

SULZER

Annual Results 2019

Greg Poux-Guillaume, CEO | Jill Lee, CFO | February 19, 2020



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

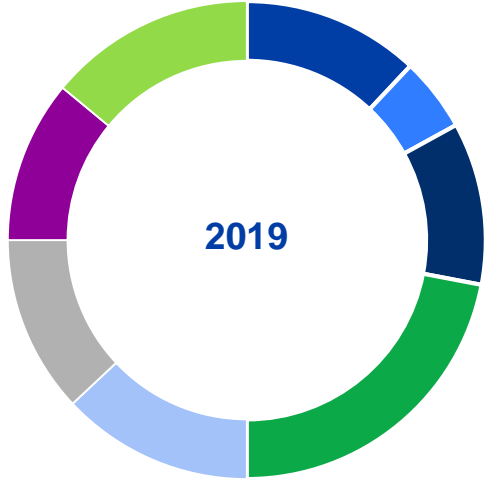
2019 highlights

- Strong organic growth in orders (+6.3%) and sales (+10.8%)
- OpEBITA margin increase of 40bps to 10.0%
- Free Cash Flow up 17.7% at CHF 213m
- Proposed dividend increase to CHF 4.00 (3.50 previously)
- SFP delivered savings totaling CHF 253m (CHF 23m in 2019)
- Two acquisitions: GTC (Chemtech) and Alba (RES)
- Girts Cimermans new Division President APS and EC member
- Guiding for continued growth and profitability increase in 2020

Well balanced across markets and regions

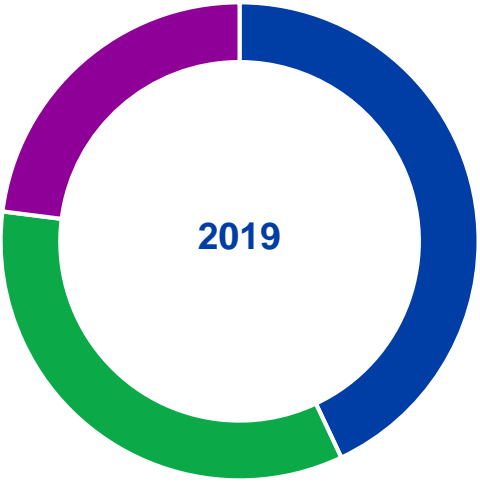
Two thirds of Sulzer's business is low cyclical

Order intake by market



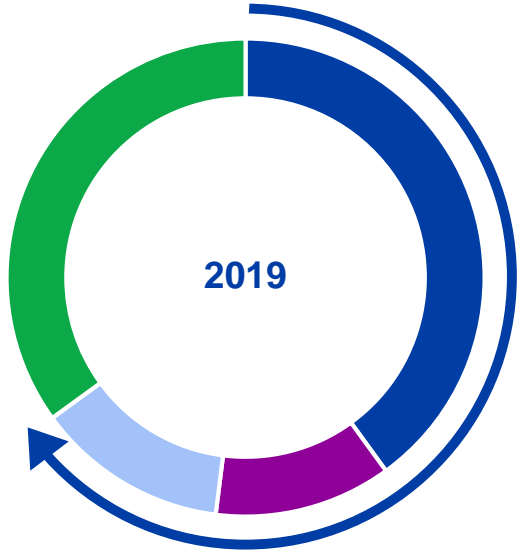
- 12% Upstream
- 5% Midstream
- 11% Refineries
- 22% Chemicals
- 13% Water
- 12% Power
- 11% APS
- 14% Other

Order intake by region



- 43% Europe, Middle East, Africa
- 34% Americas
- 23% Asia-Pacific

Order intake by type




- two thirds low cyclical**
- 41% Aftermarket
 - 11% APS
 - 13% Water incl. Aftermarket
 - 35% Other Equipment

A photograph of a long, white pipeline stretching across a vast, sandy desert landscape under a clear sky. The pipeline is supported by concrete pillars and runs parallel to the horizon. In the background, there are low mountains under a bright sky.

Pumps Equipment

Fresh water supply for Riyadh

412km long pipeline delivers 1.2m m³ of potable water per day

A close-up photograph of water ripples on a blue surface. The ripples are concentric and spread out from a central point, creating a dynamic pattern of light and dark blue.

The new **Jubail-Riyadh water pipeline** will supply the 7m people of Riyadh with potable water, pumped through the desert all the way from the Arabian Gulf.

In Q1 2019, Sulzer received the order to supply highly efficient pumps for this **water pipeline** and additionally an order for pumps for a **desalination plant**. Together the order volume was CHF 42m.

Pumps Equipment

Strong order intake in Water, continued improvement in profitability

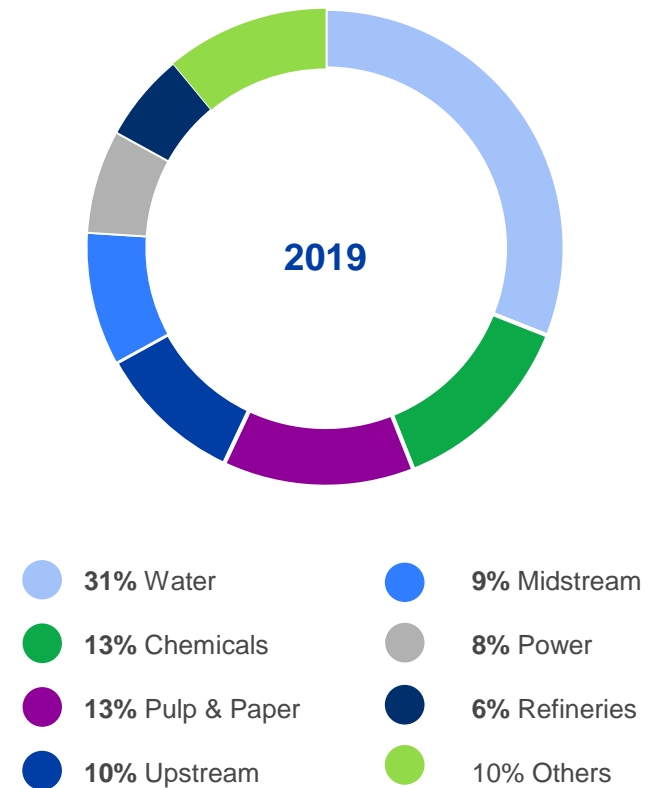
Key figures

In CHF millions	2019	2018	YOY	adj. ¹	org. ²
Order intake	1'459	1'372	6.3%	8.3%	8.0%
Sales	1'477	1'284	15.0%	17.2%	17.0%
EBIT	12	-27			
opEBITA	60	41	44.0%	56.8%	56.3%
opROSA	4.0%	3.2%			

Highlights

- **Orders:**
 - **Water** up 17% organically including two large projects for water transport and desalination in the Middle East (+6% excluding)
 - **Chemicals** up 16% on continued market momentum
 - **Power** up 13% on low base
 - **O&G** up 4% on continued market momentum, despite high base in midstream
- **Sales** strong growth on high order backlog entering 2019
- **opROSA:** higher volume, good execution and savings more than offset negative mix effect

Order intake by market



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

Rotating Equipment Services

Pioneering additive manufacturing solutions for parts and repairs

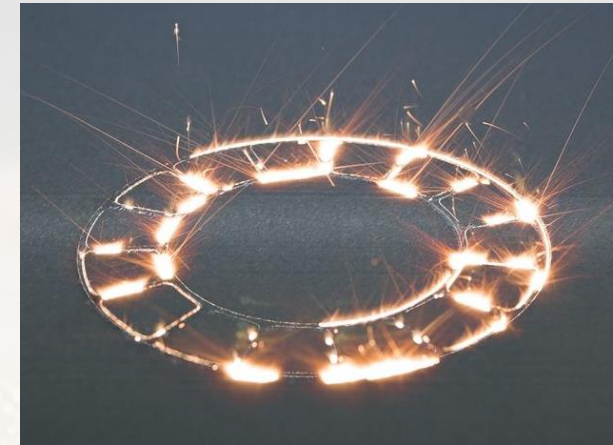
Applying innovative additive solutions to maximize customers' equipment availability and minimize waste



Laser Metal Deposition



Selective Laser Melting



Rotating Equipment Services

Growing in all product lines, margin up 40 bps on Pumps Services upswing

Key figures

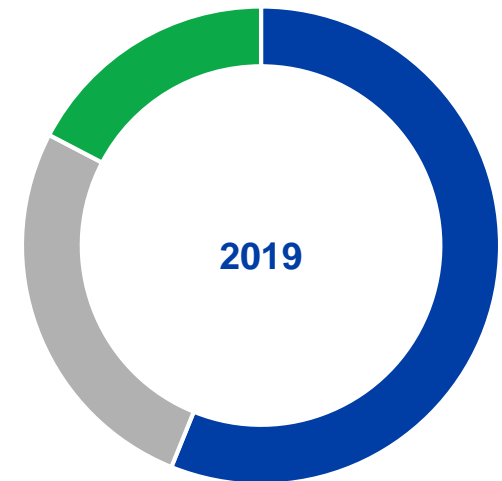
In CHF millions	2019	2018	YOY	adj. ¹	org. ²
Order intake	1'193	1'110	7.5%	10.7%	8.6%
Sales	1'167	1'164	9.7%	12.8%	10.0%
EBIT	152	131			
opEBITA	165	146	12.6%	17.2%	15.5%
opROSA	14.1%	13.7%			

Highlights

- **Pumps Services** orders up 7% on new equipment rebound and new service centers
- **Turbo Services** orders up 18% on improved power, strategic focus and low base
- **Electromechanical Services** orders up 4%
- **OpEBITA and opROSA** increased with higher sales
- **Acquisition of Alba Power** enlarges Sulzer's portfolio with aero-derivative gas turbines for distributed power

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

Order intake by market




- 55% Pumps Services
- 28% Turbo Services
- 17% Electromechanical Services



Chemtech

Recycling hydrocarbons

Today, most of the plastic ends up in waste and landfill sites, only a small amount is recycled



Norwegian start-up Quantafuel developed a chemical recycling process **converting plastic polymers back into hydrocarbons**, which can then be used by different downstream industrial processes, including new plastic materials, that currently rely on fossil fuels.

For its first full-scale plant for continuous processing, **Quantafuel partnered with Sulzer** to design, fabricate and install flexible fractionation units in record time.

Chemtech

Revenue growth driving significant improvement in profitability

Key figures

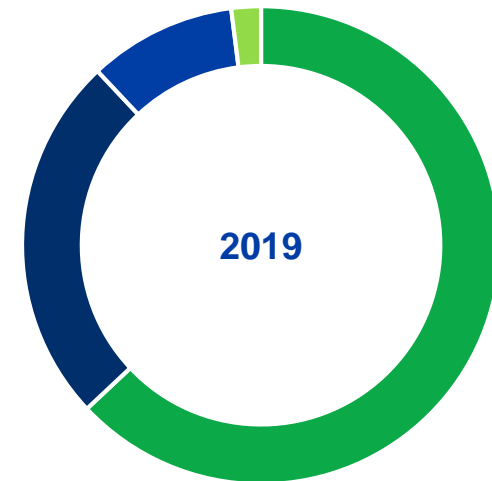
In CHF millions	2019	2018	YOY	adj. ¹	org. ²
Order intake	670	600	11.6%	12.8%	6.5%
Sales	664	563	17.9%	19.0%	12.7%
EBIT	54	15			
opEBITA	64	50	27.5%	30.0%	24.0%
opROSA	9.6%	8.9%			

Highlights

- Continued **strong organic growth** in order intake and sales despite high base (2018 growth: orders +21%, sales +19%)
- **Profitability rebound continuing** to 9.6% opROSA on higher volumes
- **Acquisitions of GTC Technology** expands Chemtech’s portfolio with proprietary process and systems for the production of aromatics and other petrochemicals

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

Order intake by market

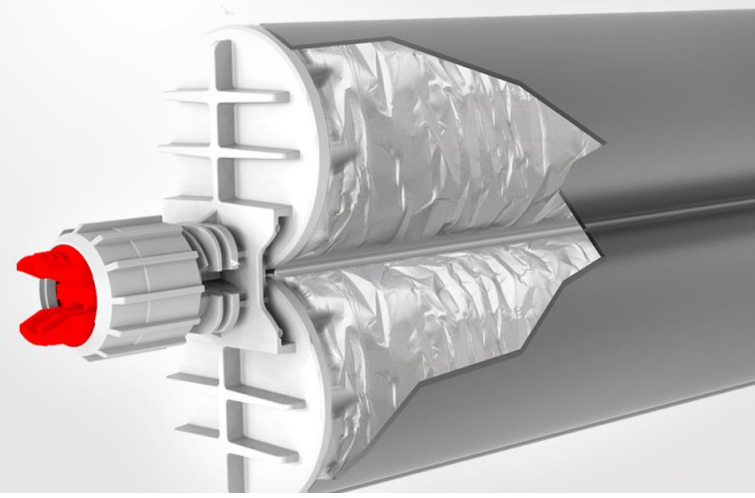


- 63% Chemicals
- 25% Refineries
- 10% Upstream
- 2% Others

Applicator Systems

Award for resource efficiency

ecopaCC™ wins Packaging Europe Sustainability Award 2019



Sulzer has won the world's **most prestigious packaging innovation competition** in the “Resource efficiency” category with ecopaCC™, a collapsible primary packaging for adhesives and sealants.

The revolutionary design **slashes costs, resources and waste**, with significant savings potential across the value chain from transportation to disposal.

Applicator Systems

Defended profitability despite volume shift in Beauty

Key figures

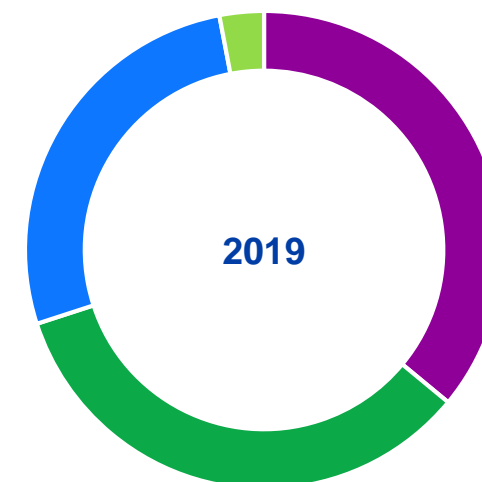
In CHF millions	2019	2018	YOY	adj. ¹	org. ²
Order intake	425	450	-5.4%	-4.3%	-5.2%
Sales	421	454	-7.3%	-6.4%	-7.4%
EBIT	40	64			
opEBITA	88	96	-7.8%	-7.6%	-8.6%
opROSA	21.0%	21.1%			

Highlights

- **Dental, Adhesives and Healthcare** collectively up 3%
- **Beauty** (-14%) in transition to adapt industrial assets to new cosmetics market needs defined by independent brands and prestige segment. Expansion and retooling of Bechhofen on track, expected to ramp production towards end 2020; closure of Bamberg
- **Profitability stable** on efficiency actions and favorable mix (less Beauty)

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

Order intake by market

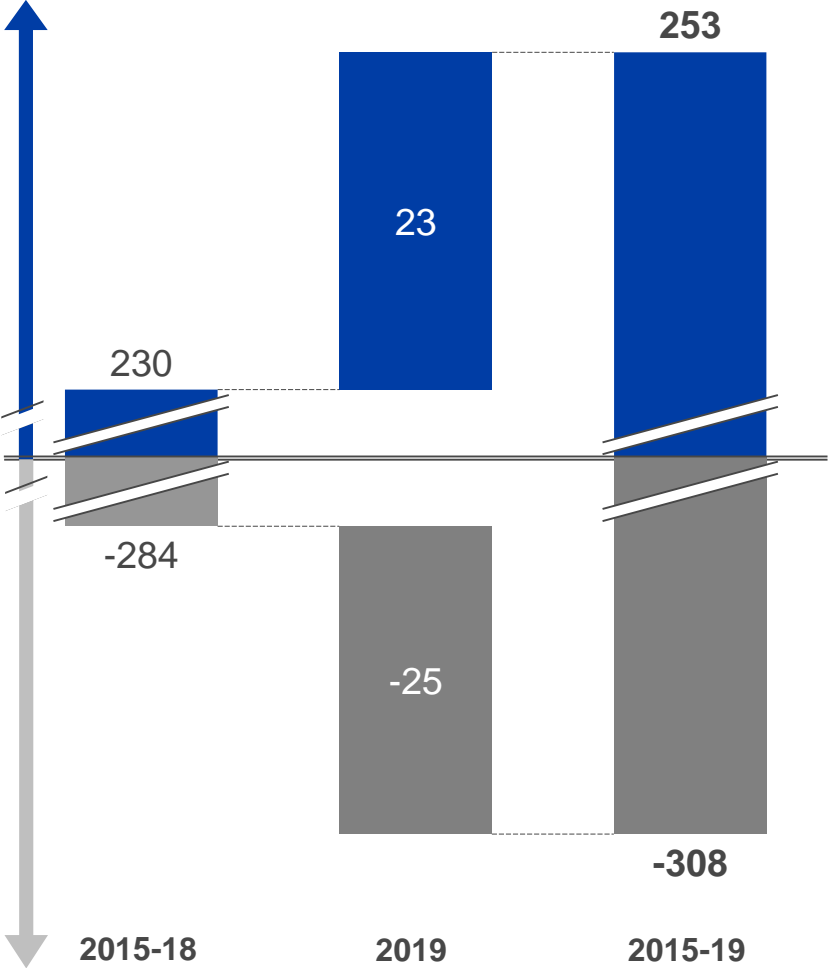


- 36% Beauty
- 34% Adhesives
- 27% Dental
- 3% Healthcare

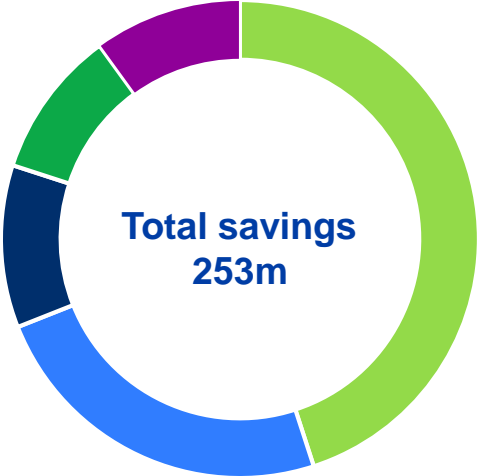
SFP completed successfully

Cumulative savings of 253m – cost to savings ratio of 1.2x

(in CHF millions)



Cumulative SFP savings



- 45% Operations streamlining
- 24% Indirect procurement / Supply chain management
- 11% Functional shared services
- 10% Design efficiencies
- 10% Engineering & sales

Sulzer senior leadership

Renewed, stable and experienced



Greg Poux-Guillaume
CEO



Jill Lee
CFO



Armand Sohet
CHRO



Frédéric Lalanne
Division President
Pumps Equipment



Daniel Bischofberger
Division President
Rotating Equipment Services



Torsten Wintergerste
Division President
Chemtech



Girts Cimermans
Division President
Applicator Systems

- CEO of Vision Care, Hoya's \$2 billion ophthalmic business
- Danaher Group's KaVo Dental
- Pentax Medical
- GE Healthcare

Sulzer governance

Board dominated by independents



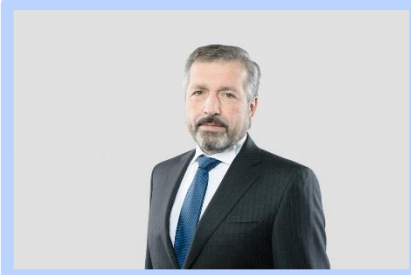
Peter Löscher
Chairman of the Board
Chairman of the Strategy Committee



Matthias Bichsel
Vice Chairman of the Board
Member of the Strategy Committee



Lukas Braunschweiler
Member of the Strategy Committee



Mikhail Lifshitz
Member of the Strategy Committee



Marco Musetti
Member of the Nomination and Remuneration Committee
Member of the Audit Committee



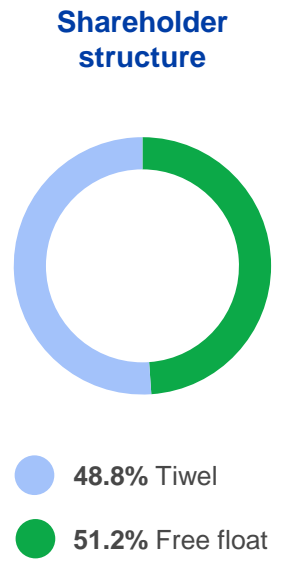
Gerhard Roiss
Chairman of the Nomination and Remuneration Committee
Member of the Audit Committee



Hanne Breinbjerg Sørensen
Chairwoman Audit Committee
Member of the Nomination and Remuneration Committee



Alexey Moskov
Proposed for election to the Board



■ Tiwel representative

Financial Review

Overview

Strong top-line growth, increased profitability and record free cash flow

Key figures

In CHF millions	2019	2018	YOY	adj. ¹	org. ²
Order intake	3'747	3'532	6.1%	8.2%	6.3%
Order intake gross margin	33.6%	33.3%			
Order backlog (Dec 31)	1'793	1'787	0.3%	1.9%	
Sales	3'729	3'365	10.8%	13.0%	10.8%
opEBITA	371	323	15.1%	17.9%	15.9%
opROSA %	10.0%	9.6%			
EBIT	241	184	31.1%		
ROS %	6.5%	5.5%			
Core net income	258	223	15.6%		
Core EPS (in CHF)	7.5	6.9			
Free cash flow	213	181	17.7%		
FTEs (Dec 31)	16'506	15'572	6.0%		

Comment

- Order intake gross margin increased on high order selectivity in engineered pumps and despite negative mix effects
- Sales increased on strong opening backlog and favorable markets
- opROSA increased due to higher volumes, SFP savings and solid execution more than offsetting negative mix effects
- Free cash flow at record levels on stable net working capital despite higher sales

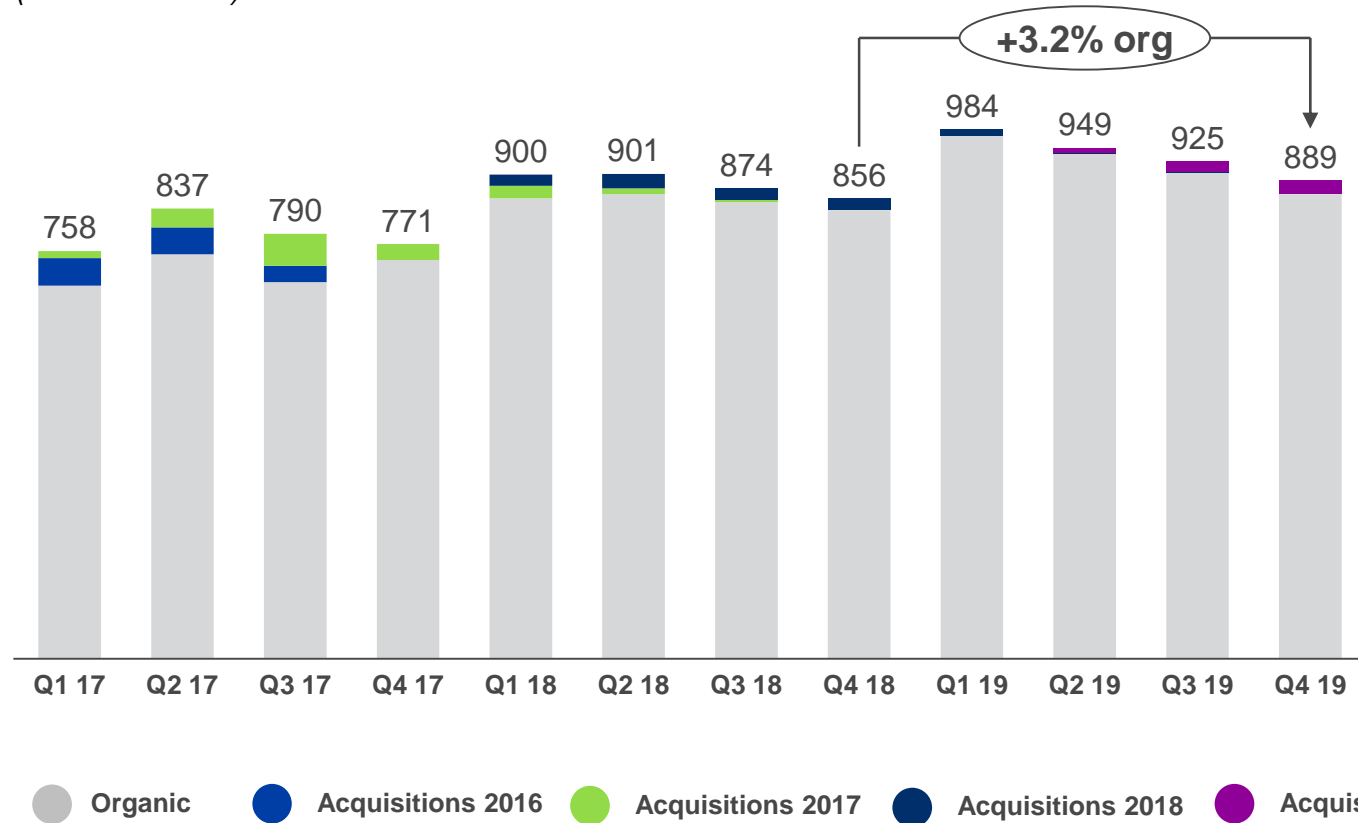
1. Adjusted for currency effects
 2. Organic: adjusted for currency and acquisition effects

Quarterly order development

Q4 2019 orders up 6.2%¹ YOY and 3.2% organically²

Quarterly order intake

(in CHF millions)



Comment

Q4 up 3.2% organically

- Driven by PE, RES and CT, all up mid-single digits although some larger CT orders shifted to 2020
- FX impacted negatively CHF –20m, acquisitions contributed CHF +25m

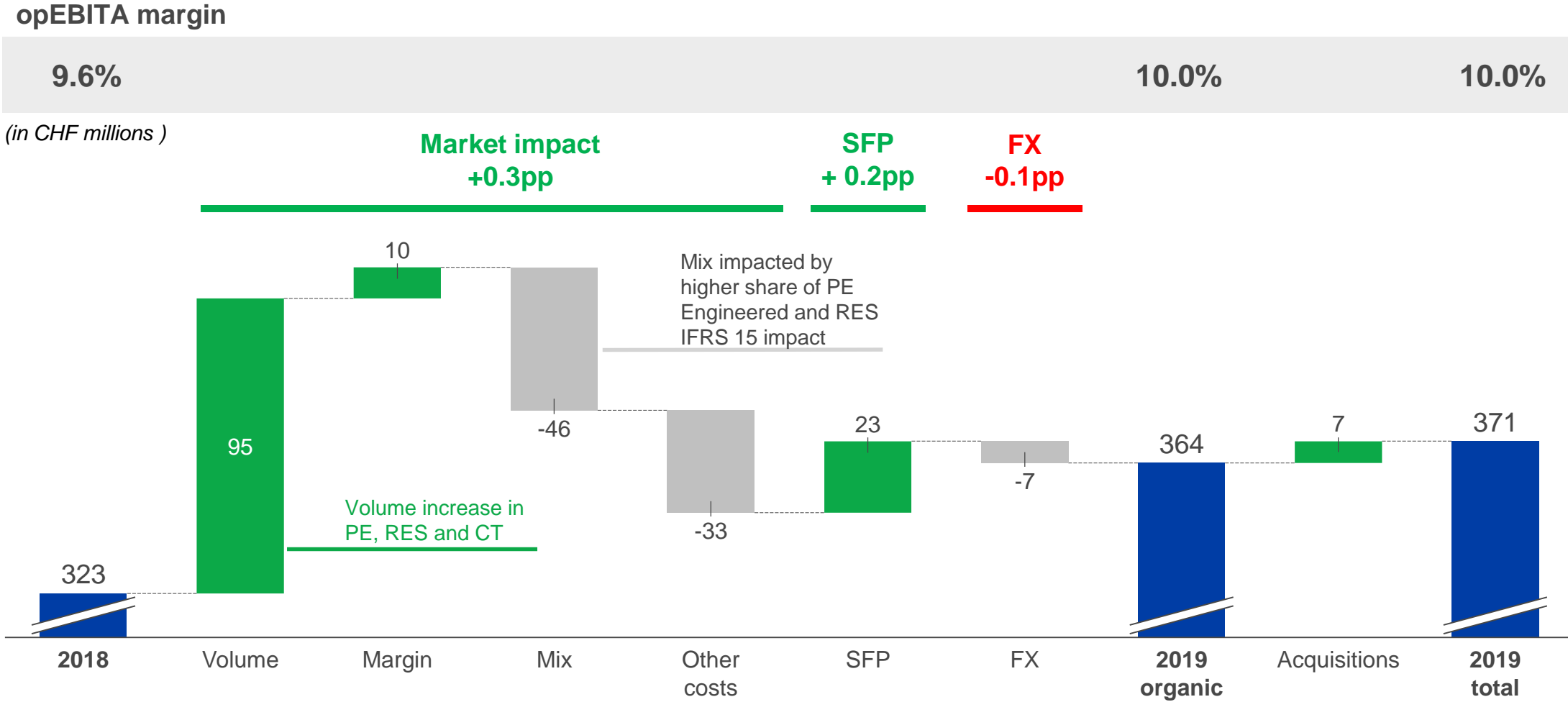
FY up 6.3% organically

- Driven by Water (+16%), Power (+13%), Oil & Gas (+12%) and Chemicals (+7%) while General Industries (–6%) struggled
- FX impacted negatively CHF –74m, acquisitions contributed CHF +69m

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

Operating Profits

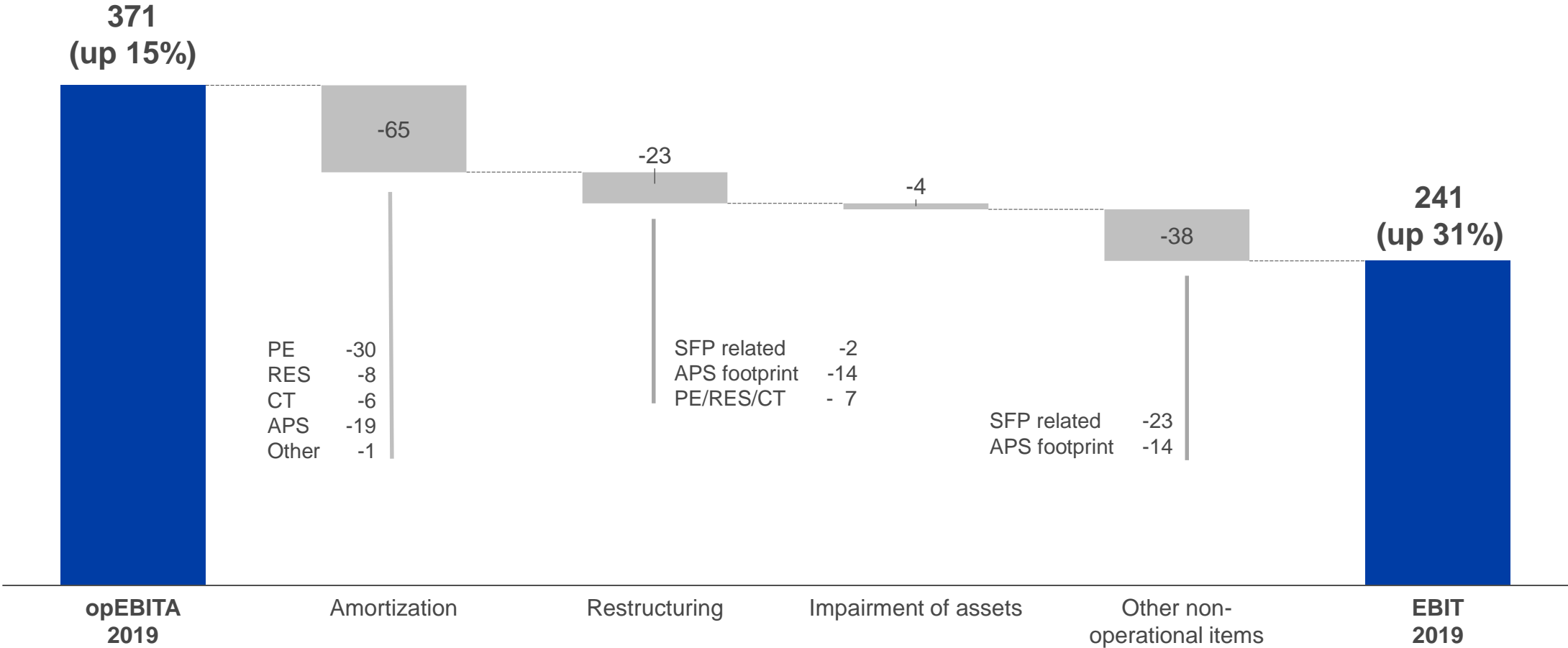
opEBITA higher on revenue growth, more than offsetting negative mix effect



opEBITA to EBIT

SFP related one-offs CHF 25m and APS beauty factory consolidation CHF 28m

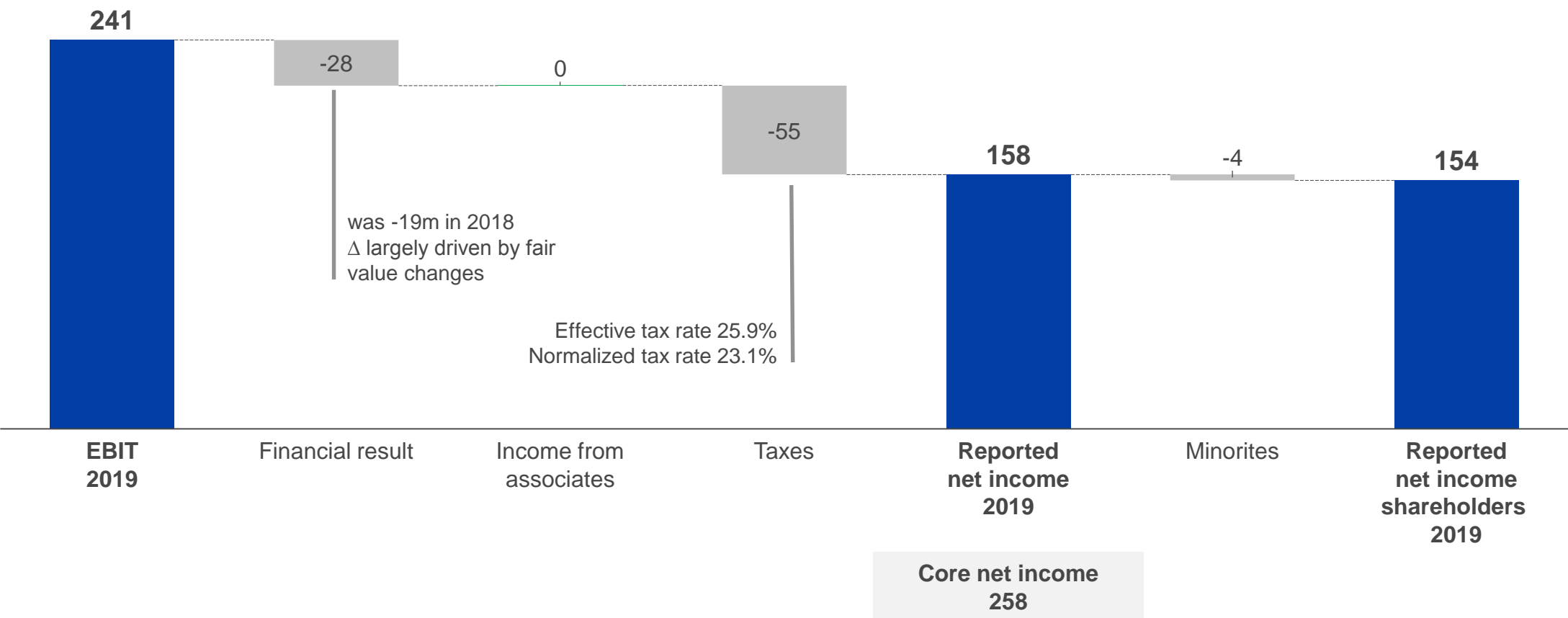
(in CHF millions)



EBIT to Net Income

Net income up 35% YOY

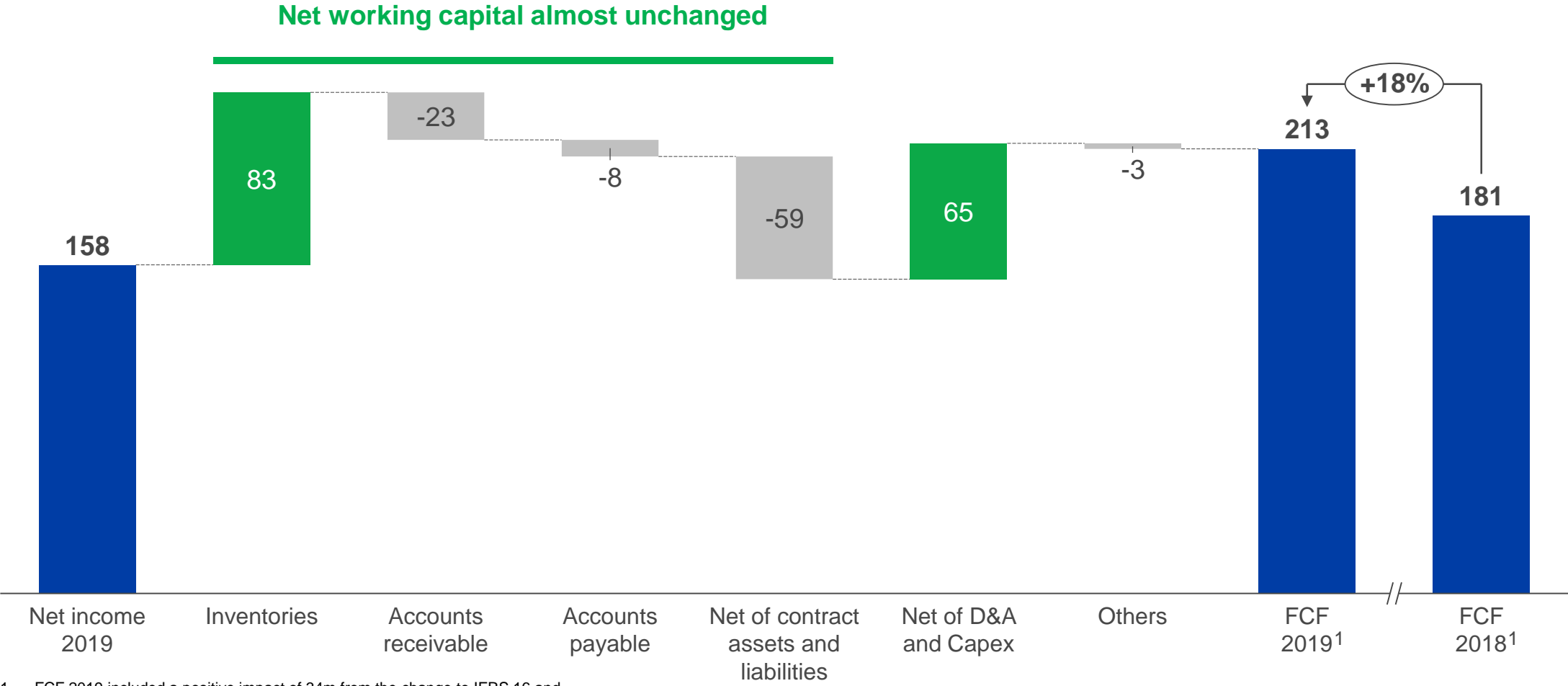
(in CHF millions)



Free Cash Flow

FCF up 18% YoY on flat net working capital despite higher sales

(in CHF millions)

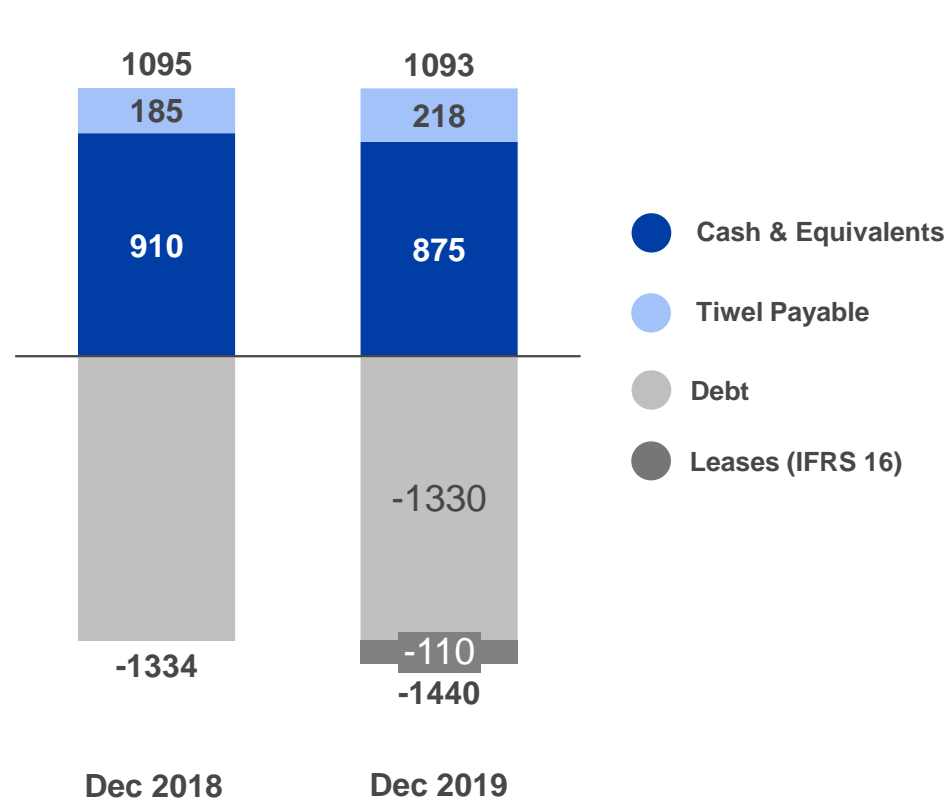


1. FCF 2019 included a positive impact of 34m from the change to IFRS 16 and FCF 2018 included a positive impact of 32m from the sale of affordable housing

Balance sheet

Solid balance sheet continues to support selective acquisitions

(in CHF millions)



	Dec 2018	Dec 2019 ex IFRS 16	Dec 2019
Net debt	239 / 424 ¹	237 / 455 ¹	347 / 565 ¹
Net debt / EBITDA	0.7x / 1.3x ¹	0.6x / 1.1x ¹	0.8x / 1.4x ¹

Balance sheet December 2019:

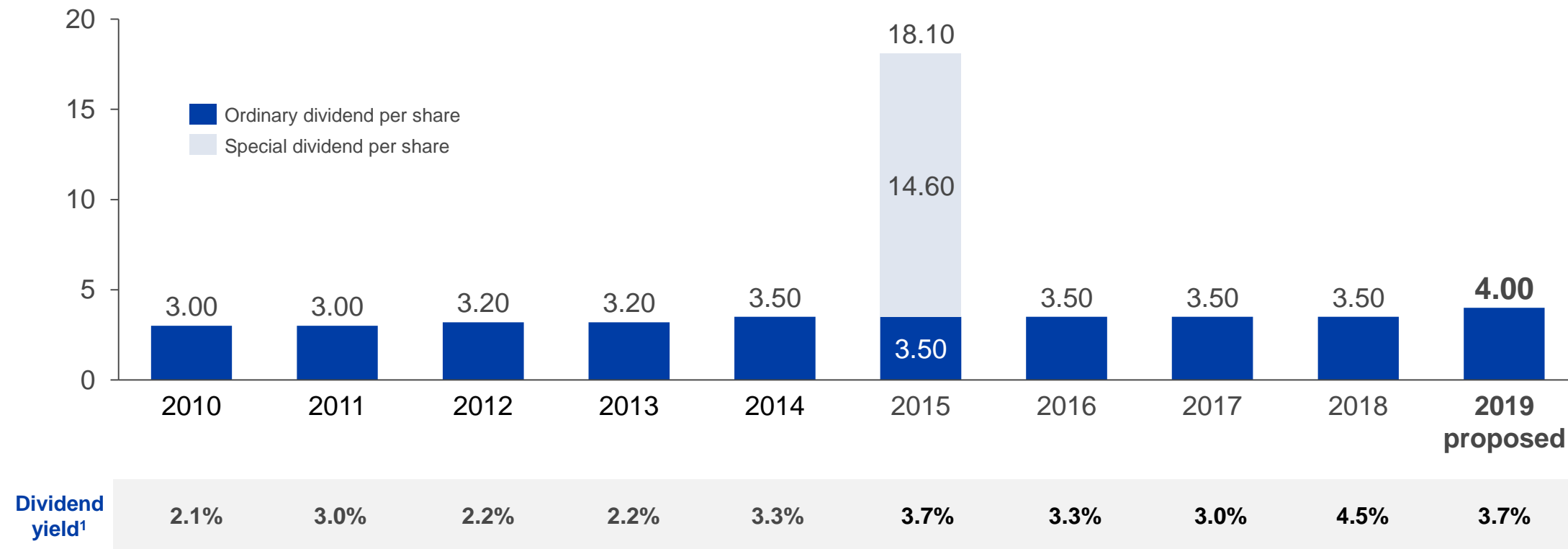
- Total net debt of: CHF 347m
- FCF of CHF 213m
- 2018 ordinary dividend payment of CHF 81m (net dividend to Tiwel held back = CHF 38m)
- Acquisition payments of CHF 79m
- Non-interest bearing CHF 218m payable (including above CHF 38m) in favor of Tiwel linked to share repurchase and 2017/2018/2019 dividends

1. Excluding cash held on behalf of Tiwel

Dividend

Proposal for a 2019 dividend increase to CHF 4.00 (+14%)

Dividend (CHF)



1. Dividend yield = ordinary dividend per share / share price on Dec 31.

Outlook



Financial guidance 2020

As of February 19, 2020



► Excludes potential impact from COVID-19

Note: Adjusted for currency effects, but including acquisitions

COVID-19

As of 17.02.2020

Current situation

- All 5 of our Chinese factories back up and running (4 on the 10.02, 1 on the 14.02)
- 63% of critical workforce (staff incl. temps to run factory) and 73% of all workers are available
- Factories operating on average at 40% of capacity
- Supply chain ramping back up + domestic transport remains difficult = some missing components
- Focus is on supporting our employees / their families and providing a safe working environment

High level view of impact (very preliminary)

- If situation continues to evolve favorably, volumes could be recoverable during the year
- One-off impact expected due to under-absorption during shut-down / ramp-up
- China represented 12% of Sulzer orders in 2019

2020 outlook

- **Positive leading indicators for Sulzer end markets**
 - Water, Chemicals, Oil & Gas and Aftermarket show high levels of tendering activity into 2020
 - Industry softened in H2 2019
 - Beauty should return to growth, other APS markets robust
- **Volume growth to continue** albeit at slower pace given high 2019 levels and continued selectivity
- Operational profitability to **further improve to 10.2% – 10.5%** with some uncertainty linked to COVID-19
- SFP closed 2019 but **ambitious cost actions to continue**
- **Increased dividend** of CHF 4.00 proposed to AGM

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