H1 2022 Results

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Disclaimer

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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 performance

Frédéric Lalanne | CEO

H1 2022 Highlights

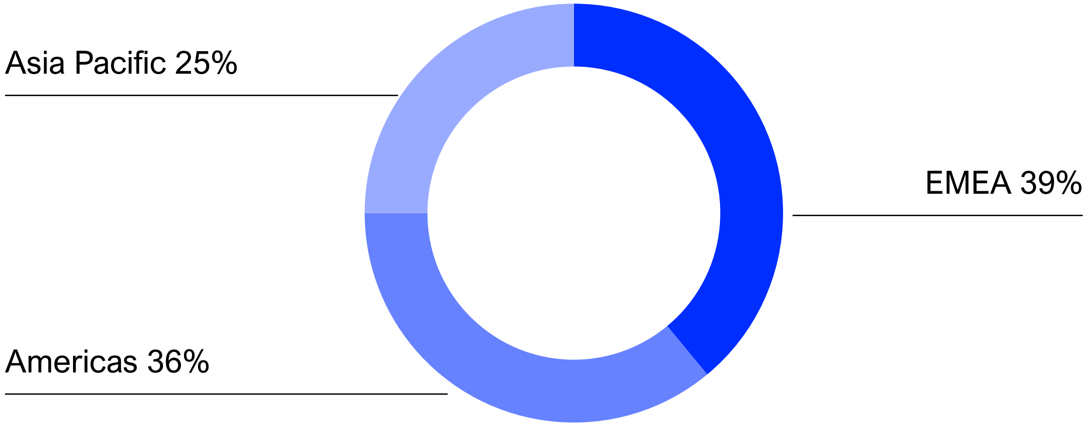
- Order intake continues to be strong +11% YOY in H1; +8% YOY in Q2, mainly driven by Chemtech and Flow Equipment
- Sales up +1% YOY in H1 driven by Chemtech and Services
- Operational profit margin +50bps to 9.0%
- Decision to exit the Russian market resulted in one-off write-down of Russian assets booked in H1
- Supply chains and logistics still challenging, but manageable
- Separate sustainability report published on July 12

H1 2022 orders split

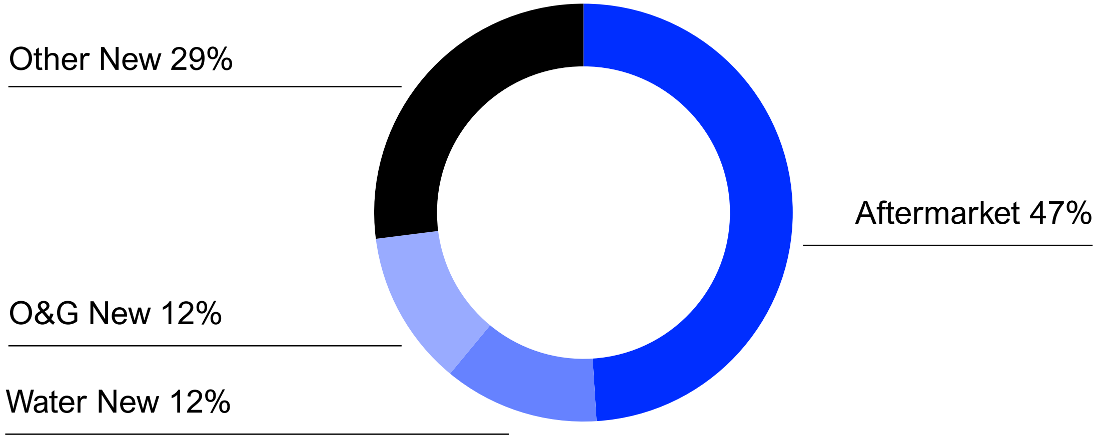
Strong New Equipment development in H1

Americas driven by US and Brazil

Orders by region



Orders by activity



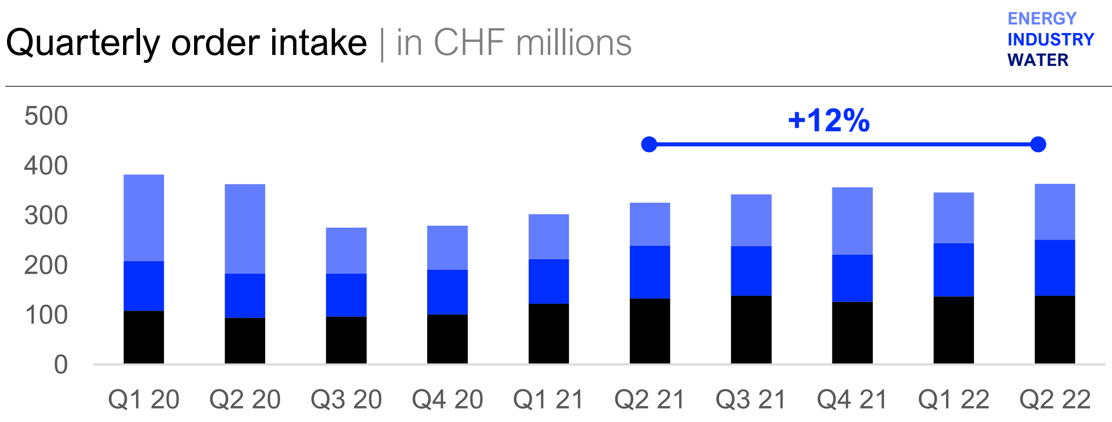
Flow Equipment

Strong order growth, sales mainly held back by Energy

Key figures | in CHF millions

	H1 22	H1 21	YOY	Adj.[1]	Org.[2]
Order intake	709	627	13.1%	14.0%	13.1%
Sales	632	664	-4.8%	-4.4%	-5.1%
EBIT	4	15			
Op Profit	34	33	1.4%	1.0%	2.9%
Op Profitability	5.3%	5.0%			

Quarterly order intake | in CHF millions



Highlights

- Orders +14% YOY in H1, +12% YOY in Q2
- Energy, Industry and Water all up double digit
- Sales down 4% on lower Energy, China lockdowns and project delays
- Operational profitability up 30bps to 5.3% due to favorable mix and despite lower sales
- Logistics remains a challenge, causing delays in projects; raw material price inflation impact is largely manageable

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

Waste-to-fuel

Sulzer enabling world's first commercial-scale waste-to-fuel plant with zero carbon emissions

- Sulzer has supported Fulcrum BioEnergy to complete construction of the world's first commercial-scale production plant that will convert municipal solid waste (MSW), or household waste, into renewable transportation fuels.
- The plant will convert approximately 159'000 tonnes of MSW into approximately 41.6 million liters of renewable synthetic crude oil (syncrude) per year.
- The waste-to-fuel process has the power to transform the transportation industry with renewable, zero-carbon transportation fuels.

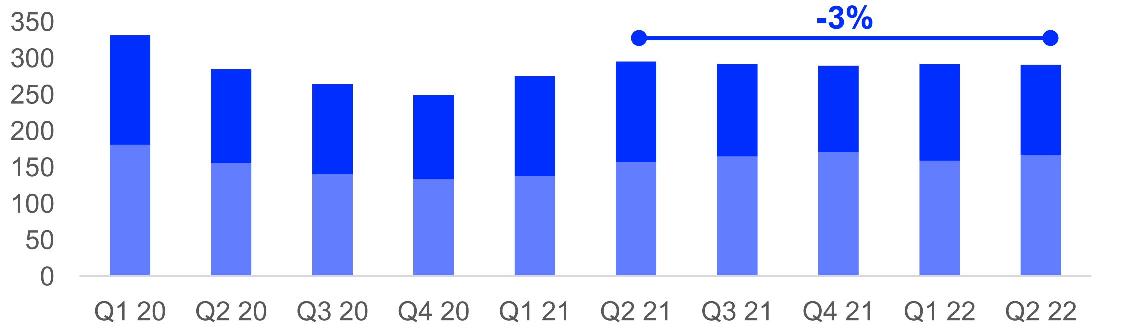
Services

APAC and Americas growing, EMEA held back by Russia exit

Key figures | in CHF millions

	H1 22	H1 21	YOY	Adj.[1]	Org.[2]
Order intake	**588**	571	3.0%	2.7%	2.4%
Sales	**543**	526	3.3%	2.8%	2.4%
EBIT	-19	66			
Op Profit	**72**	70	2.7%	1.5%	0.1%
Op Profitability	**13.3%**	13.4%			

Quarterly order intake | in CHF millions



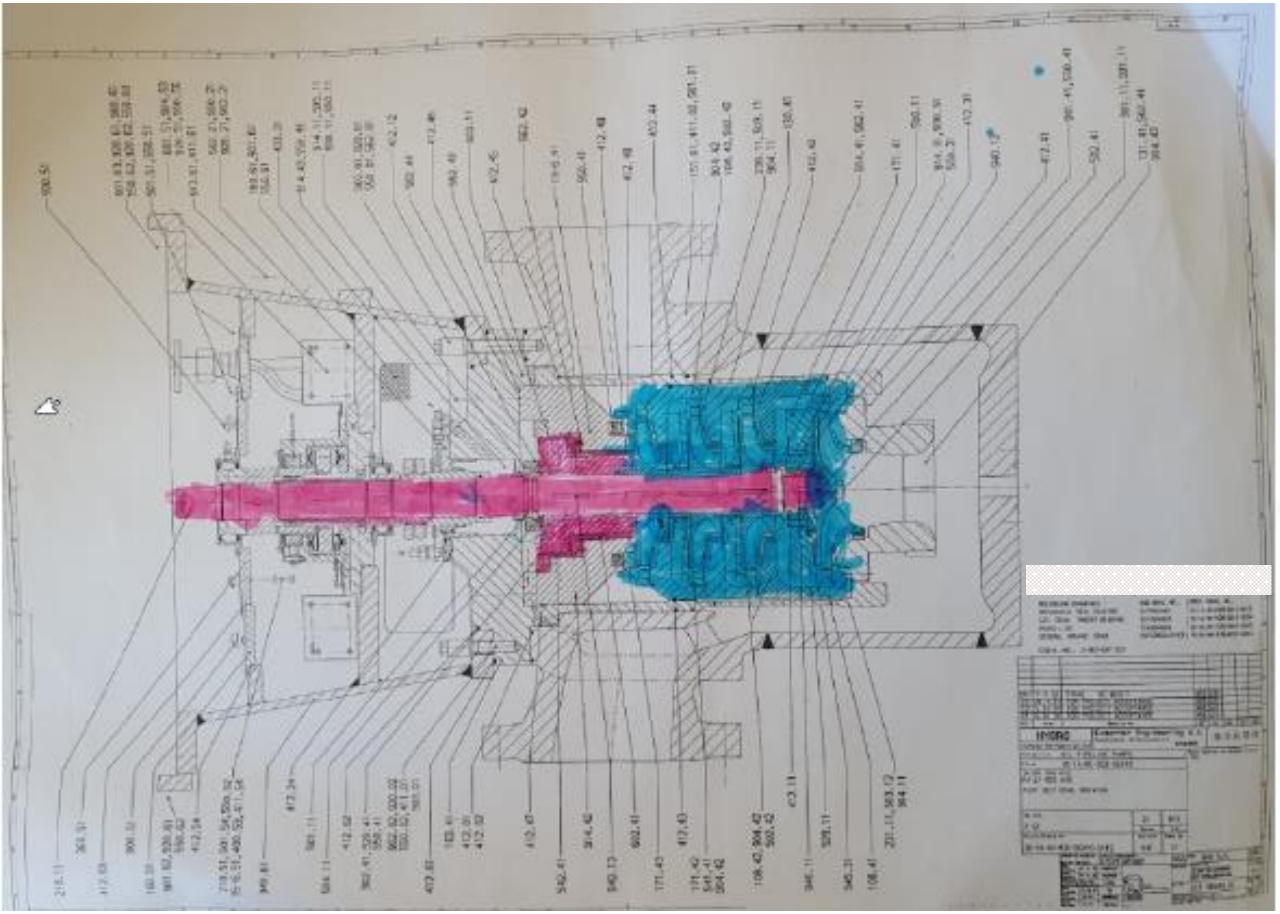
Highlights

- Order intake up 3% YOY in H1, -3% YOY in Q2
- Pumps Services orders up in H1 and Q2. Other Equipment orders lower on turbine services (Russia impact)
- Sales up 3% on strong momentum in the Americas
- Operational profitability unchanged at high level
- Major impact on EBIT from decision to write-off Russia and Poland assets
- Local presence limits exposure to logistic bottlenecks

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

Pump retrofit

Re-rating of largely oversized pump



- A customer in Norway operated a large pump made by a competitor for the last 30 years with an original duty of a throughput of 590m^3/h
- Over the years the situation has changed and for today's duty of a throughput of 150m^3/h the pump was largely oversized and inefficient
- The project to retrofit the pump to the new situation was awarded to Sulzer on Q2 22 and the re-rated pump will be back in operation by H1 23
- The expected savings are significant
  - Power Savings of 900kW per hour
  - 4500 tonnes of CO_2 emissions per year
  - Norwegian carbon tax savings of about NOK 3m (CHF 300k) a year

Picture left: color marked items will be replaced with new parts

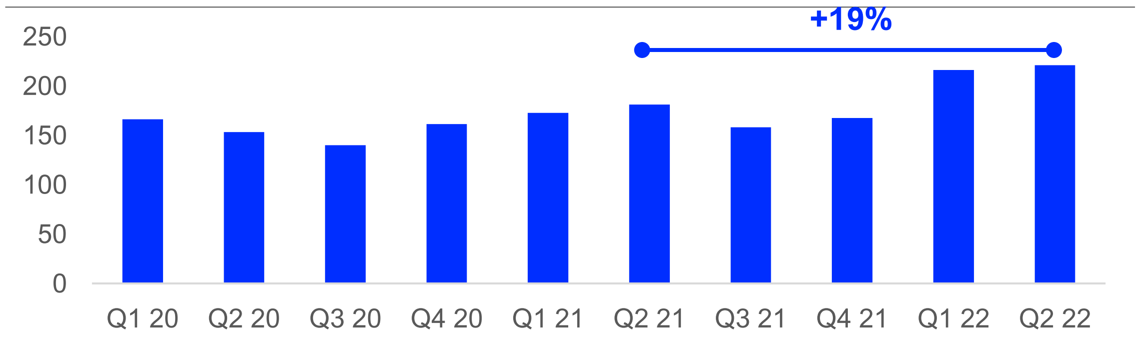
Chemtech

Strong order intake, increasing sales and margin expansion

Key figures | in CHF millions

	H1 22	H1 21	YOY	Adj.[1]	Org.[2]
Order intake	437	354	23.5%	20.8%	20.9%
Sales	342	306	11.9%	9.2%	9.8%
EBIT	-5.3	21.1			
Op Profit	34	28	22.2%	18.4%	18.6%
Op Profitability	9.9%	9.1%			

Quarterly order intake | in CHF millions



Highlights

- Order intake +21% YOY in H1 and +19% YOY in Q2 with all segments showing growth
- Sales up 9% with all segments growing
- Operational profitability up 80bps to 9.9% on higher volumes in Renewables and despite lower sales due to lockdowns in China
- Logistics a challenge, causing project delays. Material cost inflation manageable

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

Plastics-to-Chemicals

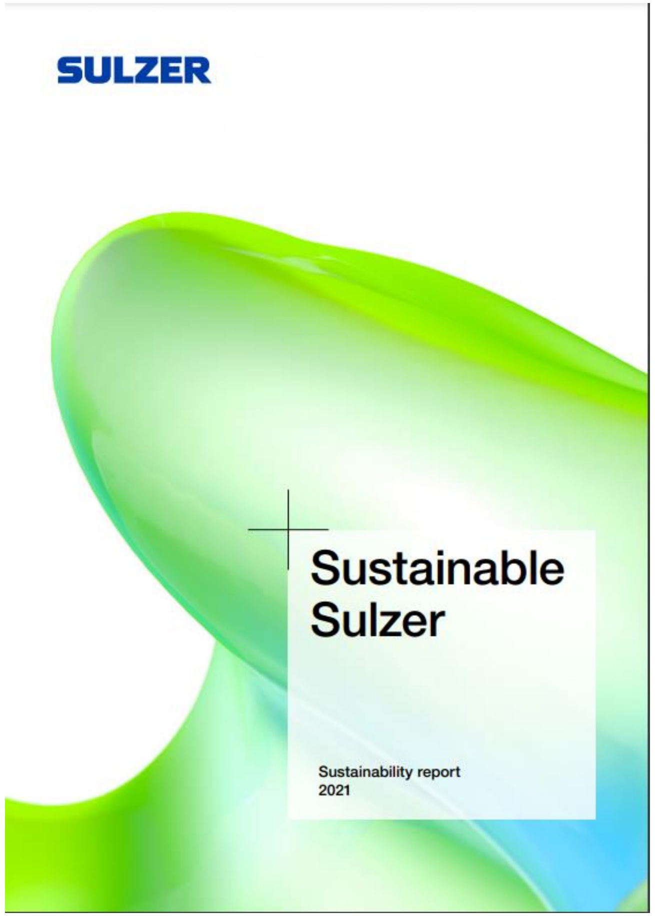
Chemical plastic recycling contributes to circular economy

- Today plastic is mostly mechanically recycled by shredding it and melting it to get new plastic. Chemical recycling uses depolymerization processes to get again high-quality recyclables that can serve as a feedstock for the chemical industry
- Chemtech is enabling a customers first plastic recycling plant, which is being constructed in Europe
- The Plastics-to-Chemicals (P2C) facility will leverage the company’s advanced processing technologies to prevent end-of-life plastic from entering the environment and produce 24’000 tonnes of high-grade, widely used chemicals every year

Sustainability report

Highlights

- **Big step towards 30% CO2 reduction target by 2030: We reduced our CO2** equivalent emissions **by 25% in 2021** despite higher sales volumes on company-wide initiative leading to a 34% decrease in fossil fuel consumption and a five-fold increase of non-fossil energy sources.
- **62% of waste recycled** in 2021 up from 57% in 2020 – on track to 80% target by 2025
- **We enable a low-carbon society** through our products and contributions to the circular economy: Sulzer's components e.g., enable the direct capture of up to 90% of CO2 emissions of a Canadian coal fired power plant. Since the start of the operations in 2020, more than 4m tonnes of CO2 have been captured.



Financials

Thomas Zickler | CFO

SULZER

Overview

Improved operational profitability

Key figures | in CHF millions

	H1 22	H1 21	YOY	Adj.[1]	Org.[2]
Order intake	**1'734**	**1'552**	11.8%	11.4%	10.9%
Order intake gross margin	32.8%	33.1%			
Order backlog (Dec 31)	1'896	1'724	10.0%		
Sales	**1'517**	**1'495**	1.5%	0.9%	0.6%
Op profit (opEBITA)	**136**	**128**	6.5%	4.9%	4.7%
Op profitability	**9.0%**	**8.5%**			
EBIT	-26	97			
Net income cont. operations	-49	61			
EPS cont. operations (in CHF)	-1.43	1.78			
Free cash flow	**-78**	**117**[3]			
FTEs (Dec 31)	12'914	13'816			

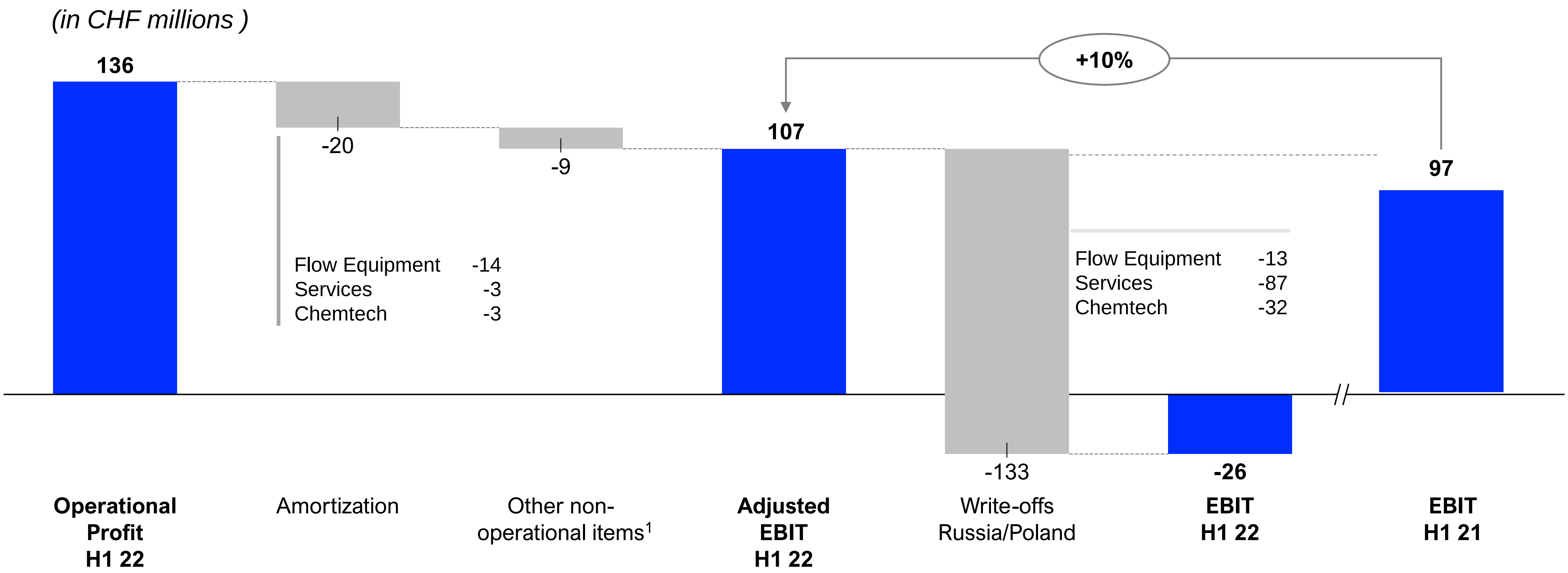
1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects
3. 2021 includes 33.6m of medmix FCF

Highlights

- Order growth of 11% driven by Chemtech and Flow Equipment
- Order intake gross margin slightly down, with Flow Equipment up, Services stable, and Chemtech down slightly
- Order backlog increased by 10% despite de-booking of Russia orders (71m)
- Sales up +1% YOY in H1 driven by Chemtech and Services
- Operational profitability up 50 bps to 9.0% mainly driven by Chemtech and Flow Equipment
- Excluding impact from Russian and Polish write-offs,
  - EBIT at 107m vs 97m +10%; EBIT margin at 7.1% vs 6.5%
  - Net income at 70m vs 61m +15%
- FCF in H1 negative on higher net working capital (increased inventories and work in progress) due to supply chain and logistics challenges

Operational profit to EBIT

Write-offs of Russian and Polish assets give 133m negative impact

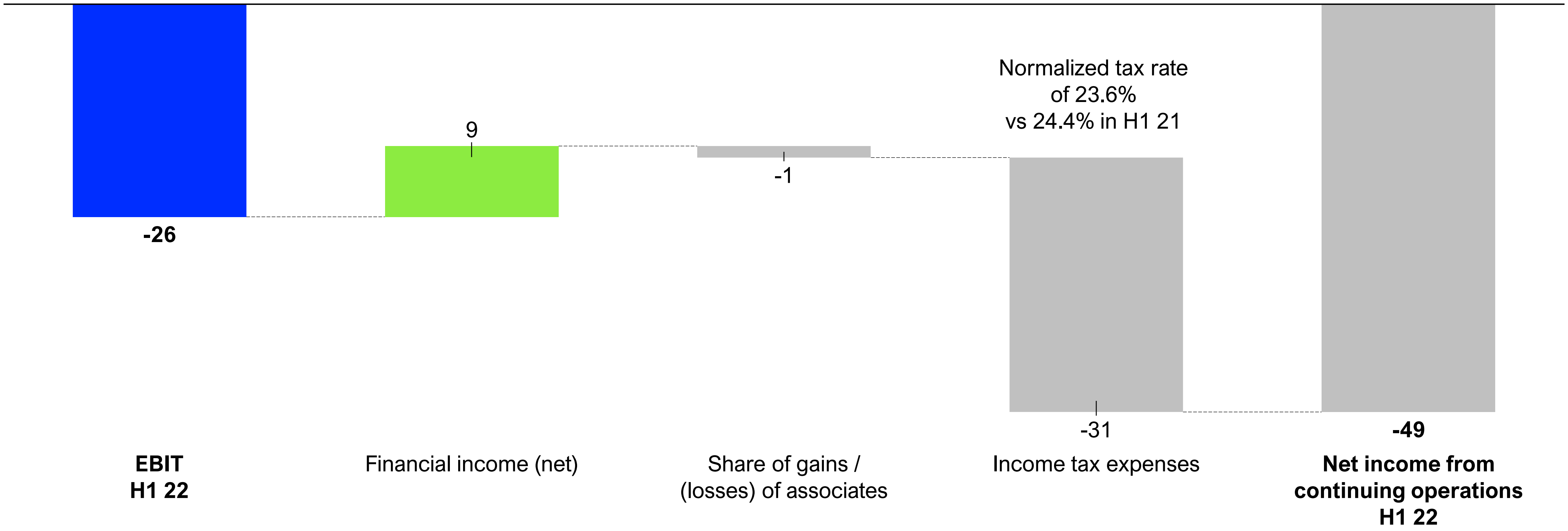


1. includes restructuring, impairments and non-operational items

EBIT to Net income

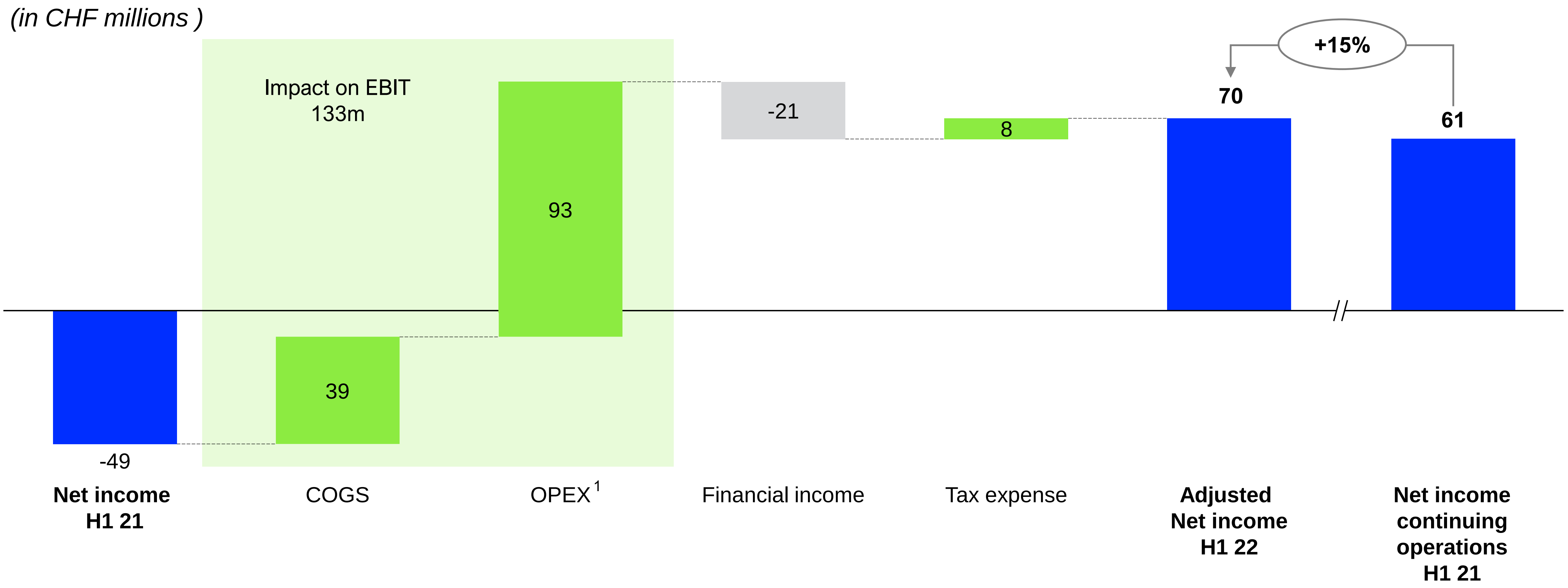
Russia impact partially mitigated by positive net financial income

(in CHF millions)



Adjusted net income

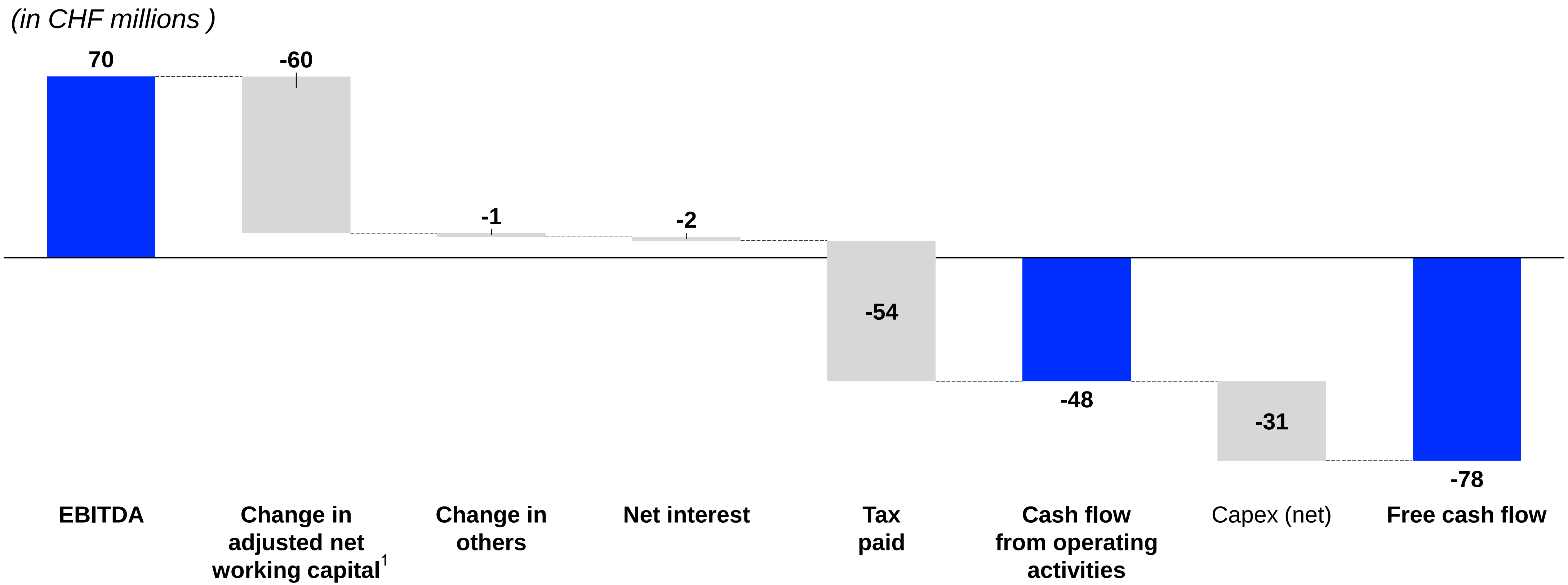
119m impact on net income due to write-offs of Russian and Polish assets



1. includes impairments on fixed assets of 32m

Free cash flow

Underlying change in net working capital masked by Russia write-offs

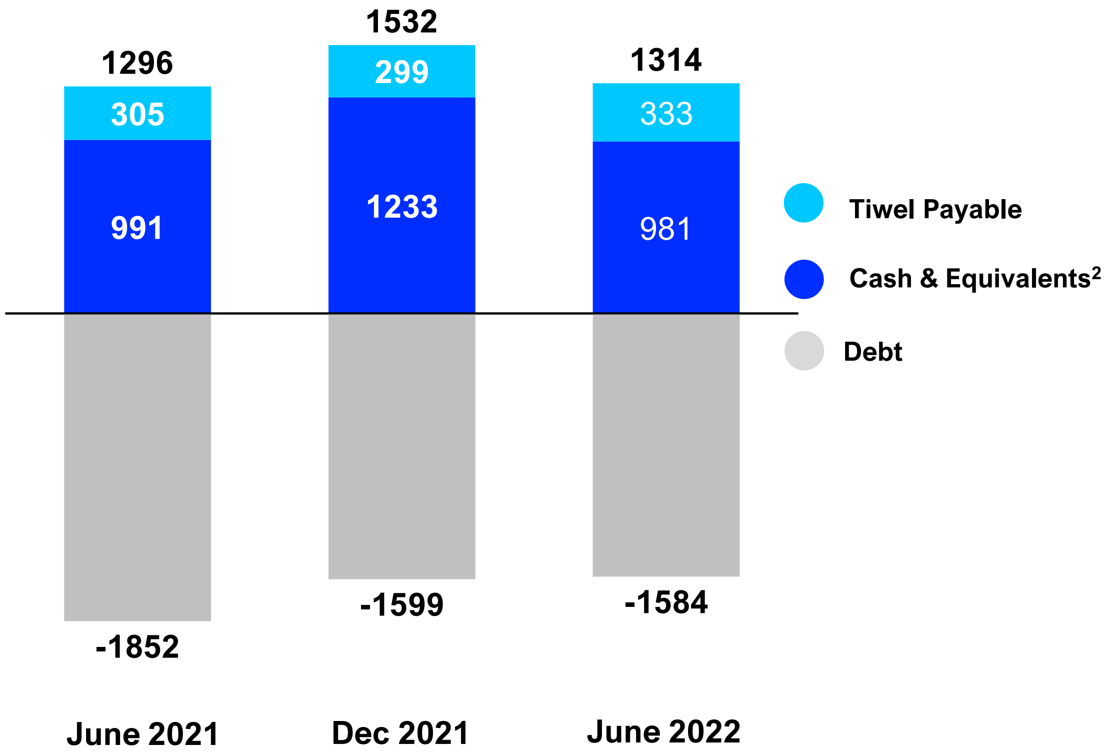


1. Change in adjusted NWC adjusted excludes effects from write-off of Russia and Poland assets

Net debt

Net debt impacted mainly by free cash flow and dividend payment

(in CHF millions)



	June 2021	Dec 2021	June 2022
Net debt	**557**	**67**	**269**[1]
Net debt / EBITDA	**1.3x**	**0.2x**	**1.0x**[1]

Highlights

- Negative FCF of 78m
- Ordinary dividend payment of 81m (dividend to Tiwel held back)
- Tiwel payable 333m (not interest-bearing, no maturity)

[1] CHF 602m and 2.3x excluding 333 cash held on behalf of Tiwel
[2] incl. current financial assets, excl. Tiwel payable

Outlook

Frédéric Lalanne | CEO

SULZER

2022 Guidance

As of July 29, 2022
adjusted for FX

Order Intake organic growth	Sales organic growth	Operational Profitability[2] %
up 3% – 5%	up 2% – 4% excluding impact from Russia exit	close to 10.0%

Mid-term targets unchanged

- Sales growth[1] of 4-5%
- operational profitability[2] of 10-11%

1. Average sales growth p.a., FX adjusted
2. Operational EBITA as a percentage of sales

Takeaways

- Despite many unforeseen events, we managed H1 well:
  - Increase in orders of 11% YOY and order backlog by 10% YTD
  - Sales were up 1%, held back by Energy in Flow Equipment
  - Operational profitability up 50bps to 9.0% despite inflationary pressures
- Guidance confirmed excluding the impact of exiting the Russian market on sales

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