Q1 2020 Performance and Outlook

April 21, 2020

The safe harbor statement under the US private securities litigation reform act 1995

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Q1 2020 performance

Performing well in the face of pandemic

- **Keeping everyone at Sulzer safe is our first priority**
  - Social distancing procedures, vulnerable groups identified, good access to PPE (masks, suits, etc.)
  - Only 3 COVID-19 cases out of 16’097 employees worldwide
- Strong Q1 orders of **CHF 994m, up 6.5% adj[1] 3.2% org[2] YOY**
- Sulzer provides **Essential Services** for water and energy infrastructure
  - > 90% of Sulzer employees worldwide are working, plants running, extensive use of home office
  - India (PE + CT factories + 2 RES service centers) allowed early 45% reopening on 16.04 as essential service
  - China (3 PE + 1 CT + 1 APS factories + RES) back at 100% capacity, with heavy workload
  - APS Elgin (Illinois, USA) only factory closed
- **Q1 sales down 2.2% adj[1] 4.3% org[2] YOY** on China/India closure + end customer confinement measures
- **Q1 FCF up CHF 15m YOY**
- 2019 dividend maintained and paid (CHF 93m cash out)

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

Outlook

Demonstrate resilience, rebound post pandemic, downsize Energy

- Q2 expected to be more challenging:
  - Commercial slowdown through combination of capex cuts (oil & gas), limited site access (field service), confinement (dental, beauty) and general economic downturn (industry, adhesives)
  - Execution will be tested by lockdowns and supply chain disruption. Cash collection a key focus
  - Short-time work being considered where markets on hold (e.g. dental when dentists are closed)
- Strong backlog of CHF 1’925m at end of Q1, of which ~80% tradable in 2020
- **CHF 1.6 bn of liquidity** at start of 2020, significant headroom in any scenario
- Recovery expected beyond COVID-19 in most of our markets as 2/3rds of Sulzer is low cyclical
- Oil & Gas new projects (14% of Sulzer) longer downturn on high stocks and lower demand
- **Decisive adapt measures already launched**:
  - Cut 2020 CAPEX by CHF 60m down to CHF 70m plant & equipment maintenance level (protect digital)
  - Cut 2020 OPEX by CHF 60m through combination of temporary and structural measures
  - Reduce Energy capacity by one third (structural cuts, mostly in Pumps Equipment, details at HY results)

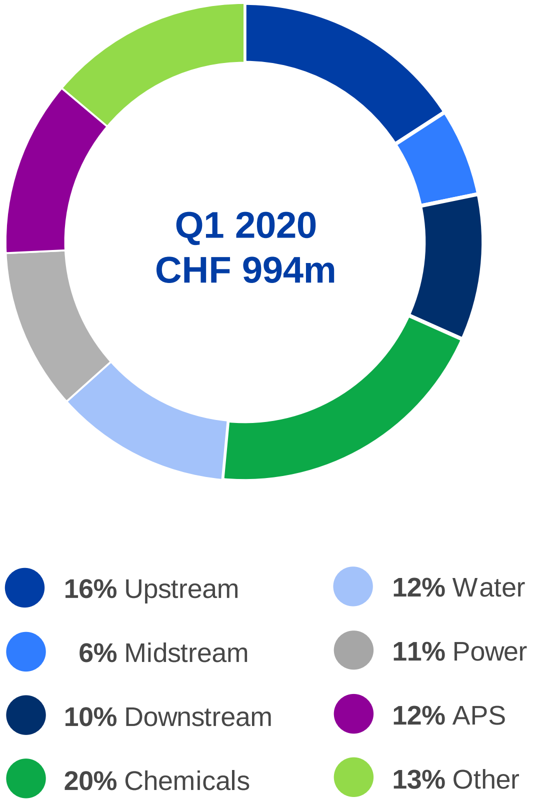
Q1 order intake continued to grow

Orders driven by RES and PE

Order Intake

In CHF millions	Q1 20	Q1 19	YOY	adj.[1]	org.[2]
Pumps Equipment	**382**	391	-2.4%	3.4%	4.5%
Rotating Equipment Services	**332**	301	10.3%	16.9%	12.7%
Chemtech	**166**	171	-2.6%	2.1%	-12.2%
Applicator Systems	**114**	121	-5.9%	-3.0%	-3.0%
Total Sulzer	**994**	**984**	**1.0%**	**6.5%**	**3.2%**

Order intake by market



Highlights

- PE up despite Q1 19 exceptional 42m water orders and 22m order cancellations
- RES grew in all regions and product lines
- CT down mostly on high baseline and shift of large orders
- APS down on dental (COVID-19); beauty sequential rebound initiated; adhesives flat
- FX impact –55m; Acquisition impact +33m

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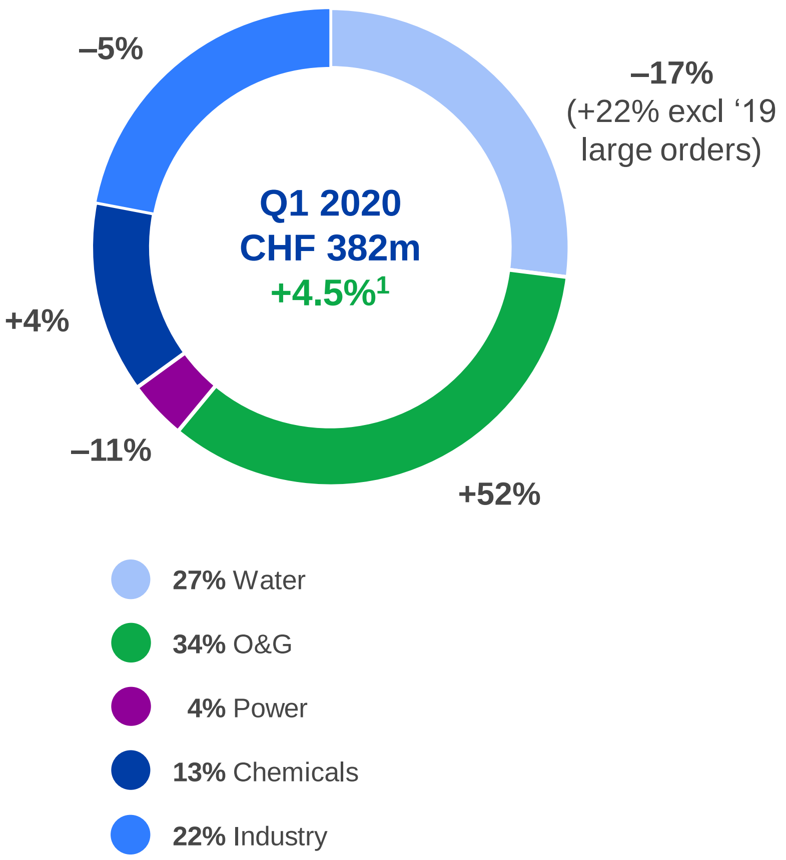
2. Organic: adjusted for currency and acquisition effects

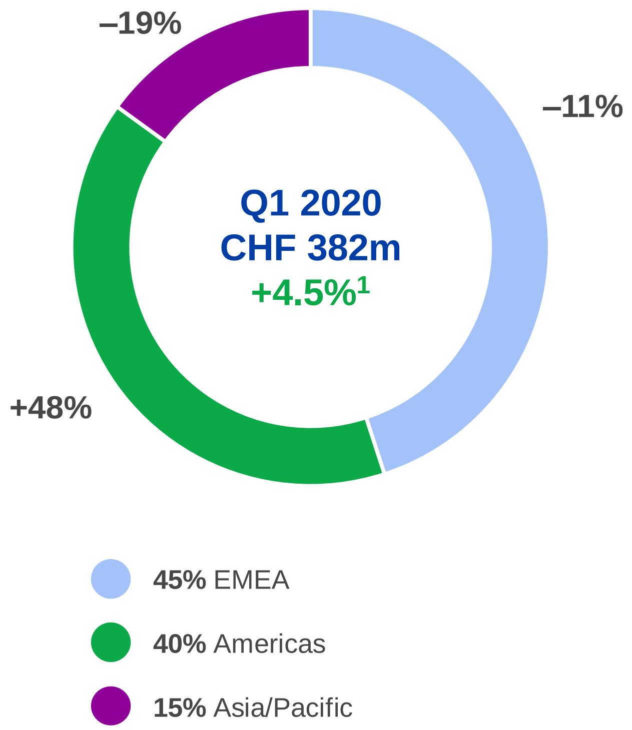
Pumps Equipment

Strong Q1 order intake despite China and 2019 exceptional Water orders

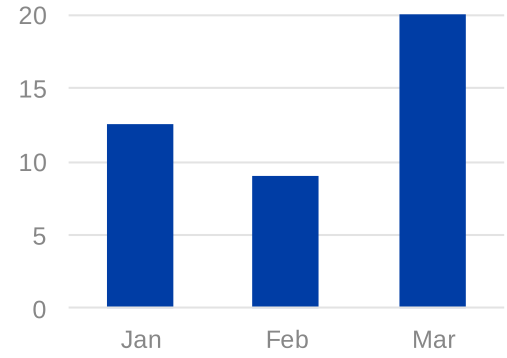
Order intake by market / Q1 YOY change



Order intake by region / Q1 YOY change



Order intake China monthly CHFm



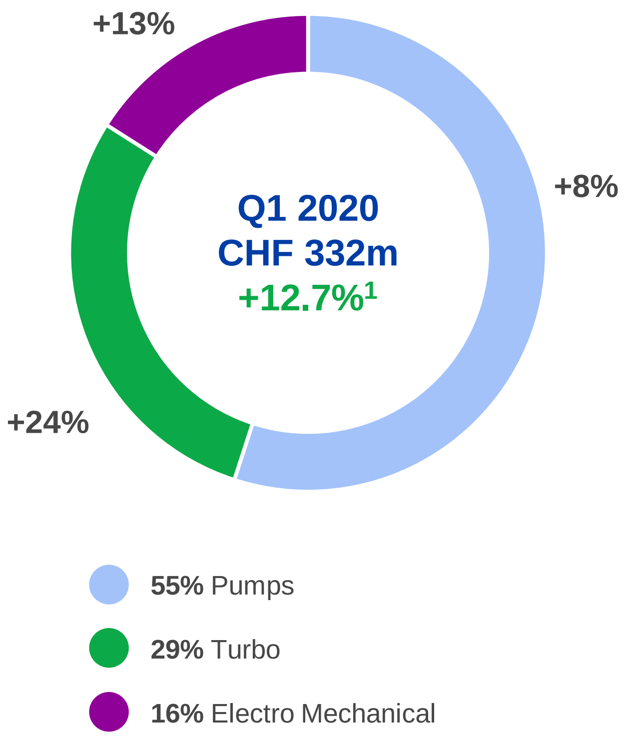
- China impacted by Feb lockdown but strong restart afterwards
- O&G up 52% despite 20m US pipeline cancellation (+ 30m of suspensions)
- Water up 22% (excluding 42m exceptional water infra orders in 2019) on strong municipal water performance
- Chemicals up 4% on fertilizer and plant water treatment projects
- Industry 5% down on China / slowdown

1. Organic: adjusted for currency and acquisition effects

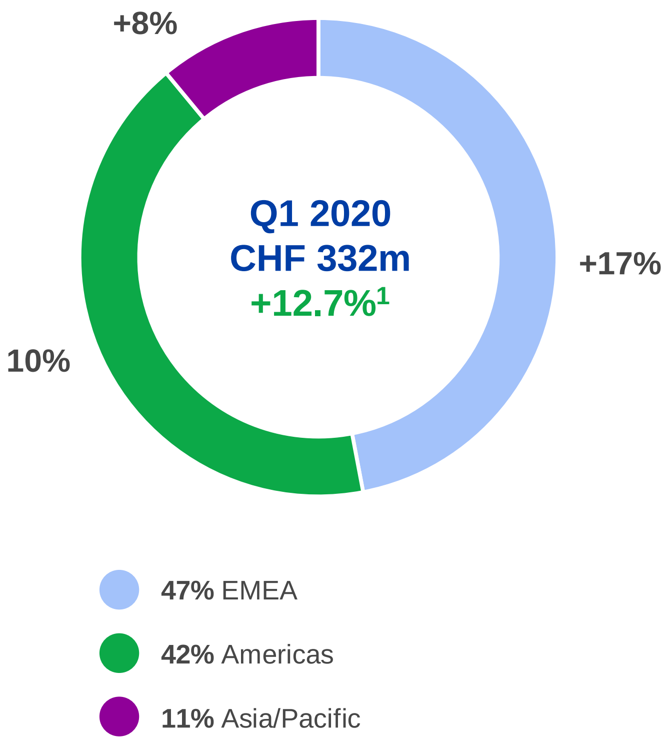
Rotating Equipment Services

Aftermarket shows no weakness in Q1

Order intake by product line / Q1 YOY change



Order intake by region / Q1 YOY change



- Strong growth across all regions and product lines
- Limited COVID-19 impact visible in Q1, field service will slow down in Q2 on limited access to customer sites / delayed outages
- Pumps up 8% despite strong Q1 2019 which included CHF 20m large orders for spare parts and retrofits. Secured CHF 15m of orders for 3rd party pump retrofits
- Turbo up 24% on large GT service order in Russia (9m) and strong markets in US & SE Asia
- Significant FX negative impact of CHF20m

1. Organic: adjusted for currency and acquisition effects

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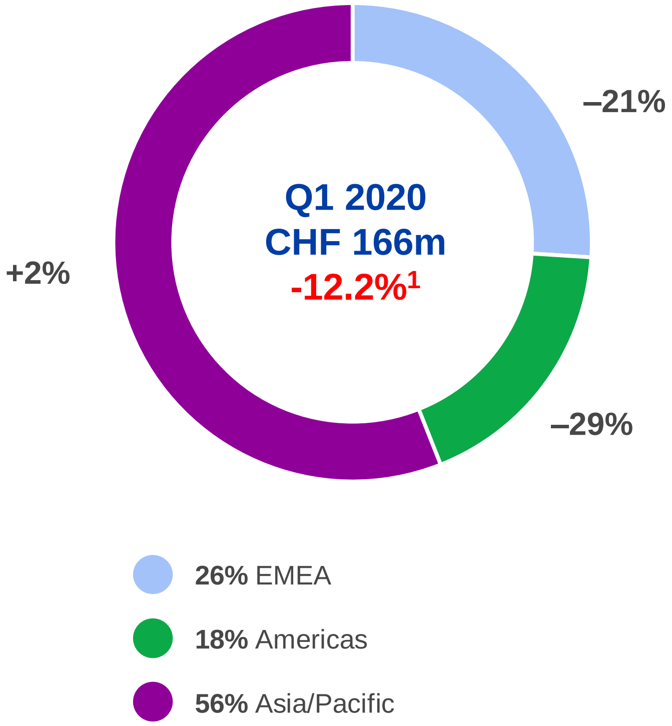
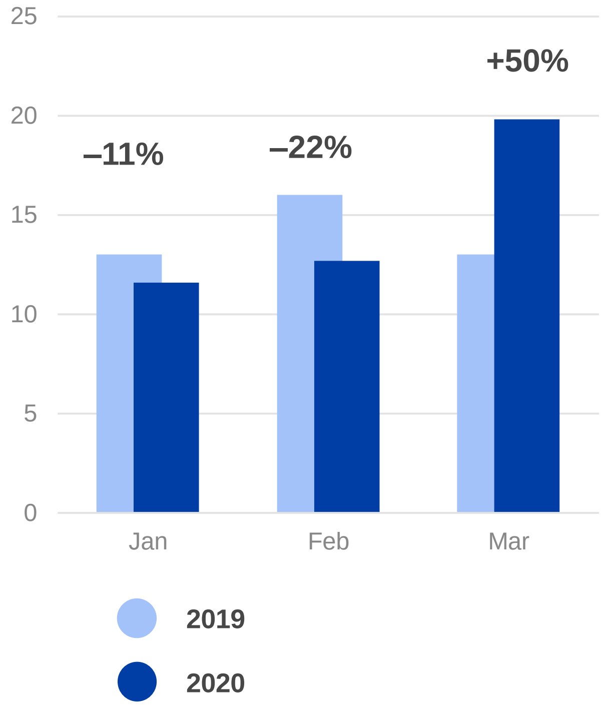
Chemtech

Recovery in China post COVID-19, large projects shifted elsewhere

Order intake by region / Q1 YOY change



Order intake China monthly CHFm / Q1 YOY



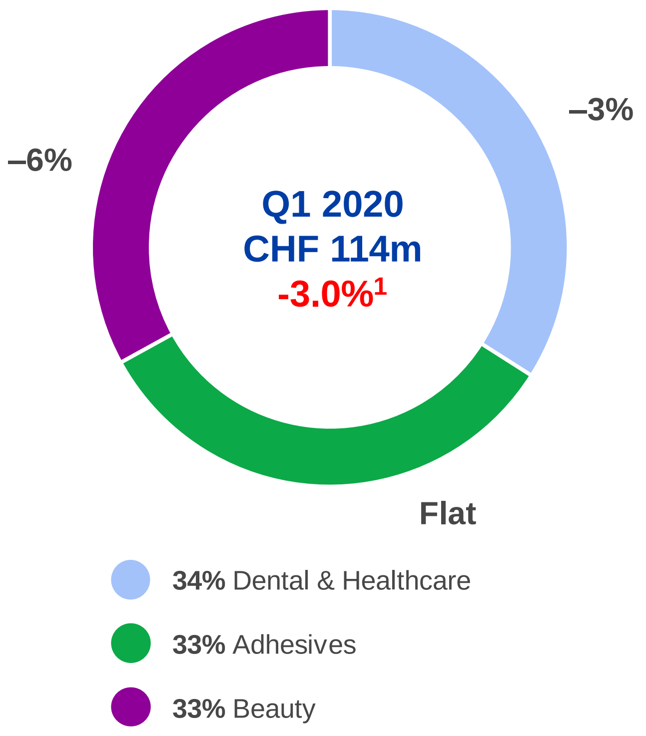
- China (30% of CT orders in 2019) up 8% YOY on recovery post C19
- Site access in other regions temporarily restricted by customers
- Deviation in EMEA (–21%) and Americas (–29%) mainly caused by delay of larger (> 5m) projects: 13m in Q1 20 vs. 31m in Q1 19
- Strong contribution of GTC with 20m order intake
- Field service orders (TFS) up 24% YoY, to be temporarily impacted by site access

1. Organic: adjusted for currency and acquisition effects

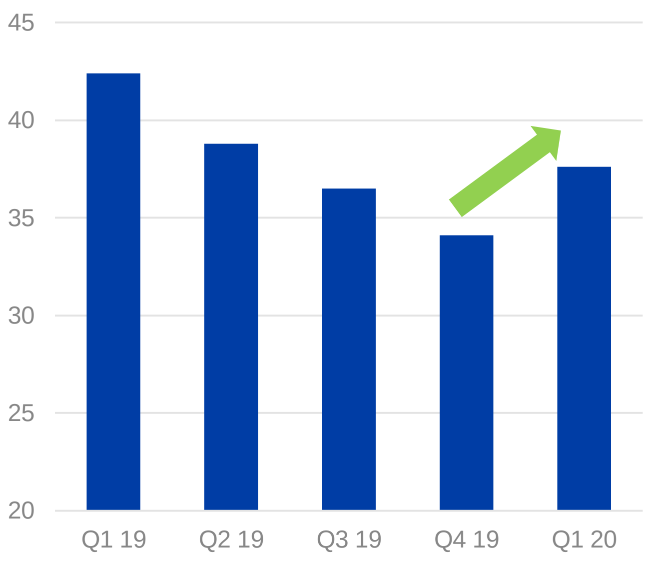
Applicator Systems

All segments impacted by COVID-19, underlying Beauty rebound visible

Order intake by market / Q1 YOY change



Beauty quarterly development CHFm

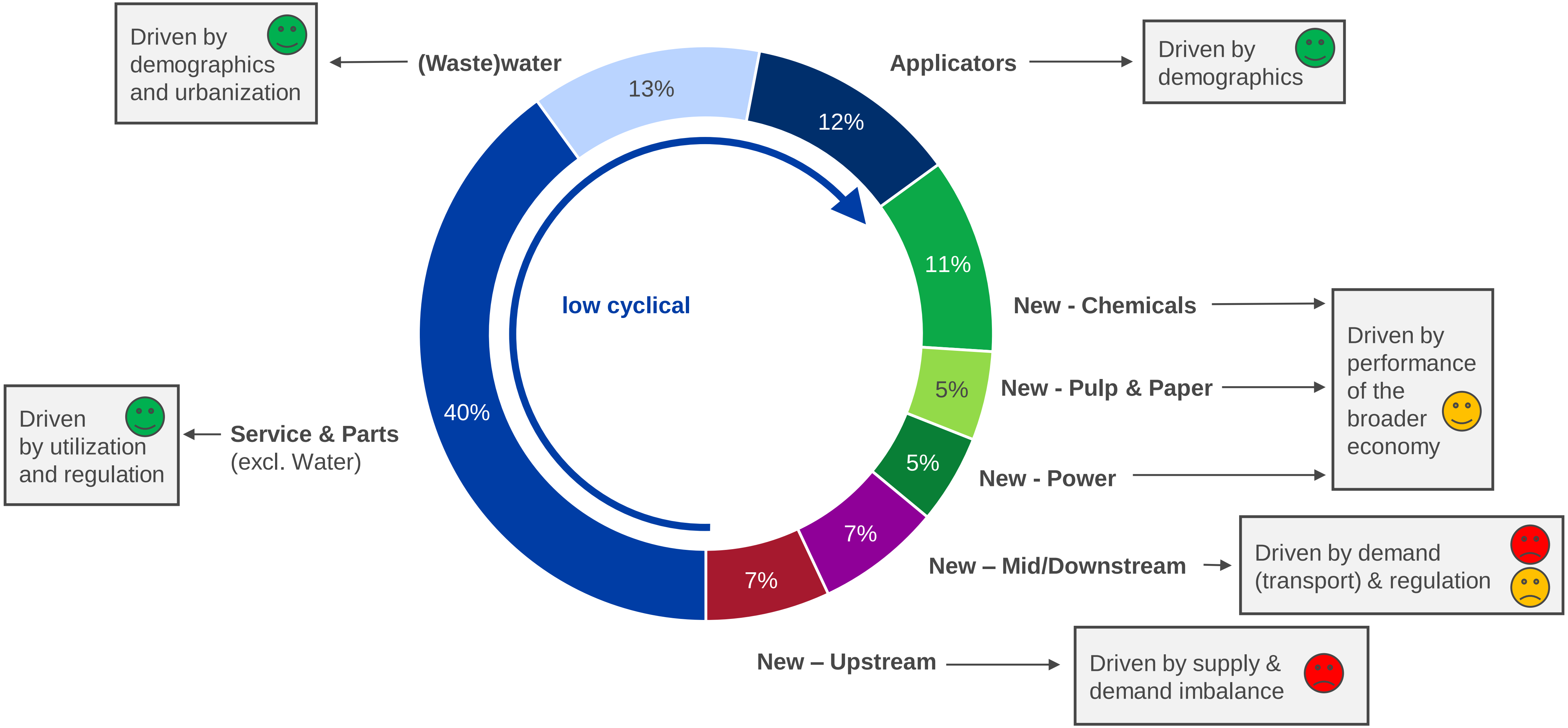


- Beauty recovery underway but market stalled in March as retailers and customer factories closed worldwide. Orders delayed but not cancelled
- Dental down as dental offices closed and only emergency treatments conducted. In addition Q1 19 exceptionally high
- Adhesives flat despite automotive, aerospace and electronics shutdowns. China factory shutdown February, now back to full capacity

1. Organic: adjusted for currency and acquisition effects

Sulzer looking ahead

All segments impacted by COVID-19 – but recovery speed will vary



Note: based on 2019 order intake

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Adapting to short term and mid term impacts

Exceptional OPEX and CAPEX reductions, structural downsizing of Energy

Short-term measures

- **OPEX**
  - Reduce **OPEX by 60m** on a full year basis, mostly impacting FY20
  - Curtail SG&A with mixture of structural and temporary measures (e.g. travel)
- **CAPEX**
  - Reduce plant and equipment **CAPEX by 60m** to maintenance level of 70m
  - Lowest level in the last 10 years, FY19 = 109m
  - Protect digital spend

Structural measures

- **RESIZING OF ENERGY BUSINESS CAPACITY**
  - Conventional oil (Sulzer focus) less impacted than US shale (Sulzer absent) but impact still significant
  - Oil prices likely to remain low for two years (imbalance, stocks, lower demand)
  - **Reduce capacity by a third** in «Energy» (mostly PE Energy, some impact on group functions and RES)
  - To be detailed with H1 2020 results

Liquidity

Significant headroom to ride out market turmoil

- 2020 opening cash balance **CHF 1.1bn + 500m undrawn RCF**
- 2020 opening Net Debt CHF 347m (0.84x EBITDA)
- Cash development 2020
  - Q1 ’20 FCF CHF 15m above Q1 ‘19
  - H1 FCF typically ranging from CHF –50m to break even due to seasonal pattern
  - Dividend paid out CHF 93m on April 21
  - CAPEX expected at CHF 70m, CHF 40m below 2019
  - Bond repayment of CHF 110m due in July (next repayment only in July 2021)
  - Full year FCF yield typically 4-5% of sales
- COVID-19 specific risks
  - Country lockdowns – but Sulzer generally kept open as provider of Essential Services
  - Timing between customer collections and supplier payments could extend

Summary

- Strong Q1 order intake showing continued growth
- 2020 Guidance, which excluded COVID-19, withdrawn
- Sulzer mobilized to provide essential services, almost all sites operating
- Impact on Sulzer businesses in Q2 expected to be more significant
- Resilience through mix (45% aftermarket / 65% low cyclical), high backlog and strong liquidity
- 60m OPEX cut and 60m CAPEX cut initiated
- Most Sulzer businesses to rebound as global economy recovers post pandemic
- Oil market to be further depressed by high stocks and lower demand
- Structural reduction of Energy capacity by one third initiated

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