- 6
- 1
- 17

PE
RES
APS
Others

- 4.2
- 1.0
- 0.3
- 0.4

SFP related
- 15
EBIT to net income

Effective tax rate 23.2% in H1 18 versus 24.7% in H1 2017

(in CHF millions )

EBIT H1 18 | Financial result | Income from associates | Taxes | Reported net income H1 18 | Minorites | Reported net income shareholders H1 18
---|---|---|---|---|---|---
78 | -5 | 1 | -17 | 57 | -2 | 55

Core net income 101 (6.3% of sales vs. 5.3% in H1 17)

Core net income shareholders 99
Free Cash Flow
Volume-driven inventory build-up

(in CHF millions)

Net income H1 18: 57
Inventory: -87
Accounts receivable: -17
Accounts payable: 19
Net advance payments: -13
Net of D&A and Capex: 27
Others: -16
FCF H1 18: -30
FCF H1 17: -3
Optimizing financing mix through issuance of new bonds in July

(in CHF millions)

**Balance sheet June 2018:**
- Total net debt of: CHF 522m
- FCF of CHF –30m
- Ordinary dividend payment of CHF 43m
- Acquisition payments of CHF 209m

**Changes after balance sheet date:**
- Issuance of CHF 400m bond via dual tranche
  - First tranche CHF 110m, two years, 0.25% coupon
  - Second tranche CHF 290m, 5 years, 1.3% coupon
Business Review
Financial Review
Outlook
Market Outlook

- GI
  - Solid growth in APS markets
  - Positive trends of general industries markets in the other divisions
  - 29%

- Water
  - Solid growth in Municipal Water
  - Engineered Water projects remain lumpy
  - 12%

- Power
  - Continuing price pressure in gas turbine service
  - Fewer projects for power plants
  - Nuclear active but lumpy
  - 13%

- Oil & Gas
  - Continuing rebound in upstream
  - Continuing recovery in downstream
  - Few pipeline projects (midstream)
  - 45%

1. Includes 11% Upstream, 5% Midstream, 23% downstream and 6% Chemical Process Industry (CPI)
Updated financial guidance 2018 as of July 25

- **Order Intake**
  - **1.** Adjusted for currency effects
  - up 7% – 10% (previously: up 5% – 7%)

- **Sales**
  - **1.** Adjusted for currency effects
  - up 6% – 8% (previously: up 4% – 6%)

- **Operational ROSA**
  - **2.** Operational EBITA divided by sales
  - around 9.5% (unchanged)
Summary

- **O&G market recovery on track**, visible in strong order intake
- **All Sulzer markets healthy** except Power
- Sales volumes improving, lagging order intake by 9 to 12 months
- **opEBITA margin up 110bp** on higher volumes, SFP savings and acquisitions
- Expected full year SPF savings delivered in H1, 2018 target raised by CHF 10m
- Strong performance in Q2 including in USA: **no impact from sanctions**
- **Guidance increased** for order intake and sales, confirmed for opROSA
Reconciliations and supplementary slides
Order intake split H1 2018

Order intake by division

- **38%** Pumps Equipment
- **32%** Rotating Equipment Services
- **16%** Chemtech
- **14%** Applicator Systems

Order intake by region

- **44%** Europe, Middle East, Africa
- **34%** Americas
- **22%** Asia-Pacific

Order intake by type (excl APS)

- **49%** Equipment
- **51%** Aftermarket
OpEBITA to EBIT bridge for divisions H1 18

<table>
<thead>
<tr>
<th>In CHF millions</th>
<th>PE</th>
<th>RES</th>
<th>CT</th>
<th>APS</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>opEBITA</td>
<td>6.3</td>
<td>61.3</td>
<td>19.8</td>
<td>48.5</td>
<td>-0.2</td>
<td>135.7</td>
</tr>
<tr>
<td>as % of sales</td>
<td>1.0%</td>
<td>12.1%</td>
<td>7.5%</td>
<td>21.2%</td>
<td>–</td>
<td>8.5%</td>
</tr>
<tr>
<td>Amortization</td>
<td>-17.4</td>
<td>-3.7</td>
<td>-2.7</td>
<td>-9.8</td>
<td>-0.5</td>
<td>-34.1</td>
</tr>
<tr>
<td>Impairments</td>
<td>-0.4</td>
<td>–</td>
<td>–</td>
<td>-0.3</td>
<td>–</td>
<td>-0.7</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-4.2</td>
<td>-1.0</td>
<td>–</td>
<td>-0.3</td>
<td>-0.4</td>
<td>-5.9</td>
</tr>
<tr>
<td>Other non-operational items</td>
<td>-4.2</td>
<td>–</td>
<td>-5.3</td>
<td>-2.0</td>
<td>-5.5</td>
<td>-17.0</td>
</tr>
<tr>
<td>EBIT</td>
<td>-19.9</td>
<td>56.6</td>
<td>11.8</td>
<td>36.1</td>
<td>-6.6</td>
<td>78.0</td>
</tr>
<tr>
<td>as % of sales</td>
<td>-3.3%</td>
<td>11.2%</td>
<td>4.5%</td>
<td>15.8%</td>
<td>–</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

1. According to old accounting standards
**Acquisitions**

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>20</td>
<td>160</td>
<td>120</td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td>~16%</td>
<td>~18%</td>
<td>break even</td>
</tr>
<tr>
<td><strong>EV paid</strong></td>
<td>22</td>
<td>280</td>
<td>85</td>
</tr>
<tr>
<td><strong>EV/EBITDA</strong></td>
<td>7x</td>
<td>9.6x</td>
<td>—</td>
</tr>
<tr>
<td><strong>Consolidated from</strong></td>
<td>April 4</td>
<td>Aug 23</td>
<td>Feb 1</td>
</tr>
</tbody>
</table>

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
Sulzer shareholder structure and governance
Large minority shareholder, independent Board

Shareholder structure:
- 48.8% Tiwel (Renova)
- 15.2% Treasury shares
- 36.0% Free float
- 51.2% future free float

Board of Directors:
- Peter Löscher
- Matthias Bichsel
- Dr. Lukas Braunschweiler
- Mikhail Lifshitz
- Marco Musetti
- Gerhard Roiss
- Hanne Birgitte Breinbjerg Sorensen

Renova representative