SULZER

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

Business Review

Financial Review

Outlook

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

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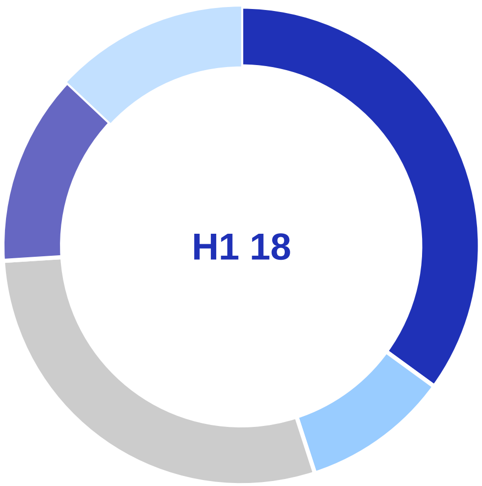
Key figures

In CHF millions	H1 18	H1 17	YOY	adj.[1]	org.[2]
Order intake	720	582	23.7%	21.3%	12.1%
Sales	603	515	17.2%	14.4%	5.7%
opEBITA	6	–13	–	–	–
opROSA	*1.0%*	*–2.5%*			

Order intake by market



- **35%** Oil & Gas[3]
- **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

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

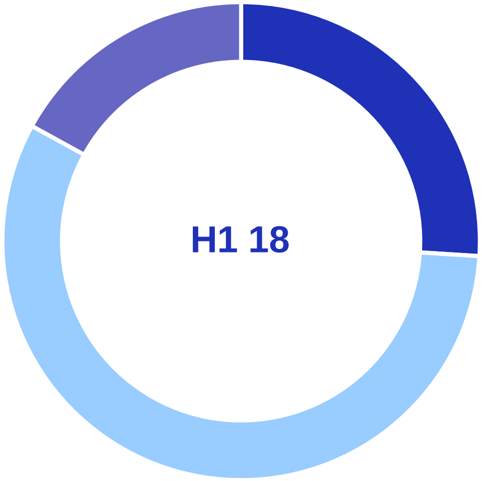
Key figures

In CHF millions	H1 18	H1 17	YOY	adj.[1]	org.[2]
Order intake	572	537	6.5%	6.5%	3.1%
Sales	505	474	6.4%	6.5%	2.5%
opEBITA	61	61	0.6%	1.6%	-2.8%
opROSA	*12.1%*	*12.8%*			

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

Order intake by product line



26% Turbo Services

57% Pumps Services & Spares

17% Electromechanical Services

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

Chemtech

2017 volume and profitability rebound confirmed, shrink TFS

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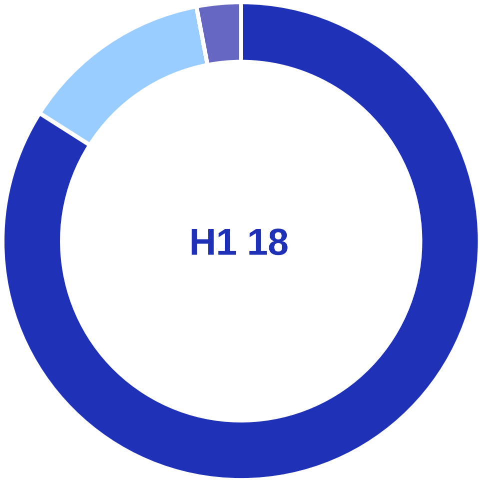
Key figures

In CHF millions	H1 18	H1 17	YOY	adj.[1]	org.[2]
Order intake	280	266	5.5%	5.0%	5.0%
Sales	264	231	13.9%	13.3%	13.1%
opEBITA	20	11	73.5%	71.1%	71.2%
opROSA	*7.5%*	*4.9%*			

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)

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

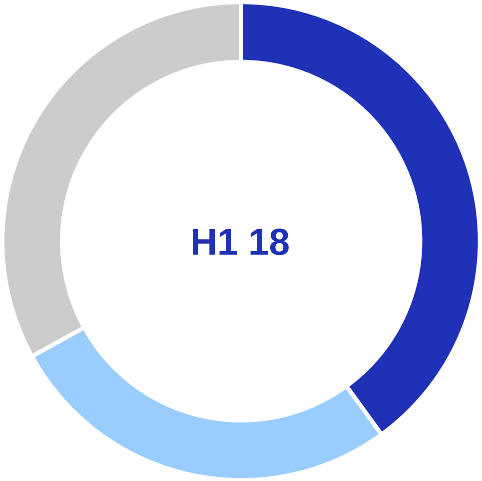
Applicator Systems

Continuing to grow, one-off customer product plan impact in Beauty

Key figures

In CHF millions	H1 18	H1 17	YOY	adj.[1]	org.[2]
Order intake	230	210	9.3%	6.3%	1.3%
Sales	229	209	9.8%	6.8%	2.4%
opEBITA	49	45	7.5%	6.7%	2.6%
opROSA	*21.2%*	*21.6%*			

Order intake by market



- **40%** Beauty
- **27%** Dental
- **33%** Industrial Adhesives & Other

Highlights

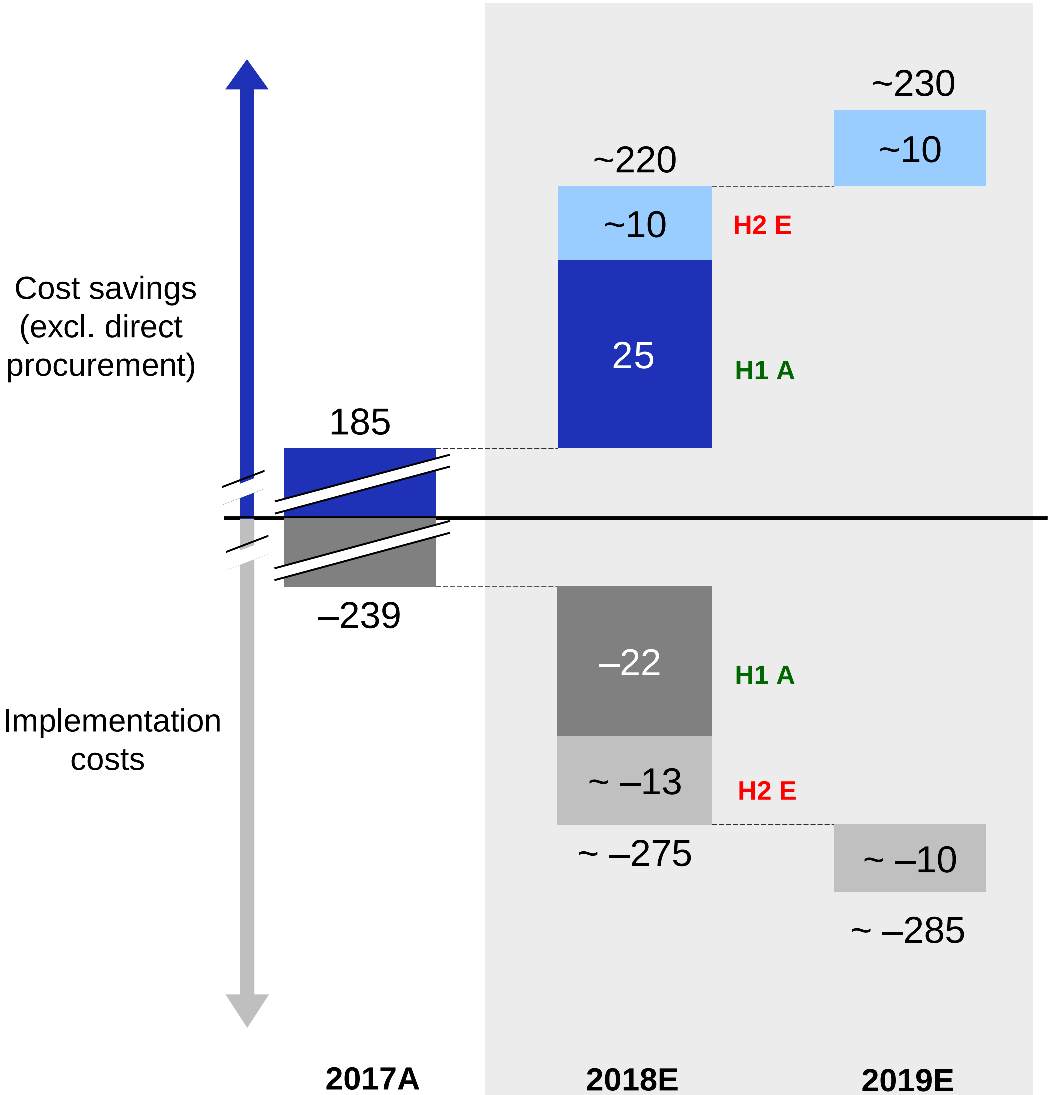
- **Dental and Adhesives** up 7.5% organically
- **Beauty** volume and profitability impacted by decision by significant customer to stop a Generation 1 product early to move to Gen 2. Production gap to impact APS in Q2 and Q3 pending Gen 2 launch.
- OpROSA lower on Beauty segment impact
- Transcodent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

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

SFP

FY target already achieved in H1, increased by 10m

(in CHF millions)



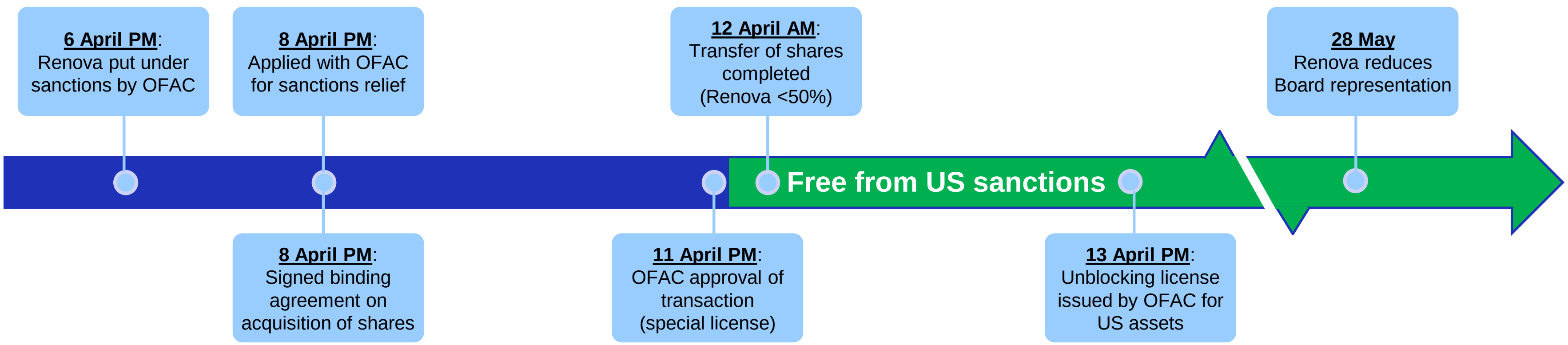
- CHF 210m P&L impact achieved to-date
- CHF 25m incremental savings delivered in H1 18
- Implemenation costs within ~1.2x savings envelope

1. Gross savings, pre market impact

Sanctions timeline recap

Free from all sanctions, no restrictions for shareholders

Timeline



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)

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Business Review

Financial Review

Outlook

Overview
Growing volumes and profitability

Key figures

In CHF millions	H1 18	H1 17	YOY	adj.[1]	org.[2]
Order intake	1’801	1’595	13.0%	11.6%	6.5%
Order intake gross margin	*33.8%*	*34.2%*			
Order backlog *(June 30 / Dec 31)*	1’807	1’594	13.4%		
Sales	1’600	1’429	12.0%	10.5%	5.4%
opEBITA	136	106	27.9%	27.0%	16.8%
opROSA %	*8.5%*	*7.4%*			
EBIT	78	55	41.1%		
ROS %	*4.9%*	*3.9%*			
Core net income	101	76	32.7%		
Core EPS (in CHF)	3.1	2.2			
Free cash flow	–30	–2.5	–		
FTEs *(June 30 / Dec 31)*	15’031	14’732	2.0%		0.5%

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

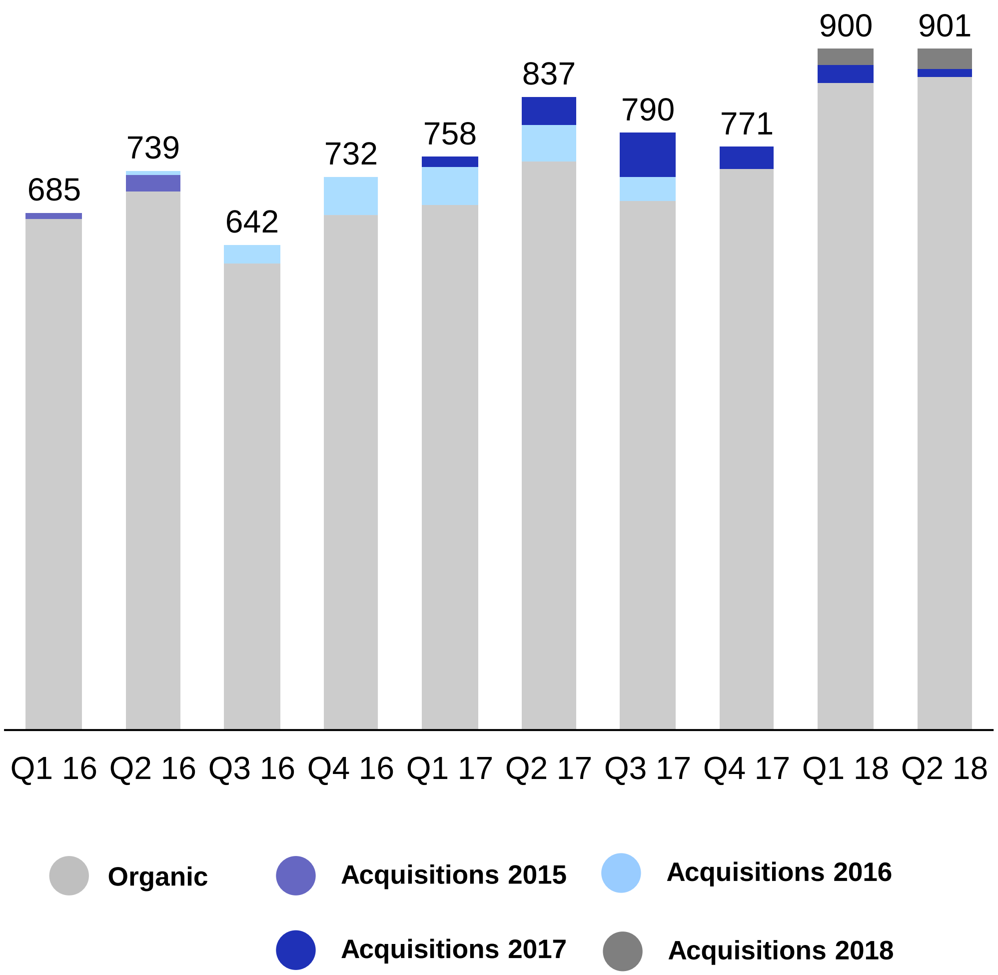
1. Adjusted for currency effects
2. Organic: adjusted for currency and acquisition effects

Quarterly order development

Q2 orders up 5.3%[1] YOY and 0.8% organically

(in CHF millions)

Quarterly order intake



Comment

- Acquisitions contributed a total of CHF 38m
  - JWC CHF 26m
  - Rotec CHF 7m
  - Transcodent CHF 5m
- FX impact was a positive 2.4% or CHF 20m

1. Adjusted for currency effects

OpEBITA / opROSA

SFP savings over-compensate for headwinds

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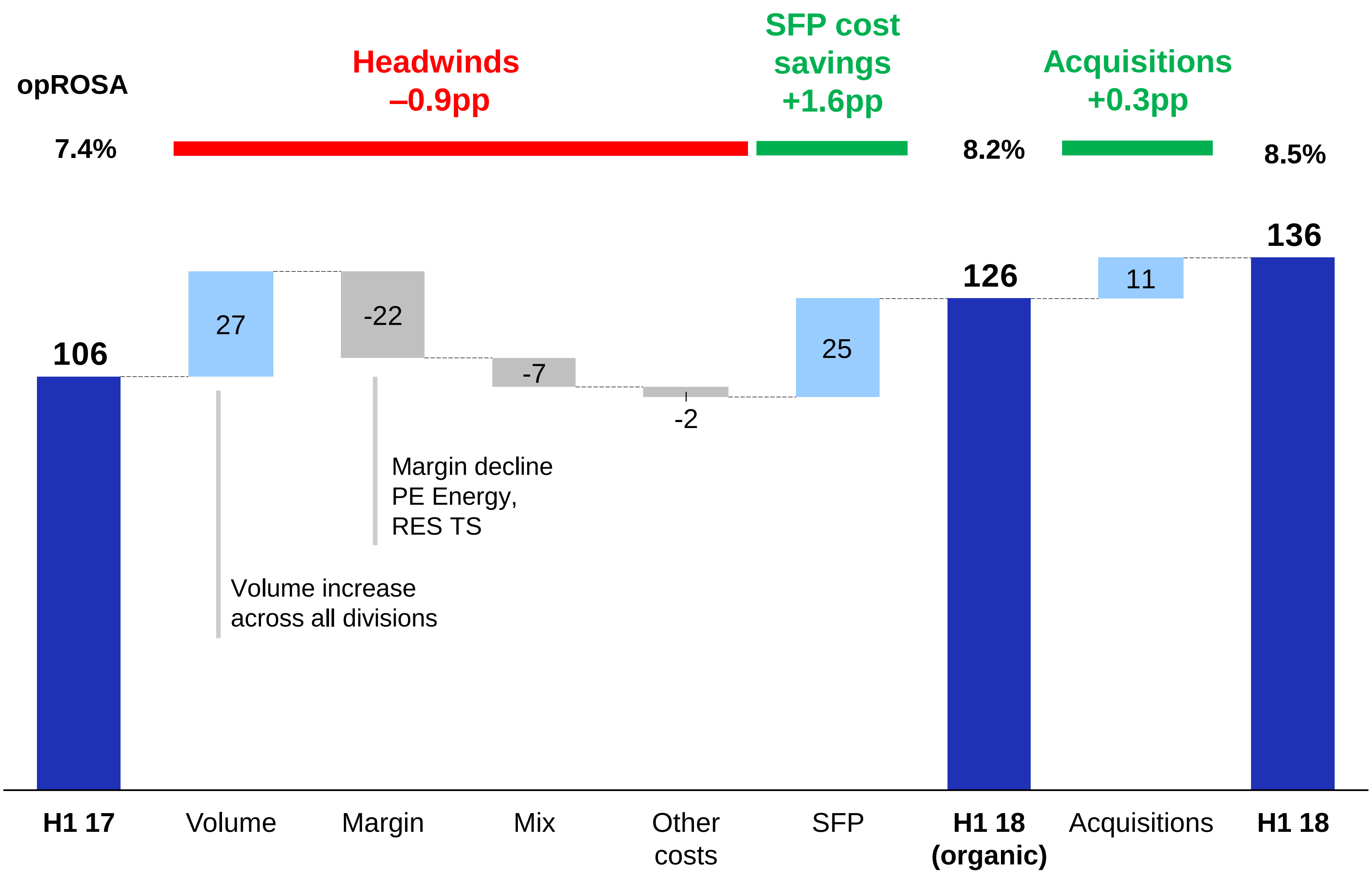
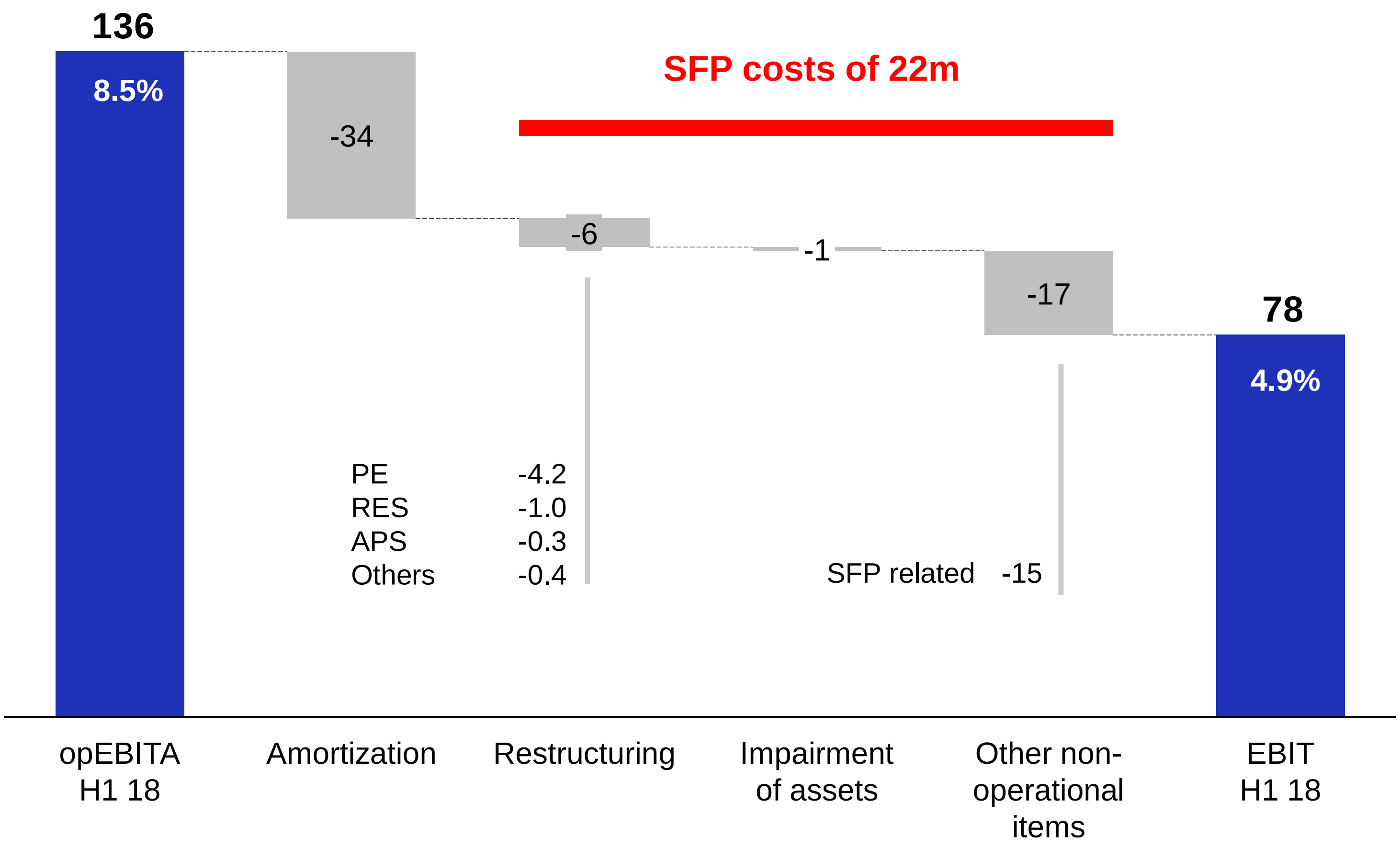
(in CHF millions)



opEBITA to EBIT

EBIT impacted by SFP costs of CHF 22m

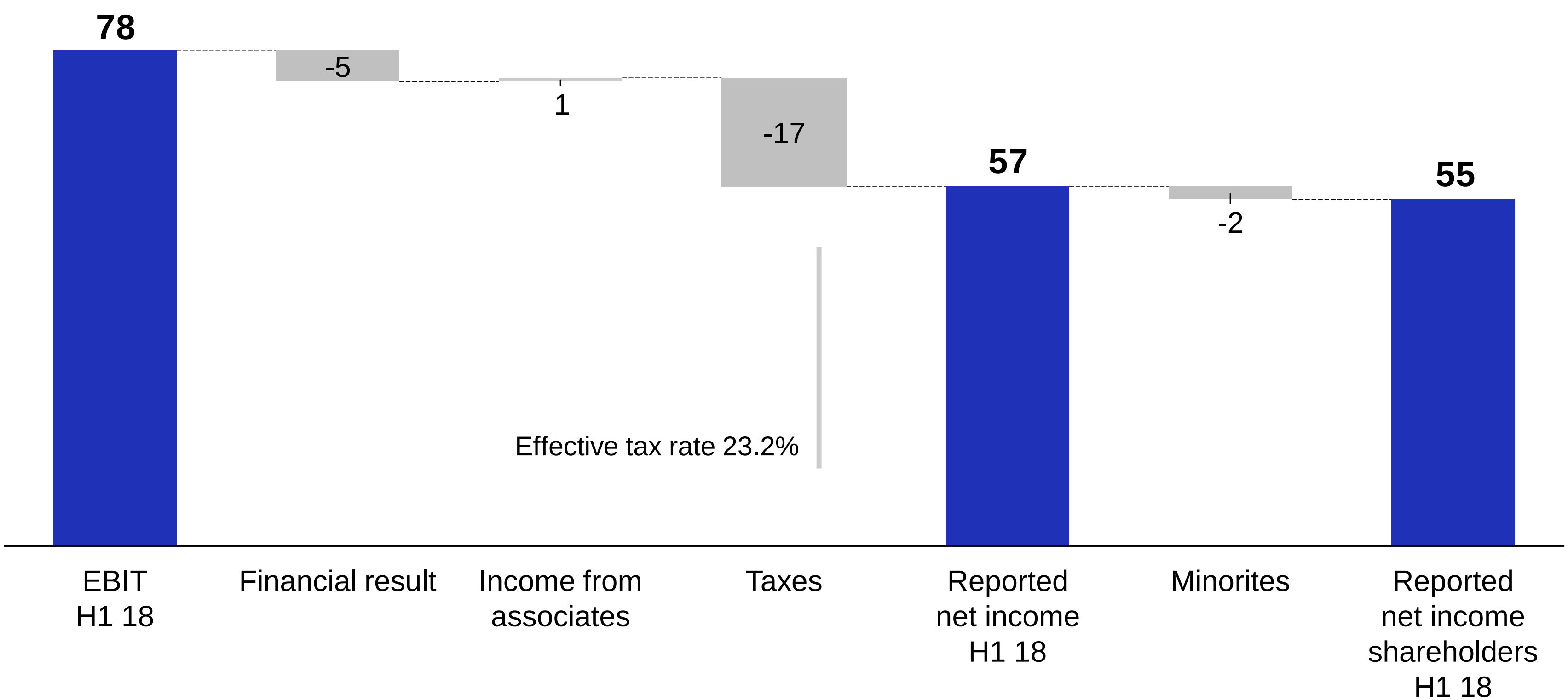
(in CHF millions)



EBIT to net income

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

(in CHF millions)

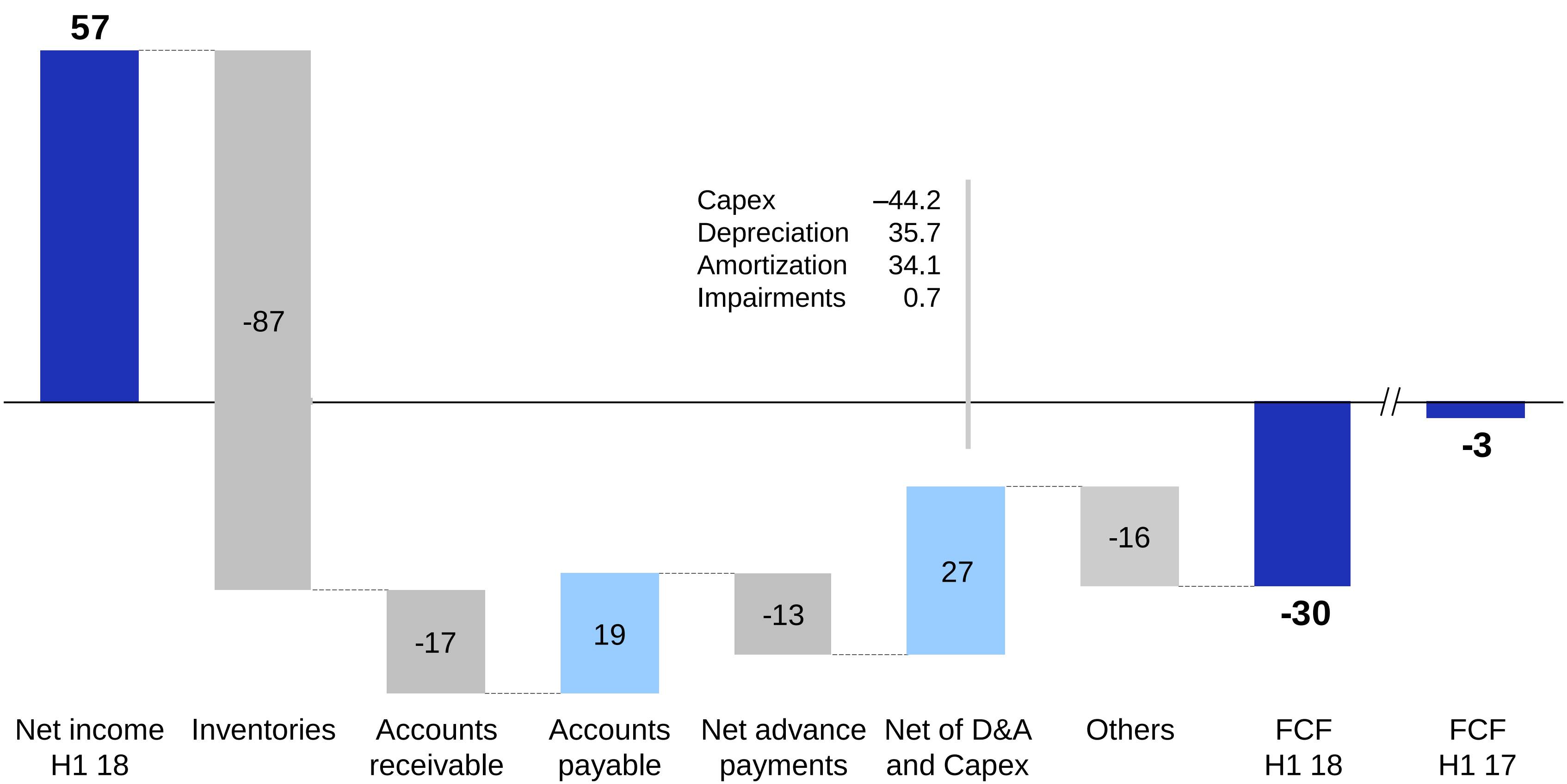


Core net income 101 (6.3% of sales vs. 5.3% in H1 17)

Core net income shareholders 99

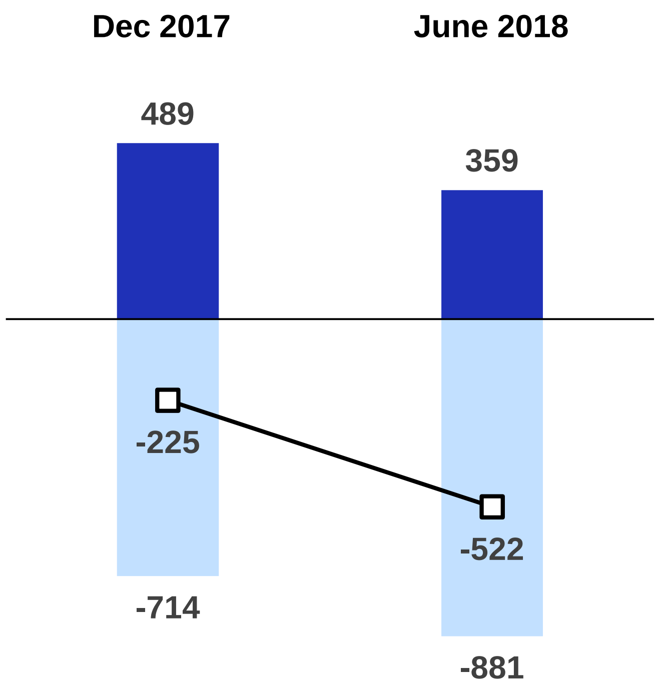
Free Cash Flow
Volume-driven inventory build-up

(in CHF millions)



Balance Sheet
Optimizing financing mix through issuance of new bonds in July

(in CHF millions)



Net debt / EBITDA	Dec 2017	June 2018
	0.8x	1.8x

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 — 29%

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

Water — 12%

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

Power — 13%

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

Oil & Gas — 45%[1]

- Continuing rebound in upstream
- Continuing recovery in downstream
- Few pipeline projects (midstream)

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]	**up 7% – 10%** (previously: up 5% – 7%)
Sales[1]	**up 6% – 8%** (previously: up 4% – 6%)
Operational ROSA[2] %	**around 9.5%** (unchanged)

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

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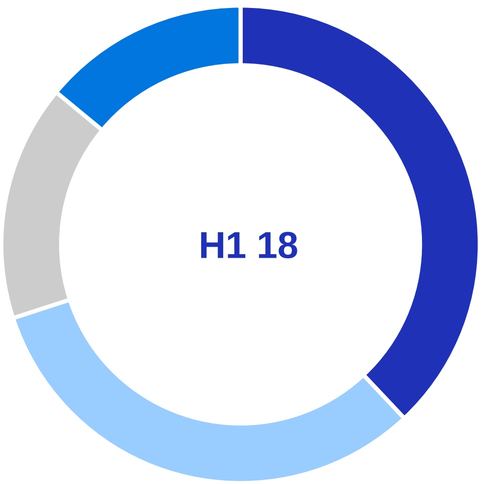
Summary

- **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

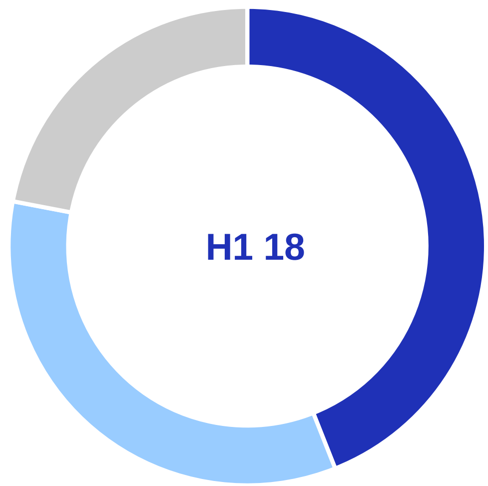
Order intake split H1 2018

Order intake by division



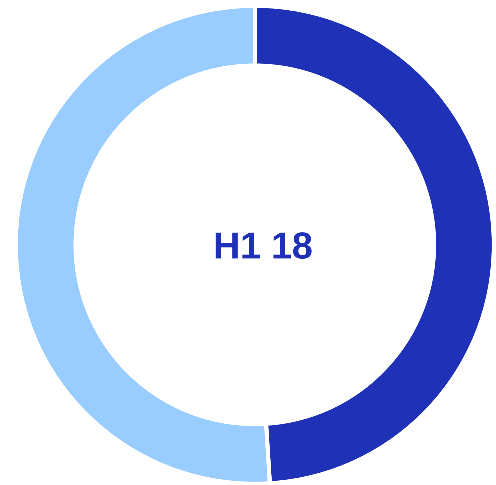
- **38%** Pumps Equipment
- **32%** Rotating Equipment Services
- **16%** Chemtech
- **14%** Applicator Systems

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[1]

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

1. According to old accounting standards

Acquisitions

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

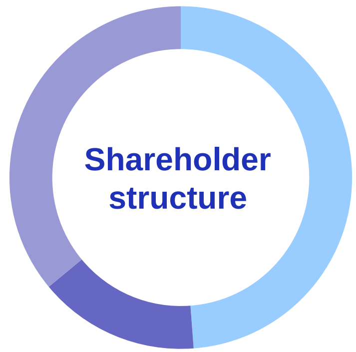
2016 2017 2018

(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

Sulzer shareholder structure and governance

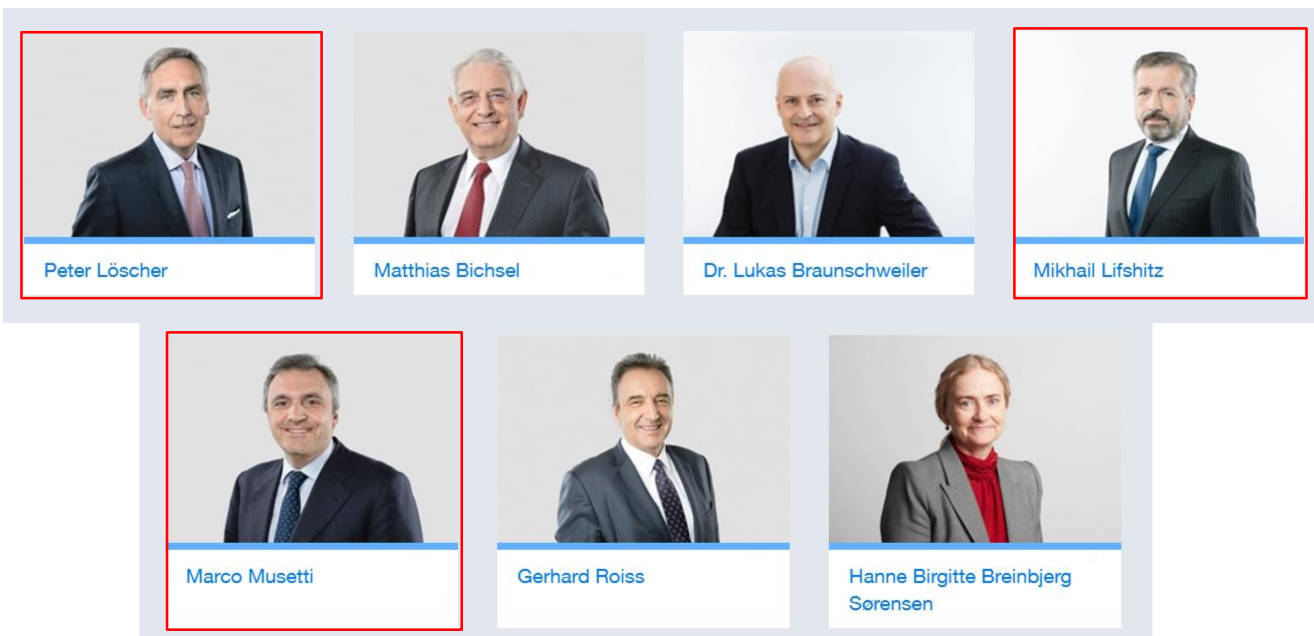
Large minority shareholder, independent Board



- **48.8%** Tiwel (Renova)
- **15.2%** Treasury shares
- **36.0%** Free float

51.2% future free float

Board of Directors



Renova representative