Business review

Strong order growth, improved profitability and record free cash flow

Order intake grew by 6.3% organically and by 8.2% including acquisitions. Sales increased by 10.8% organically, supported by higher order backlog entering the year, and by 13.0% including acquisitions. Profitability (opROSA) increased by 0.4 percentage points to 10.0%, driven by CHF 23 million savings from the Sulzer Full Potential (SFP) program and increased gross margin. Free cash flow amounted to CHF 213.4 million.

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Strong order growth

Order intake increased by 8.2% compared with 2018. 6.3% organic growth and CHF 68.3 million from acquisitions drove this upsurge. Order intake gross margin increased nominally by 0.3 percentage points to 33.6%, influenced by higher order selectivity.

Sulzer achieved profitable growth along with record free cash flow in 2019.

Jill Lee, Chief Financial Officer

Order intake in Pumps Equipment increased by 8.3%, with 0.3% coming from acquisition. The strong organic growth was the result of higher orders in the water and chemicals segments which grew 16% each organically. In Rotating Equipment Services, order intake grew by 10.7%, 8.6% organically and 2.1% from acquisitions. Order intake in Chemtech grew by 12.8%, supported by strong organic growth of 6.5%. The GTC acquisition contributed CHF 38.1 million. In Applicator Systems, orders decreased by 4.3%. While the beauty segment was 14.3% below last year, APS grew in the remaining markets by 2.8%. Sulzer's total order intake grew in Asia-Pacific and North America, as well as in Europe, the Middle East and Africa.

Currency translation effects had a negative impact on order intake of CHF 74.2 million, due to the weaker euro, British pound, Chinese renminbi and Brazilian real, partly offset by the stronger US dollar.

As of December 31, 2019, the order backlog amounted to CHF 1'792.6 million (December 31, 2018: CHF 1'786.9 million). Negative currency translation effects totaled CHF 28.6 million.

Orders

millions of CHF	2019	2018
Order intake	3'747.2	3'531.5
Order intake gross margin	33.6%	33.3%
Order backlog as of December 31	1'792.6	1'786.9

Higher sales on strong organic growth and acquisitions

Sales amounted to CHF 3’728.5 million in 2019 – an increase of 13.0%. This rise was driven by strong organic growth of 10.8% on the back of higher order backlog entering the year, the strong order intake during the year and CHF 71.8 million of acquisition-related sales. Negative currency translation effects totaled CHF 72.2 million.

Sales grew strongly in the oil and gas market at 37.8%, boosted by high order backlog. Sales to the chemical industry increased by 19.5% and by 4.7% to the water market after strong growth already in 2018. Sales to the general industries increased by 1.0%, whereas they declined by 3.3% to the power market due to a lower backlog at the beginning of the year.

Sales grew across all regions, most pronounced in the Americas.

Gross margin improvement

Gross margin increased from 29.1% in 2018 to 30.1% in 2019. Improvements in all divisions were partly offset by a negative mix effect. Total gross profit increased to CHF 1’121.2 million (2018: CHF 978.3 million), supported by higher sales volumes.

Profitability (opROSA) increased to 10.0%

Operational EBITA (opEBITA) amounted to CHF 371.3 million compared with CHF 322.5 million in 2018, an increase of 17.9%. Higher sales, savings of CHF 23 million achieved from SFP and the contribution from acquisitions more than offset the negative mix impact. OpEBITA increased organically by 15.9% compared with 2018.

Operating expenses excluding amortization, impairments on tangible and intangible assets, restructuring expenses and other non-operational items increased by 10.4%, partly influenced by the acquisition-related cost additions. Set in relation to sales, operating expenses decreased in comparison to the previous year.

Bridge from EBIT to opEBITA

millions of CHF	2019	2018
EBIT	**241.0**	**183.8**
Amortization	64.5	69.0
Impairments on tangible and intangible assets	4.4	4.4
Restructuring expenses	23.1	13.1
Non-operational items [1)]	38.3	52.0
opEBITA	**371.3**	**322.5**

1) Non-operational items include significant acquisition-related expenses, gains and losses from sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

Operational ROSA (opROSA) increased to 10.0%, up from 9.6% in 2018. The divisions achieved the following profitability figures (opROSA):

- Pumps Equipment: 4.0% (2018: 3.2%). The profitability increased on higher volumes and solid execution despite the negative mix effect.
- Rotating Equipment Services: 14.1% (2018: 13.7%). Profitability increased due to strong sales growth with a favorable mix and cost management.
- Chemtech: 9.6% (2018: 8.9%): Sales growth and better project execution improved profitability.

- Applicator Systems: 21.0% (2018: 21.1%). Strong operational performance of the adhesives, dental and healthcare segment led to stable profitability, despite considerable market shifts in beauty.

ROS and opROSA calculation

millions of CHF	2019	2018
EBIT	241.0	183.8
Sales	3'728.5	3'364.9
ROS	**6.5%**	**5.5%**
opEBITA	371.3	322.5
Sales	3'728.5	3'364.9
opROSA	**10.0%**	**9.6%**

Non-operational costs impacted operating income (EBIT)

Plans to consolidate two production facilities in Germany have led to an expense of CHF 27.8 million, consisting of both restructuring provisions and non-operational costs. In the last year of the SFP program, Sulzer has continued to streamline its organizational setup. SFP-related non-operational expenses were CHF 23.0 million and SFP-related restructuring expenses were CHF 2.0 million. Overall, with the SFP program the company achieved cumulative savings of CHF 253 million.

EBIT amounted to CHF 241.0 million, an increase of 34.2% compared with CHF 183.8 million in 2018. Return on sales (ROS) was 6.5% compared with 5.5% in 2018.

Financial result

Interest expenses on borrowings and lease liabilities increased to CHF 21.1 million (2018: CHF 15.4 million). This is mainly due to the interest expenses on bonds issued in the second half of 2018 and interest expenses on lease liabilities resulting from the first-time application of IFRS 16 “Leases”.

Total financial expenses increased to CHF 28.3 million (2018: CHF 18.9 million), mainly as a result of higher interest expenses and fair value changes on financial assets at fair value through profit and loss.

Lower effective tax rate

Income tax expenses increased to CHF 55.1 million (2018: CHF 49.2 million) due to higher pre-tax income. The effective tax rate declined from 29.7% in 2018 to 25.9% in 2019. Adjusted for effects of reorganization expenses in Germany and prior year tax base adjustments in Mexico and Russia, the normalized tax rate remained stable at 23.1%.

Higher core net income

In 2019, net income amounted to CHF 157.7 million compared with CHF 116.5 million in the previous year. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 257.8 million compared with CHF 223.0 million in 2018. Basic earnings per share increased from CHF 3.56 in 2018 to CHF 4.52 in 2019.

Bridge from net income to core net income

millions of CHF	2019	2018
Net income	**157.7**	**116.5**
Amortization	64.5	69.0
Impairments on tangible and intangible assets	4.4	4.4
Restructuring expenses	23.1	13.1
Non-operational items [1)]	38.3	52.0
Tax impact on above items	–30.1	–32.0
Core net income	**257.8**	**223.0**

1) Other non-operational items include significant acquisition-related expenses, gains and losses from sale of businesses or real estate (including release of provisions), and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

Improved balance sheet efficiency

Total assets as of December 31, 2019 amounted to CHF 5’109.5 million, which is a nominal increase of CHF 211.2 million from 2018. Higher business volume and acquisitions contributed to the increase. The main driver, however, was the introduction of the new accounting standard IFRS 16 “Leases”.

Non-current assets increased by CHF 114.3 million to CHF 2’172.0 million mainly due to the addition of leased assets following the introduction of IFRS 16 (CHF 112.6 million). Current assets increased nominally by CHF 96.9 million. Better net working capital management contributed to an inventory reduction of CHF 84.0 million. Contract assets grew by CHF 150.1 million and trade account receivables by CHF 23.6 million from higher sales. Cash and cash equivalents decreased by CHF 59.7 million, while current financial assets increased by CHF 57.5 million.

Total liabilities nominally increased by CHF 258.3 million to CHF 3’515.6 million as of December 31, 2019. The main reasons were the addition of lease liabilities due to IFRS 16 (CHF 109.7), an increase in contract liabilities (CHF 88.4 million) due to higher sales of project business, as well as an increase on the outstanding dividend payments to Tiwel Holding Ltd by CHF 38.1 million.

Equity decreased nominally by CHF 47.1 million to CHF 1’593.9 million. This was mainly driven by dividend distribution (CHF 119.2 million), currency translation effects (CHF 63.9 million) and the remeasurement of the defined benefit obligation (CHF 24.8 million). These were partly offset by net income (CHF 157.7 million).

Net debt increased from CHF 239.0 million in 2018 to CHF 346.9 million in 2019, mainly due to the adoption of the new accounting standard IFRS 16 “Leases” (CHF 109.7 million). Net debt to EBITDA on December 31, 2019, corresponded to 0.84 including IFRS 16 impact and 0.63 excluding IFRS 16 impact (0.73 per December 31, 2018). Increased EBITDA contributed to a like-for-like improvement of 10 points in the net debt to EBITDA ratio compared with 2018.

Record free cash flow

Cash flow from operating activities amounted to CHF 319.6 million, compared with CHF 260.8 million in 2018. This increase was mainly due to the higher net income and a CHF 34.0 million impact due to the adoption of IFRS 16 “Leases”, partly offset by increased interest payments. Inventory reduction contributed CHF 82.8 million to cash flow. Despite higher sales, overall net working capital remained stable. Free cash flow amounted to CHF 213.4 million compared with CHF 181.3 million in the prior year. This was driven by the higher cash flow from operating activities, partly offset by higher capital expenditure.

Bridge from cash flow from operating activities to free cash flow (FCF)

millions of CHF	2019	2018
Cash flow from operating activities	**319.6**	**260.8**
Purchase of intangible assets	–6.0	–6.9
Sale of intangible assets	0.5	0.0
Purchase of property, plant and equipment	–108.9	–89.3
Sale of property, plant and equipment	8.1	16.6
Free cash flow	**213.4**	**181.3**

Cash-out from investing activities totaled CHF 242.6 million compared with CHF 297.4 million in the prior year. Cash-out for acquisitions amounted to CHF 78.5 million compared with CHF 217.5 million in 2018. Capital expenditure amounted to CHF 142.1 million (thereof CHF 27.2 million IFRS 16 “Leases” impact), above the CHF 96.2 million in 2018. The group also invested in fixed-term deposits of CHF 57.1 million.

Cash flow from financing activities totaled CHF –123.2 million compared with CHF 669.1 million in 2018 when additional bonds were issued. In 2019, dividend payments amounted to CHF 81.2 million, compared with CHF 43.1 million in 2018. While the Sulzer dividend remained unchanged at CHF 3.50 per share, CHF 38.1 million of net dividend payments to Sulzer’s main shareholder Tiwel could still not be transferred as a result of US sanctions. Payments for leases amounted to CHF 34.0 million as a result of the adoption of IFRS 16. Exchange losses on cash amounted to CHF 13.5 million, compared with a loss of CHF 26.1 million in 2018.

Outlook 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%.

Impact of IFRS 16 "Leases"

Sulzer has adapted its reporting to reflect the adoption of IFRS 16 "Leases". It replaced IAS 17 "Leases". IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. A lessee is required to recognize a lease asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments. Exceptions apply to leases with a term of less than 12 months and leases of low-value items.

The main impact of the new accounting standard is to bring operating leases onto the balance sheet. As a result of initially applying IFRS 16, the group recognized CHF 107.3 million of lease assets as of January 1, 2019, previously classified as operating leases. The lease liabilities increased by the same amount. As of December 31, 2019, the lease assets amounted to CHF 112.6 million and the lease liabilities totaled CHF 109.7 million. More details are provided in note 16 of the consolidated financial statements.

In 2019, IFRS 16 had a positive effect on opEBITA (CHF 2.7 million) and free cash flow (CHF 34.0 million). The difference in the profit is related to the recognition of depreciation and interest expenses, instead of operating lease expenses as part of the costs of goods sold and operating expenses. The difference in the cash flow is related to the recognition of payments for leasing as part of the financing activities, instead of cash flow from operating activities.

The information presented for 2018 has not been restated. In the consolidated financial statements (note 34), a table summarizes the impact of the new accounting standards on the financial statements.

Abbreviations

EBIT: Earnings before interest and taxes
ROS: Return on sales
opEBITA: Operational earnings before interest, taxes and amortization
opROSA: Operational return on sales adjusted
EBITDA: Earnings before interest, taxes, depreciation and amortization
FCF: Free cash flow
For the definition of the alternative performance measures, please refer to "Supplementary information".

Continued growth in order intake, sales and profitability

In 2019, Pumps Equipment reported growth in order intake and sales. Operational EBITA increased significantly from 2018, leading to an improved operational ROSA. The division continued to focus on growing its water business, which achieved record order intake in 2019.

Highest ever order intake in water

Sulzer's pumps play a key role in some of the biggest desalination and water transport projects in the world. Based on the company's good positioning in, and continued focus on, the water market, Pumps Equipment secured two large orders for desalination and pipeline pumps in the Middle East. Providing highly efficient equipment with low energy consumption, Sulzer supports customers produce fresh water and transport it in pipelines to populations. These projects and continued growth momentum in the municipal water business helped the division achieve its highest ever water order intake in 2019.

Pumps Equipment continues to benefit from its strong market position, growing order intake in all market segments. Combined with our focus on operational excellence, we drove our profitability up by 80 basis points.

Frédéric Lalanne, Division President Pumps Equipment

Key figures Pumps Equipment

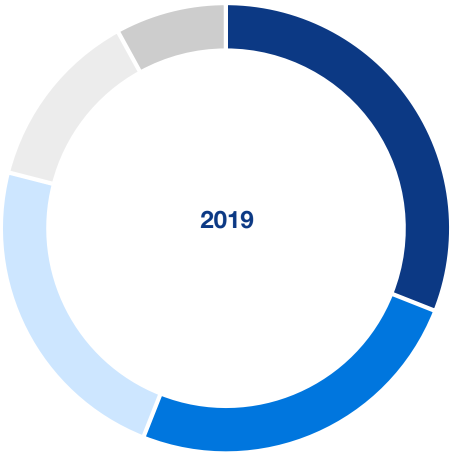
millions of CHF	2019	2018	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1'458.9	1'372.1	6.3	8.3	8.0
Order intake gross margin	27.4%	26.3%			
Order backlog as of December 31	924.3	982.9	–6.0		
Sales	1'477.0	1'284.2	15.0	17.2	17.0
EBIT	11.9	–27.2	n/a		
opEBITA	59.7	41.4	44.0	56.8	56.3
opROSA	4.0%	3.2%			
Employees (number of full-time equivalents) as of December 31	5'759	5'713	0.8		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Order intake increased

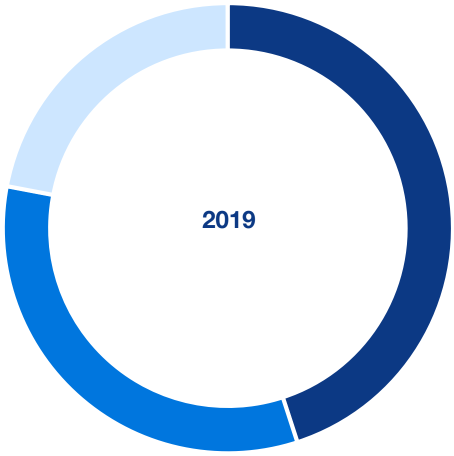
In 2019, Pumps Equipment's order intake increased by 8.3% over 2018, based on robust end markets. Order intake was particularly strong in the water (+17.3%) and chemicals (+16.4%) market segments. The division grew orders by 17.1% in Europe, the Middle East and Africa (EMEA) and by 18.8% in Asia-Pacific.

Order intake by segment



- **31%** Water
- **25%** Oil and gas
- **23%** General industry
- **13%** Chemicals
- **8%** Power

Order intake by region



- **45%** Europe, the Middle East and Africa
- **33%** Americas
- **22%** Asia-Pacific

Improved sales and profitability

Sales were stable in power and grew in all other segments. With 50.5% and 45.5%, respectively, growth was particularly strong in oil and gas and chemicals, on the back of a high order backlog and solid execution.

Operational EBITA increased significantly compared with 2018 as a result of higher sales and efficiency gains. Operational ROSA grew by 80 basis points to 4.0% as a result of order intake selectivity, more than offsetting a negative mix effect.

Safety performance in 2019

In 2019, Pumps Equipment reported a continued improvement in its accident frequency rate (AFR) to 1.8 cases per million working hours (2018: 2.7). The accident severity rate (ASR) also significantly decreased to 37.3 lost days per million working hours (2018: 107.3). This is due to the improved safety performance in the EMEA region. Please read more about the company's health and safety efforts in the chapter "Safety".

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Abbreviations

EBIT: Earnings before interest and taxes
opEBITA: Operational earnings before interest, taxes and amortization
opROSA: Operational return on sales adjusted
For the definition of the alternative performance measures, please refer to "Supplementary information".

Growing in all product lines

Rotating Equipment Services improved order intake and sales compared with 2018. The division was able to increase profitability significantly on a strong performance in pump services and power. The acquisition of Alba Power contributed positively to the results and further diversified the division's service offering.

Expanded service offering

In 2019, Sulzer acquired Alba Power, a Scottish aeroderivative gas turbine service provider, expanding its service offering into distributed power, offshore and marine applications. The light and compact aeroderivative gas turbines are not facing the same pressures as the large gas turbine market and provide an excellent opportunity for cross-selling to Sulzer's existing customers.

Our strategy to build on our strong position in pump services and the gas turbine power market, expand our footprint and drive operational excellence has paid off. We grew on orders, sales and profitability in 2019.

Daniel Bischofberger, Division President Rotating Equipment Services

Key figures Rotating Equipment Services

millions of CHF	2019	2018	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1'193.2	1'109.7	7.5	10.7	8.6
Order intake gross margin	38.6%	37.7%			
Order backlog as of December 31	422.2	393.1	7.4		
Sales	1'167.0	1'063.7	9.7	12.8	10.0
EBIT	152.2	130.8	16.4		
opEBITA	164.5	146.1	12.6	17.2	15.5
opROSA	14.1%	13.7%			
Employees (number of full-time equivalents) as of December 31	4'900	4'721	3.8		

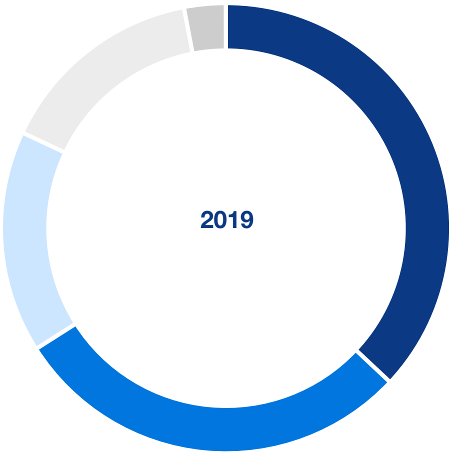
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Order intake increased across the board

In Rotating Equipment Services, order intake was up by 10.7% from last year. The division leveraged its favorable position in the gas turbine power market as well as in pump services, capitalizing on opportunities in Sulzer's installed pumps base to grow strongly across the board. All businesses and regions developed positively.

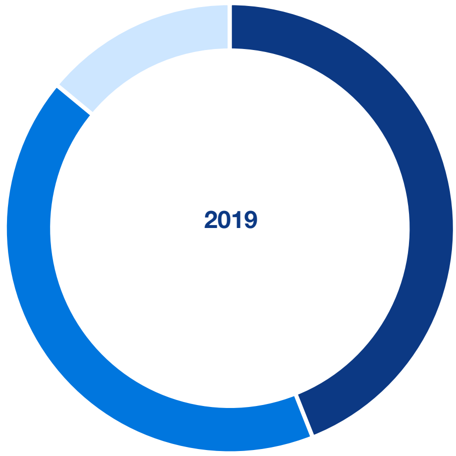
Growth was most pronounced in Europe, the Middle East and Africa (EMEA, 10.2%) as well as the Americas (11.0%).

Order intake by segment



- **37%** Oil and gas
- **29%** Power
- **16%** Chemicals
- **15%** General industry
- **3%** Water

Order intake by region



- **44%** Europe, the Middle East and Africa
- **42%** Americas
- **14%** Asia-Pacific

Improved sales and profitability

Sales grew significantly in all product lines. The acquisitions of Brithinee Electric and Alba Power contributed CHF 29.8 million to sales growth.

Operational EBITA grew on higher volumes with slightly increased margins, leading to an operational ROSA of 14.1%, up 40 basis points from 2018.

Safety performance in 2019

In 2019, RES reported a significant decrease in its accident frequency rate (AFR) from 2.1 in 2018 to 0.7 cases per million working hours at year-end. The improvement stems mainly from the EMEA region, achieved through focusing more on pre-work planning.

The accident severity rate (ASR) increased slightly from 53.7 in 2018 to 60.7 lost days per million working hours in 2019, mainly due to two severe accidents that had occurred in 2018 and continued to add lost time into 2019. Please read more about the company's health and safety efforts in the chapter "Safety".

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Abbreviations

EBIT: Earnings before interest and taxes
opEBITA: Operational earnings before interest, taxes and amortization
opROSA: Operational return on sales adjusted
For the definition of the alternative performance measures, please refer to "Supplementary information".

Significant growth driving further improvement in profitability

Chemtech's double-digit increase in order intake, sales and operational EBITA continued in 2019. Operational ROSA also further improved. Sulzer acquired GTC Technology, gaining access to the attractive technology licensing business.

Gaining access to technology licensing

The petrochemical industry is growing and demand for technology suppliers is on the rise. With the acquisition of the US-headquartered GTC Technology at the end of April 2019, Sulzer complemented its offering with proprietary processes and systems for the production of aromatics and other petrochemicals. The acquisition is an excellent strategic fit, providing a market entry into the attractive technology licensing business and making Sulzer's business less cyclical.

The acquisition of GTC Technology supported our strong order and sales growth in 2019, on the back of an intact investment cycle in petrochemicals and refining. By transferring our know-how from petrochemical to renewable applications, we support Quantafuel and Steelanol in fostering a circular economy.

Torsten Wintergerste, Division President Chemtech

Key figures Chemtech

millions of CHF	2019	2018	Change in +/–%	+/–% adjusted[1)]	+/–% organic[2)]
Order intake	670.0	600.1	11.6	12.8	6.5
Order intake gross margin	30.4%	31.3%			
Order backlog as of December 31	385.3	345.9	11.4		
Sales	664.0	563.2	17.9	19.0	12.7
EBIT	54.0	14.5	271.8		
opEBITA	63.8	50.0	27.5	30.0	24.0
opROSA	9.6%	8.9%			
Employees (number of full-time equivalents) as of December 31	3'803	3'063	24.2		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Fostering a circular economy

Sulzer's leading separation technologies play a key role in fostering a circular economy. Amidst an increase in research of new approaches to deal with plastics in a more sustainable manner, Sulzer's Chemtech division was chosen to deliver fractionation equipment to Quantafuel's revolutionary plant that turns non-recyclable plastic waste into fuel. The plant in Denmark is the first of many planned "plastic to fuel" facilities around the world, and Quantafuel decided to continue the collaboration with Sulzer for its future projects.

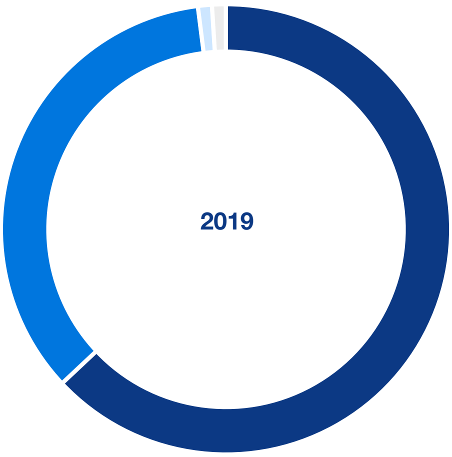
Chemtech also delivers distillation equipment to the EU-funded project "Steelanol", aimed at turning carbon emissions into biofuels. By transferring its knowledge from the petrochemical industry to renewable applications, Chemtech supports ArcelorMittal's steel production plant in Belgium to recycle carbon into sustainable bioethanol.

Strong order growth

Chemtech's order intake grew by 12.8% based on a healthy performance of both separation technology and tower field services. The newly acquired GTC technology complemented organic growth.

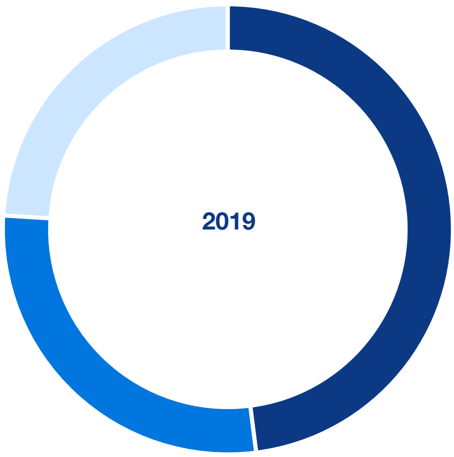
Regionally, order intake increased by 42.9% in Asia-Pacific and by 17.4% in North America. It was 7.3% lower in the Europe, the Middle East and Africa (EMEA) region due to a base effect, as some large orders had been booked in this region in 2018.

Order intake by segment



- **63%** Chemicals
- **35%** Oil and gas
- **1%** Power
- **1%** General industry

Order intake by region



- **48%** Asia-Pacific
- **28%** Europe, the Middle East and Africa
- **24%** Americas

Significant increase in sales and profitability

In line with order intake growth, sales increased by 19.0% following an already strong 2018. This was supported by a high order backlog and by delivering further efficiency improvements in factories. GTC technology added CHF 35.4 million to sales.

Based on higher volumes and efficiency gains, operational EBITA grew strongly in 2019, leading to an operational ROSA of 9.6%, 70 basis points higher than in 2018.

Safety performance in 2019

Chemtech's significant efforts in safety in the reporting year paid off. The division managed to reduce the accident frequency rate to 0.6 cases per million working hours from 1.8 cases in 2018. The accident severity rate improved to 41.5 lost days per million working hours (2018: 80.4).

The improved performance was based on driving a change in mindset to focus on unsafe behavior rather than unsafe conditions. The safety walks have also proven to be very effective. In addition, the division retained its global certifications in compliance with the ISO standards 14001 and OHSAS 18001. You can read more about the company's safety and health efforts in the chapter "Safety".

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Abbreviations

EBIT: Earnings before interest and taxes
opEBITA: Operational earnings before interest, taxes and amortization
opROSA: Operational return on sales adjusted
For the definition of the alternative performance measures, please refer to "Supplementary information".

Successfully defending our profitability despite a challenging beauty market

Applicator Systems' operational profitability (opROSA) remained robust at 21.0% despite a challenging beauty market. Order intake, sales and operational EBITA decreased in 2019. Whilst the beauty segment is adapting to market shifts, the adhesives, dental and healthcare segment performed well. Sulzer appointed Girts Cimermans as the new Division President Applicator Systems and member of the Executive Committee.

New Division President Girts Cimermans

As of October 21, 2019, Sulzer appointed Girts Cimermans as President of the Applicator Systems division and member of the Executive Committee. He succeeded Amaury de Menthière, who retired. Joining from HOYA Vision Care's USD 2 billion optical business where he served as CEO, Girts Cimermans brings a wealth of experience in dental and medical devices that makes him uniquely suited to lead Sulzer's APS division.

I'm very excited to lead APS with brands that are well-known and respected as key players in the markets they serve. Building on this great base, we will execute our plan to return APS to a solid growth path.

Girts Cimermans, Division President Applicator Systems

Key figures Applicator Systems

millions of CHF	2019	2018	Change in +/–%	+/–% adjusted[1)]	+/–% organic[2)]
Order intake	425.1	449.6	–5.4	–4.3	–5.2
Order intake gross margin	46.3%	45.9%			
Order backlog as of December 31	60.8	65.0	–6.4		
Sales	420.6	453.8	–7.3	–6.4	–7.4
EBIT	40.2	63.8	–37.0		
opEBITA	88.2	95.7	–7.8	–7.6	–8.6
opROSA	21.0%	21.1%			
Employees (number of full-time equivalents) as of December 31	1'821	1'864	–2.3		

1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

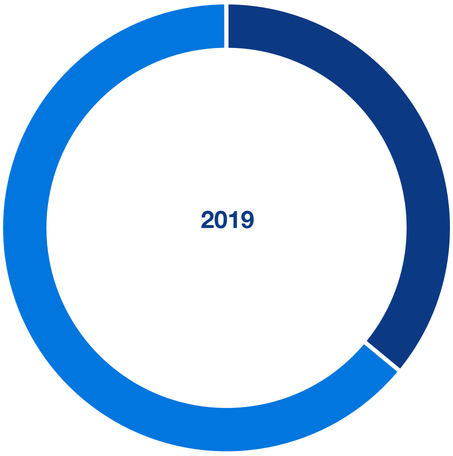
Serving the needs of new market participants

While Applicator Systems (APS) continues to be the market leader, the division's beauty segment is in transition to adapt industrial assets to a fast evolving market. In order to add further decoration capabilities and shorten lead times, the division will expand its factory in Bechhofen. The company will transition production from the Bamberg factory to Bechhofen, leading to the closure of the Bamberg factory.

Order intake and sales decreased

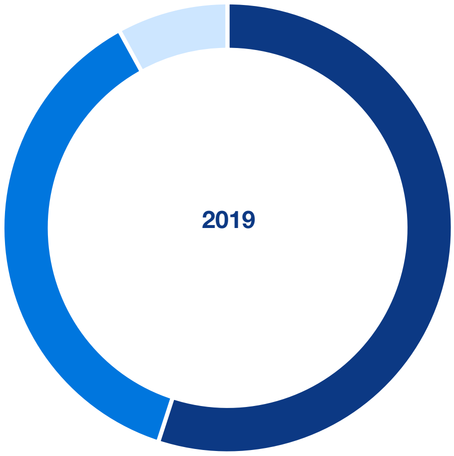
In 2019, Applicator Systems reported a decrease in orders and sales compared with 2018. Order intake growth in the adhesives, dental and healthcare segment of 2.8% did not fully offset the order decrease of 14.3% in beauty. The adhesives growth was secured despite a soft market in automotive, electronics and construction.

Order intake by segment



- **36%** Beauty
- **64%** Adhesives, dental and healthcare

Order intake by region



- **55%** Europe, the Middle East and Africa
- **37%** Americas
- **8%** Asia-Pacific

Stable profitability

Operational ROSA remained at a stable 21.0% due to strong operational performance of the adhesives, dental and healthcare segment. Operational EBITA decreased on the drop in beauty volumes as the division transitions its German factories.

Safety performance in 2019

In 2019, the division reported an accident frequency rate (AFR) of 7.4 cases per million working hours (2018: 8.1). The decrease was driven by the beauty business unit, especially Bechhofen, which focused on driving safety ownership for line managers in 2019. You can read more about the company's health and safety efforts in the chapter "Safety".

If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

Abbreviations

EBIT: Earnings before interest and taxes
opEBITA: Operational earnings before interest, taxes and amortization
opROSA: Operational return on sales adjusted
For the definition of the alternative performance measures, please refer to "Supplementary information".