

Letter to the shareholders



Dear Shareholder,

At Sulzer, we know that “Life is Fluid”. Whether in the form of liquids or gases, many of the world’s critical infrastructures involve displacing or processing fluids. We apply our expertise in fluid engineering to make a positive impact on millions of lives every day.

Our pumps play a key role in water systems around the globe, transporting Earth’s most precious resource to people across hundreds of kilometers and sustaining development of thriving cities. Our service teams maintain reliable power supplies for growing economies and populations to satisfy the ever-increasing energy demand.

Our separation technologies offer groundbreaking solutions that contribute to the circular economy, make chemistry work better, reduce waste and simplify life. And leading device manufacturers in the dental and healthcare industry, renowned cosmetic brands and more than half of the world’s adhesives manufacturers rely on Sulzer’s applicator systems.

Over the past year, our commitment to excellence in execution, our relentless focus on costs and our measures to further diversify our business and drive growth all continued to pay off, leading to strong 2019 financial results.

Strong performance in 2019

In 2019, we were again able to generate significant organic growth, 6.3% for order intake and 10.8% for sales. Including acquisitions but excluding a negative currency impact, growth was at a strong 8.2% for order intake and 13.0% for sales. Continued positive developments in most of our end markets, and particularly in water and chemicals, created a supportive environment for our businesses throughout 2019 and into 2020. Organic growth was most pronounced in our Rotating Equipment Services division (+8.6%) in terms of order intake and in Pumps Equipment (+17.0%) in terms of sales. Chemtech added another 6.5% of organic order growth in 2019 after delivering 20.5% of growth in 2018. And Applicator Systems, despite seeing volumes impacted by disruptive forces in the cosmetics market, protected its high level of profitability.

Our acquisitions boosted our top line by 2%, while further diversifying our business and making it less cyclical.

Houston-based [GTC Technology](#), a company we acquired at the end of April 2019, brought us proprietary processes and systems for aromatization, C5 processing, BTX recovery and gas to liquids processing, supplementing our outstanding offering to process industries worldwide. The integration process is progressing well and GTC, which booked orders of CHF 70 million for the full year, contributed 2019 sales of CHF 35 million under Sulzer ownership.

We also grew our aftermarket activities through our July 2019 acquisition of [Alba Power](#), a leading service provider for aeroderivative gas turbines. These light and compact turbines are prevalent in the distributed power segment, a market that continues to develop as power generation becomes more decentralized. By diversifying our service offering, we continue to balance our end-market exposure away from the challenging utility power sector. Alba Power booked orders of CHF 36 million for the full year and contributed 2019 sales of CHF 20 million under Sulzer ownership.

In the last 12 months, we not only increased our volumes, but also our margins despite a pricing uplift from energy end markets which has yet to materialize. We achieved this through solid operational execution and by putting the finishing touches on our SFP transformation program, which delivered CHF 253 million of structural cost savings over five years. With a 10% opEBITA margin (opROSA), we reached double-digit profitability and delivered a record level of free cash flow, at CHF 213.4 million.

While we have closed the books on SFP, we continue to focus on optimizing our cost structure and enter 2020 with a solid backlog and positive end-market momentum.

A force for sustainable solutions

Everyone at Sulzer understands that our purpose and responsibilities do not stop at delivering strong financial results. We aim to be a responsible corporate citizen and harness the power of fluid engineering to make life better, safer and more sustainable. Our expertise in pumping, agitation, mixing, separation and application technologies for fluids enable economies across the world to become more sustainable.

For that purpose, we develop solutions and equipment that deliver market-leading efficiency levels, enabling our customers to add more value, more sustainably. [We also look at our own activities](#) and track, report and reduce our overall environmental footprint, constantly striving to lower our energy consumption, greenhouse gas emissions, waste volumes and water usage.

We have introduced ESG (Environment, Social, Governance) metrics into our compensation framework. Starting in 2020, ESG is included in the personal objectives of all our long-term-incentive-eligible leaders, shining a spotlight on what our annual employee survey tells us is one of the main contributions our people expect from Sulzer. We continue to pursue significant advances in the areas of health and safety, emissions, water and energy-efficiency, waste management, community engagement and R&D for more efficient or sustainable products such as eco-packaging, biopolymers or energy-efficient pumps.

We have already implemented projects to deal with plastics in a more sustainable manner. [We enable technologies that turn plastic waste into fuel](#), becoming part of a solution to close the plastic loop. Last year, our efforts in sustainable packaging were recognized by Packaging Europe. In the most prestigious packaging innovation competition, Sulzer's [ecopaCC™](#) collapsible cartridge was awarded the [Sustainability Award](#) in the "Resource Efficiency" category.

It really is all about people

Our employees are our most important asset. We recognize that people development is not only critical to ensuring employees have the necessary skills to do their jobs, but also drives employee satisfaction and commitment to Sulzer. In the 2019 Voice of Sulzer employee survey, with an overall participation rate of 85% (2018: 73%), 85% of the respondents said they felt sustainably engaged with the company. At Sulzer, 93% of our colleagues would "go the extra mile" to help the company succeed, and 82% would recommend Sulzer as a good place to work. The improvements in eight out of ten categories versus the 2018 survey show us that we are on the right track, acknowledging that there is still more work for all of us to do.

Fostering diversity

Enriching our long tradition of supporting communities, we launched the "[Sulzer Scholarship for Women in Science and Engineering](#)" in 2019. Reflecting our worldwide presence and specific country requirements, we awarded 13 scholarships in 2019 – three in South Africa, four in Indonesia, four in China and two in India. At Sulzer, we value diverse teams. From the shop floor to our field service teams to our executive group, more than 80 nationalities encompassing people of all ages and convictions contribute together to the success of the company.

Changes to the Executive Committee

We welcomed a new member to our leadership team in the past year. Girts Cimermans joined us on October 21, 2019 as Division President Applicator Systems and member of the Executive Committee. He succeeded Amaury de Menthère, who retired. Joining from HOYA Vision Care's USD 2 billion optical business where he served as CEO, Girts brings a wealth of experience in dental and medical devices that makes him uniquely suited to lead Sulzer's APS division.

Outlook for 2020

Macroeconomic clouds formed on the horizon throughout 2019. Geopolitical risks have arisen with increased tensions in the Middle East and in other parts of the world. Trade wars continue to disrupt global flows, generating inefficiencies that weigh on both Sulzer and its customers. And it is too early to estimate the impact of the coronavirus, which is affecting our production in, and supply chain from, China in February 2020, and potentially beyond.

Still, we are confident about the prospects of our businesses in 2020. We enter the year with a healthy commercial pipeline, good end market momentum and a solid backlog.

Our confidence in Sulzer's future is reflected in the proposed dividend increase to CHF 4.00 (prior year: CHF 3.50). We expect continued growth in order intake and sales. On the back of two strong years of high single-digit organic growth and despite increasingly arbitrating for margin at the expense of volume, we still expect order intake to grow in the range of 2% to 4%, and sales to grow in the range of 1% to 3%. Our profitability should further increase, with a 2020 opEBITA margin (opROSA) of around 10.2% to 10.5%.

This journey has only been possible with the support of all our stakeholders, and especially our employees. We would like to thank them for their commitment and dedication that have made our businesses what they are today. We would also like to extend a special thank you to you, our shareholders, for your support and loyalty. Sulzer is a nimble 186-year-old innovator, and we look forward to continuing with you our exciting journey in 2020.

Kind regards,



Peter Löscher
Chairman of the Board



Greg Poux-Guillaume
CEO

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- [Stable power supply for Indonesia](#)
- [Turning plastic waste into fuel](#)
- [Helping dentists work more safely and precisely](#)