

# Letter to the shareholders



*Dear Shareholder,*

The world has gone through a painful and volatile 18 months since the coronavirus pandemic became an everyday reality. The early and decisive actions we took helped keep our people safe and our operations running. And we never stopped pursuing our strategic plan, investing in our key focus areas: renewable process technologies, water and aftermarket. We are now reaping the benefits of those decisions, as the world moves back towards normality and our markets continue to recover. We will build on our investments to drive growth and capitalize on the considerable opportunities ahead of us.

## Order intake grew in all markets except energy

Thanks to continued sequential order intake growth, Sulzer's order intake remained stable (0.2% increase) in the first half of 2021, despite a high comparable base in 2020. This was supported by significant growth in our Chemtech and Applicator Systems divisions as well as strong momentum in Pumps Equipment's Water and Industry markets.

In Pumps Equipment, Water and Industry grew 25.2% and 5.8% respectively. This volume increase did not fully offset the anticipated decline of demand in the energy market, but it comes at a higher margin and we mitigated the impact on Energy by continuing to adapt our capacity in this business.

Chemtech's order intake increased 12.8% in the first half of the year versus the same period in 2020, driven by growth in all Chemtech's regions as markets continued to recover from the adverse effects of the pandemic. The Americas and Europe, the Middle East and Africa regions led the charge with

26.0% and 25.6% increases, while Chemtech's all important Asia-Pacific region, which represents over 50% of the division's business, grew 3.2%.

In our Rotating Equipment Services division, order intake in the second quarter grew a further 7.3% sequentially, following a 10.3% sequential rise from Q4 2020 to Q1 2021, confirming a continuing upward trend. Customer site restrictions continued to ease in the first half of the year. Orders in H1 2021 saw a 5.6% decrease, mainly due to record high order intake in H1 2020 and postponement of some projects by customers.

The Applicator Systems division saw a pronounced upswing in the first half of the year, with orders rising 69.4% against the same period of 2020 — which had been severely affected by closures of dental practices and retailers worldwide. Dental and Industry performed particularly well. Our 2020 acquisition of leading drug delivery device manufacturer Haselmeier is off to a strong start, continuing our progressive shift towards healthcare. All segments and regions contributed to the strong order increase, and our customers see sustained momentum in the second half of the year.



*Our strategic priorities remain geared towards sustainable development — accelerating the shift towards clean technologies and expanding our portfolio in water, renewables and low-carbon applications. We are ready to take full advantage of recovering markets.*

**Greg Poux-Guillaume, CEO**

## Strong sales and operational profitability

In the first half of the year, Sulzer saw an increase in sales of 9.2% versus the same period of 2020. The increase was driven by the ongoing recovery that we are seeing across Sulzer's markets. Pumps Equipment saw particularly strong sales in Water (+23.7%) and Industry (+12.6%), while Chemtech's sales increased 7.7% on a healthy order backlog and rapid factory ramp-up following lockdowns. APS' sales increased 38.4% year-on-year as its markets returned to full strength.

Buoyed by higher sales and the implemented structural cost actions, our operational profitability has already reached our initial full year guidance of 10.0%, up from 7.5% in the same period of last year. We have therefore increased our guidance as we see our momentum carrying into H2 and accelerating.

## Fostering growth with two focused companies

In May this year, we announced our intention to spin off our Applicator Systems division, creating a newly independent company called medmix. medmix represents the latest accomplishment in Sulzer's successful track record of incubating promising technologies and developing them into highly successful businesses. As part of the Sulzer family, medmix accelerated its transformation over the past five years to become a global market leader in high-precision delivery devices for the Healthcare, Consumer & Industrial segments. It is now ready to stand on its own and capture significant profitable growth opportunities, particularly in the healthcare market. The separation will leverage the full potential of our two distinct businesses, with the renewed focus set to accelerate growth for both Sulzer and medmix.

Subject to Sulzer shareholders' approval at an Extraordinary General Meeting, medmix will be listed on the Swiss Stock Exchange this autumn. The spin-off will take place through a 1:1 share split, granting you, our Sulzer shareholders, one medmix share in addition to each Sulzer share you hold. The shareholder review process and the necessary two-thirds majority vote quorum meet the highest

transparency and corporate governance standards. At the time of the split, medmix will raise CHF 200–300 million of capital (excluding preferential subscription rights). The capital will be used to fund its ambitious growth initiatives, while providing new healthcare-focused investors with an early opportunity to invest in medmix.

Following the split, Sulzer will be a pure play flow control company, ready to further expand our leading positions in our core markets and to accelerate capital allocation towards our exciting water, biopolymers, recycling and aftermarket focus areas.



*After yet again proving its resilience during the pandemic, Sulzer is well positioned to capitalize on profitable growth opportunities in its core businesses. Having successfully incubated medmix as part of the Sulzer family, we are excited to let medmix stand on its own – accelerating growth for both Sulzer and medmix.*

**Peter Löscher**, Chairman of the Board of Directors

## Sustainable Sulzer

Sustainable development is at the core of Sulzer's strategy. We are using our skills, expertise and resources to help accelerate the transformation to a more sustainable future based on low carbon, renewable and circular applications. This year we launched a comprehensive new ESG strategy – Sustainable Sulzer – building on our existing frameworks and solutions. The plan is composed of three pillars: minimizing Sulzer's carbon footprint, enabling a low-carbon society through our products and contributions to the circular economy, and engaging our employees and communities to build a safer, more inclusive, and more sustainable future. For our emissions, we have set an ambitious target: 30 by 30, neutral by 50. We will reduce our carbon emissions 30% by 2030 (compared with 2019) and become carbon-neutral by 2050.

Significant progress has already been made in each of these pillars. Analysis of Sulzer's carbon footprint shows that 65% came from electricity in 2020, so we have put a plan in place to switch to renewable sources for our sites across Europe and beyond – 95% of our UK sites have already switched to renewable electricity.

## Enabling a circular economy

We continue to use our unique expertise to develop solutions for a more sustainable future based on low-carbon and circular applications. Sulzer's highly efficient solutions can help our customers achieve significant energy savings to sustainably transform their operations. In Vienna, Austria, our technology helped [transform one of Europe's biggest wastewater plants](#) from a major energy consumer into a sustainable net energy producer.

We also recently announced a [partnership with Blue Planet](#), which will use Sulzer's carbon capture technology to reduce emissions from a range of industrial activities, for example the cement industry, which represents roughly 7% of global CO<sub>2</sub> emissions. Sulzer and Blue Planet's solution allows the captured CO<sub>2</sub> to be put to use in other applications – for example to make carbon-neutral or carbon negative-concrete.

## Growing our Water business

In January 2021, we acquired Nordic Water, a leading supplier of water treatment technology. This acquisition has further strengthened our Water business – we now have one of the largest complete portfolios of water pumping and treatment solutions, and Water now represents the biggest single

segment in the Pumps Equipment division (41%). As a critical equipment supplier throughout the entire water ecosystem, we are also helping to protect this most precious natural resource and fight the growing problem of water scarcity.

## The key to our success — our dedicated employees

This year, we conducted the third edition of our Voice of Sulzer employee survey, a means for our employees to share their views and ideas with us. With an extremely high 88% participation rate, we saw significant improvements versus the last survey and versus the external benchmarks across all survey categories. Among the many highlights, 94% of our employees said that they “go above and beyond what is required of them to help Sulzer succeed” and 90% feel they “have the necessary authority to do their job well.”

Compared to our peers in the manufacturing industry, Sulzer outperforms the benchmark in each of the ten survey categories — a true testament to the Sulzer team spirit.

## Outlook for 2021

The positive trend in order intake continued in Q2, with all divisions again seeing sequential growth. While Q3 is likely to be seasonally lower, we expect it to show a strong improvement compared to the previous year, driven by continued growth in Applicator Systems and Chemtech, along with re-accelerating activities in Rotating Equipment Services and sustained growth in Water and Industry in Pumps Equipment.

We confirm the guidance that was increased on our Capital Markets Day in June. For the full year 2021, we expect orders to increase 4–6%<sup>1</sup>, sales to be up 8–10%<sup>1</sup>, and operational profitability in the range of 10.0% to 10.5%.

Without medmix, Sulzer expects 2021 orders to be up 2–3%<sup>1</sup> and sales up 6–8%<sup>1</sup>. Operational profitability is expected to be around 9.0%, above pre-pandemic levels.

Though much has changed in the past year, Sulzer remains a stable and engaged pillar of its communities. With our dedicated employees, we will continue to develop solutions to the world’s most pressing problems, sustainably transforming industries and improving people’s lives. Our committed employees inspire us to achieve these goals.

We will finish by thanking our customers, suppliers, partners and you, our shareholders. Your support has helped us to successfully navigate a global health crisis. As the world recovers from the pandemic, we are ready to seize new growth opportunities and will continue making our positive contribution to society.

Sincerely,



**Peter Löscher**  
Chairman of the Board



**Greg Poux-Guillaume**  
CEO

<sup>1</sup> Adjusted for FX and including acquisitions already closed.