Business review

Resilient orders, robust profitability and record free cash flow

Order intake decreased by 2.2% including acquisitions and 3.8% organically. Lockdowns led to a drop in sales of 4.6% compared to the previous year. The lower sales volume and an unfavorable mix effect, partly offset by CHF 59 million of year-on-year cost savings, resulted in an operational profitability of 9.0%. Free cash flow generation reached a record high of CHF 272.1 million, an improvement of CHF 58.7 million compared with last year.

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

Resilient order intake

Sulzer delivered a solid order intake in 2020, totaling CHF 3’414.1 million, limiting the decrease to 2.2% and 3.8% organically. Acquisitions contributed CHF 54.6 million to order intake. Currency translation effects had a negative impact on order intake of CHF 248.9 million, as the Swiss franc appreciated against all currencies Sulzer is operating in. Order intake gross margin increased to 34.0%, slightly up from 33.6% in 2019 on the back of order selectivity and pricing discipline.

Amid difficult market conditions, Sulzer delivered yet another resilient top line performance and operational profitability, while generating record free cash flow.

Jill Lee, Chief Financial Officer

Order intake in the Pumps Equipment division decreased by 4.1%. Water orders increased by 2.3%, excluding two large projects of CHF 42 million for water transport and desalination booked in 2019. Industry remained stable (–0.5%). After a strong first half-year, commercial activity in the Energy-related markets slowed in the second half as expected, leading to a year-on-year decrease of 1.9%. Order intake in Rotating Equipment Services grew by 2.5%, supported by CHF 21.9 million from the Alba acquisition and organic growth (0.6%). As an essential service provider, we saw growth across product lines and regions. However, restricted access to customer sites impacted order intake in the second half-year. Chemtech’s order intake remained on the previous year’s level (–1.1%), despite customers postponing projects and site access restrictions. The GTC acquisition contributed CHF 19.7 million. In Applicator Systems, orders rebounded in the second half-year, reducing the drop in order intake from 27.3% in the first half to 11.0% for the full year (–14.2% organically). The division was significantly impacted by the closing of stores and dental clinics. The Haselmeier acquisition contributed CHF 13.0 million.

As of December 31, 2020, the order backlog amounted to CHF 1’758.9 million (December 31, 2019: CHF 1’792.6 million). Negative currency translation effects totaled CHF 129.8 million.

Orders

millions of CHF	2020	2019
Order intake	3’414.1	3’747.2
Order intake gross margin	34.0%	33.6%
Order backlog as of December 31	1’758.9	1’792.6

Lockdowns impacting sales

Despite limited site access, temporary closures of factories and front-end outlets, sales amounted to CHF 3’319.0 million in 2020, moderately decreasing by 4.6% (–5.6% organically). Acquisitions added CHF 34.1 million, while negative currency translation effects amounted to CHF 239.0 million.

Sales in Pumps Equipment declined by 5.7%. Strong sales in Water (+3.4% organic, –0.8% currency-adjusted) and stable sales in Industry (–1.0%) did not offset a sales decline in Energy (–11.8%). Sales in Rotating Equipment Services remained stable, with the Alba acquisition contributing CHF 12.9 million. In Chemtech, sales declined by 4.8%. Strong execution in China could not offset the lockdown impacts elsewhere. The GTC acquisition supported with CHF 13.8 million. In Applicator Systems, sales declined by 13.4%, caused by the abrupt closure of retail stores and dental clinics in the first half of 2020, followed by a strong rebound later in the year. The newly acquired Haselmeier business contributed CHF 7.4 million.

Stable gross margin

Gross margin remained stable at 29.9% in 2020 (2019: 30.1%), despite a lower share of high-margin Applicator Systems business within the sales mix. Total gross profit decreased to CHF 993.6 million (2019: CHF 1’121.2 million), due to a lower sales volume and significant currency translation effects of CHF 68.9 million.

Operational profitability of 9.0%

Operational profit amounted to CHF 297.6 million compared with CHF 371.3 million in 2019, a decrease of 13.7%. Cost reduction measures partly mitigated the impact from lower sales volume and negative mix effect from lower sales in Applicator Systems. A hiring pause, reduction in personnel-related costs, discretionary spend and travel contributed CHF 59 million to cost savings.

Bridge from EBIT to operational profit

millions of CHF	2020	2019
EBIT	**150.6**	**241.0**
Amortization	65.9	64.5
Impairments on tangible and intangible assets	9.8	4.4
Restructuring expenses	55.8	23.1
Non-operational items [1)]	15.4	38.3
Operational profit	**297.6**	**371.3**

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 profitability decreased to 9.0% compared with 10.0% in 2019. The divisions achieved the following profitability figures:

- Pumps Equipment: 4.3% (2019: 4.0%). Higher operational profitability of 30 basis points was supported by a strong performance in Water and Industry, a mix effect due to less Energy sales and significant cost reduction measures in Energy.
- Rotating Equipment Services: 13.9% (2019: 14.1%). Operational profitability remained stable thanks to disciplined cost management.
- Chemtech: 9.6% (2019: 9.6%): Stable operational profitability was supported by pick-up in the second half-year and cost-out actions.
- Applicator Systems: 12.7% (2019: 21.0%). Operational profitability was severely impacted by lockdowns, particularly in the second quarter as dental practices and retailers closed, before experiencing a strong rebound in the last months of the year.

Calculation of ROS and operational profitability

millions of CHF	2020	2019
EBIT	150.6	241.0
Sales	3'319.0	3'728.5
ROS	**4.5%**	**6.5%**
Operational profit	297.6	371.3
Sales	3'319.0	3'728.5
Operational profitability	**9.0%**	**10.0%**

Structural actions

Sulzer launched decisive measures to mitigate the impact of market disruptions on Energy-related business activities early in 2020. By December 2020, one-off expenses of CHF 81.0 million were recorded, comprised of CHF 55.8 million restructuring expenses, CHF 15.4 million non-operational costs and CHF 9.8 million impairments. CHF 70.7 million of the one-off expenses were attributed to the Energy-related footprint and resource adaptation, including the closure or resizing of sites in Europe and the Americas, as well as the resizing of supporting resources.

EBIT amounted to CHF 150.6 million, decreasing nominally by 37.5% compared with CHF 241.0 million in 2019. Return on sales (ROS) was 4.5% compared with 6.5% in 2019.

Financial result

Interest expenses on borrowings and lease liabilities slightly increased to CHF 21.8 million (2019: CHF 21.1 million). This is mainly due to the interest expenses on bonds issued in the second half of 2020.

Total financial expenses slightly decreased to CHF 28.1 million (2019: CHF 28.3 million), mainly as a result of fair value changes on financial assets, partially offset by lower interest and security income.

Higher effective tax rate

Income tax expenses decreased to CHF 34.6 million (2019: CHF 55.1 million) due to lower pre-tax income. The effective tax rate increased to 28.4% in 2020 compared to 25.9% in 2019. The effective income tax rate was impacted by restructuring expenses related to closed facilities with no corresponding tax effects.

Lower core net income

In 2020, net income amounted to CHF 87.2 million compared with CHF 157.7 million in the previous year. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 200.2 million compared with CHF 257.8 million in 2019. Basic earnings per share decreased from CHF 4.52 in 2019 to CHF 2.46 in 2020.

Bridge from net income to core net income

millions of CHF	2020	2019
Net income	**87.2**	**157.7**
Amortization	65.9	64.5
Impairments on tangible and intangible assets	9.8	4.4
Restructuring expenses	55.8	23.1
Non-operational items [1)]	15.4	38.3
Tax impact on above items	–34.0	–30.1
Core net income	**200.2**	**257.8**

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, 2020 amounted to CHF 5’378.7 million, which is a nominal increase of CHF 269.2 million from 2019. Higher borrowings and acquisitions contributed to the increase.

Non-current assets increased by CHF 43.9 million to CHF 2’215.9 million mainly due to higher goodwill (CHF 36.9 million), higher deferred income tax assets (CHF 20.1 million) and higher associates (CHF 10.5 million), partly offset by lower other intangible assets (CHF 29.1 million). Current assets increased nominally by CHF 225.3 million. Cash and cash equivalents increased by CHF 87.7 million and current financial assets increased by CHF 247.6 million. Better net working capital management contributed to an inventory reduction of CHF 59.8 million. Contract assets decreased by CHF 30.3 million and trade account receivables decreased by CHF 46.8 million.

Total liabilities nominally increased by CHF 446.0 million to CHF 3’961.6 million as of December 31, 2020. The main reasons were an increase in non-current borrowings (CHF 292.1 million), as well as in current borrowings by CHF 100.8 million.

Equity decreased nominally by CHF 176.7 million to CHF 1’417.2 million. This was mainly driven by dividend distribution (CHF 138.7 million, of which CHF 2.6 million for non-controlling interests) and currency translation effects (CHF 133.5 million), partly offset by net income (CHF 87.2 million) and remeasurement of the defined benefit obligation (CHF 8.0 million).

Net debt increased from CHF 346.9 million in 2019 to CHF 414.5 million in 2020, mainly due to higher borrowings. Net debt to EBITDA increased from 0.84 in 2019 to 1.26 due to the decrease in EBITDA and increase in net debt.

Record free cash flow

Cash flow from operating activities amounted to CHF 368.7 million, compared with CHF 319.6 million in 2019. Lower net income could be more than compensated with an increase of provisions (CHF 93.2 million), also driven by restructuring-related provisions, favorable changes in inventories (CHF 29.7 million) and advance payments to suppliers (CHF 19.2 million). Free cash flow amounted to CHF

272.1 million compared with CHF 213.4 million in the prior year. This was driven by the higher cash flow from operating activities and lower capital expenditure.

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2020	2019
Cash flow from operating activities	**368.7**	**319.6**
Purchase of intangible assets	–7.5	–6.0
Sale of intangible assets	0.1	0.5
Purchase of property, plant and equipment	–98.0	–108.9
Sale of property, plant and equipment	8.9	8.1
Free cash flow	**272.1**	**213.4**

Cash-out from investing activities totaled CHF 461.8 million compared with CHF 242.6 million in the prior year. Cash-out for acquisitions amounted to CHF 108.2 million compared with CHF 78.5 million in 2019. Net capital expenditure for property, plant and equipment (including disposal of assets) amounted to CHF 89.1 million, below the CHF 100.8 million in 2019. The group also increased deposits by CHF 248.1 million.

Cash flow from financing activities totaled CHF 236.5 million compared with CHF –123.2 million in 2019. This was largely due to additional borrowings in the net amount of CHF 394.0 million (2019: CHF 4.9 million). The additional bonds issued in 2020 flattened Sulzer’s bond maturity profile. Following the Sulzer dividend increase to CHF 4.00 per share, dividend payments amounted to CHF 92.6 million in 2020, compared with CHF 81.2 million in 2019. CHF 43.5 million of net dividend payments to Sulzer’s main shareholder Tiwel could still not be transferred as a result of US sanctions. Payments of lease liabilities amounted to CHF 39.2 million. Exchange losses on cash amounted to CHF 55.7 million, compared with a loss of CHF 13.5 million in 2019.

Outlook for 2021

For 2021, Sulzer expects a progressive return to pre-pandemic levels. The first half of the year at least will continue to be impacted by the pandemic, with regional lockdowns hampering business interactions. Our business most impacted by the lockdowns in 2020, Applicator Systems, should build on its strong H2 2020 rebound to return to pre-pandemic volumes by the middle of 2021. Progress with vaccination should bring an acceleration to all Sulzer businesses in the second half of the year.

Sulzer order intake in 2020 was only down 2% for the year, on the back of a strong first half where we were up almost 2%. As such, we have a robust baseline and expect orders to be up 3% to 6% in 2021 on a currency-adjusted basis. Sales were down 4.6% in 2020 and should grow by 5% to 7% on a currency-adjusted basis. Operational profitability will benefit from the rebound in Applicator Systems and a significant uplift from our structural cost-cutting measures to return to pre-pandemic levels, close to 10%.

Abbreviations

EBIT: Earnings before interest and taxes
ROS: Return on sales
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”.

Improved operational profitability despite lower volumes

Despite a challenging market environment and thanks to excellence in execution and cost measures, Pumps Equipment (PE) increased operational profitability by 30 basis points to 4.3%. Orders and sales declined by 4.1% and 5.7% respectively. Sulzer strengthened its water business by acquiring Nordic Water, a leading supplier of water treatment technology.

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

Taking structural action and strengthening water business

In anticipation of adverse conditions in the oil and gas market, PE took structural actions early on to make its Energy-related business leaner and adapt to the slowdown of market demand. The fast and successful execution of the Energy Resilience program paid off and resulted in an improved operational profitability despite lower volumes.

In January 2021, Sulzer announced to acquire Nordic Water, a leading supplier of water treatment technology. The acquisition complements PE's wastewater portfolio and provides further access to the fast-growing clean water market. It is expected that Nordic Water, with 200 employees at 13 sites in six countries, will achieve sales of around CHF 80 million in 2021, in addition to generating significant sales and aftermarket synergies.

In the past year, we've demonstrated our agility and ability to quickly adapt, anticipating the impact of a challenging market environment. This led to an improved operational profitability despite lower sales. The acquisition of Nordic Water opens up exceptional opportunities to further grow in the water market going forward.

Frédéric Lalanne, Division President Pumps Equipment

Key figures Pumps Equipment

millions of CHF	2020	2019	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1'297.6	1'458.9	–11.1	–4.1	–2.9
Order intake gross margin	28.4%	27.4%			
Order backlog as of December 31	845.0	924.3	–8.6		
Sales	1'296.3	1'477.0	–12.2	–5.7	–4.5
EBIT	–16.1	11.9	n/a		
Operational profit	55.2	59.7	–7.5	–2.7	4.2
Operational profitability	4.3%	4.0%			
Employees (number of full-time equivalents) as of December 31	5'362	5'759	–6.9		

1) Adjusted for currency effects.

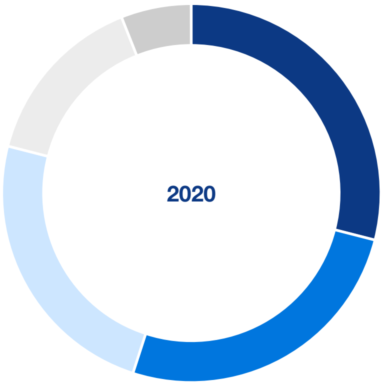
2) Adjusted for acquisition and currency effects.

Resilient order intake in challenging markets

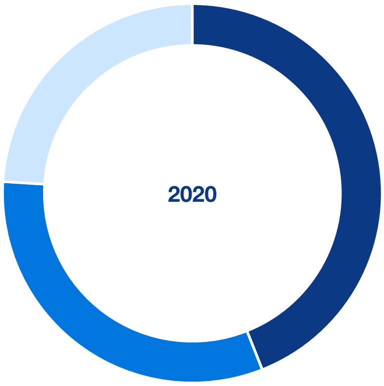
Orders in the water market continued to grow and were up 2.3%, excluding two large Engineered Water orders in 2019. Orders in Energy decreased by 1.9%, due to fewer investments in a volatile environment. Order intake in Industry remained stable (–0.5%), because the decline in Pulp and Paper was offset by higher activity in other industrial processing industries.

Order intake grew by 4.6% in Asia-Pacific on robust demand in China. The Americas reported a decrease in orders of 5.1%, impacted by less investment activity in oil and gas in the USA, whereas orders in EMEA (Europe, the Middle East, Africa) declined by 7.6%.

Order intake by segment



Order intake by region



Improved profitability on strict cost management and solid operational performance

Strong sales in Water (+3.4% organic, –0.8% currency-adjusted) and stable sales in Industry (–1.0%) did not offset the decrease in Energy (–11.8%), leading to a sales decrease of 5.7% compared with 2019. The rapid execution of the Energy Resilience program and associated structural cost-out measures led to an increase in operational profitability by 30 basis points to 4.3%.

Safety performance in 2020

In 2020, PE reported an accident frequency rate (AFR) of 2.0 cases per million working hours (2019: 1.8), despite fewer major accidents. The accident severity rate (ASR) increased to 53.5 lost days per million working hours from a low level of 37.3 in the previous year, largely impacted by an incident that occurred in late 2019 and carried over lost days into 2020. Thorough contingency planning and the application of COVID-19 adapted safe working processes during the pandemic were key to continue to serve customer needs. Through these efforts, all PE facilities were able to maintain workshop operations throughout 2020.

Abbreviations

EBIT: Earnings before interest and taxes
For the definition of the alternative performance measures, please refer to “Supplementary information”.

Resilient performance in a challenging year

Order intake in Rotating Equipment Services (RES) grew by 2.5% in 2020 despite customer site access restrictions. Sales remained on the previous year's level. The division reported stable operational profit and robust operational profitability at 13.9%, helped by cost-out measures.

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

Executing critical service tasks

As the world struggled with the first, second and even third waves of the coronavirus pandemic, the supply of global goods was disrupted time and again. Our dedicated RES teams around the globe joined the circle of workers who helped maintain operation of critical infrastructure during lockdowns.

Towards the year-end, the service teams in the UK supported NHS hospitals in keeping their operating theatres open and fixing heating issues. After receiving emergency calls on Christmas Day, the teams went the extra mile to solve critical pump and motor issues within hours to enable seamless operations – proving the responsiveness, effectiveness and diligence of Sulzer's service network with its proximity to customers. We could not be prouder of our teams.

Amid the economic recession induced by the pandemic, we proved the resilience of our service business with growing orders, stable sales and robust operational profitability. The credit for this outstanding performance goes to our dedicated people who went above and beyond the call of duty to support customers around the clock.

Daniel Bischofberger, Division President Rotating Equipment Services

Key figures Rotating Equipment Services

millions of CHF	2020	2019	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1'130.8	1'193.2	–5.2	2.5	0.6
Order intake gross margin	38.4%	38.6%			
Order backlog as of December 31	435.0	422.2	3.0		
Sales	1'078.3	1'167.0	–7.6	0.1	–1.1
EBIT	126.3	152.2	–17.0		
Operational profit	150.3	164.5	–8.6	0.6	–0.5
Operational profitability	13.9%	14.1%			
Employees (number of full-time equivalents) as of December 31	4'449	4'900	–9.2		

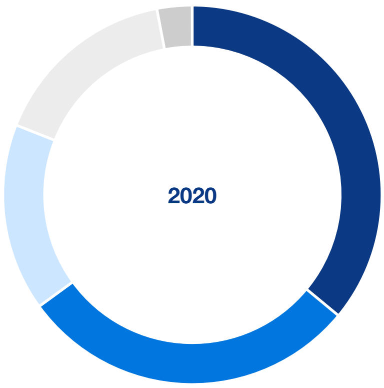
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Order growth

RES reported an order increase of 2.5% compared with 2019 – a remarkable performance given the pandemic-driven customer site restrictions. All product lines supported order growth, helped by the acquisition of Alba Power. Strong order growth in the first quarter of 2020 was somewhat offset by a decrease in the second and third quarters, impacted by restricted access to customer sites and less investment activity. Orders started to stabilize again in the fourth quarter year on year.

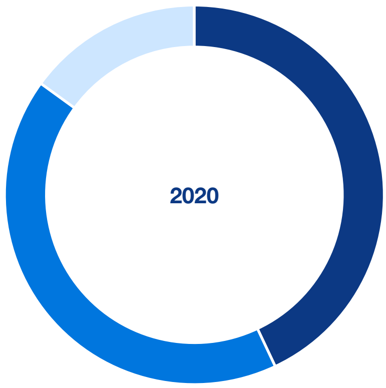
Order intake increased by 4.7% in the Americas and by 4.5% in Asia-Pacific, while they remained stable in EMEA (Europe, the Middle East and Africa).

Order intake by segment



- **36%** Oil and Gas
- **29%** Power
- **16%** Chemicals
- **16%** General Industry
- **3%** Water

Order intake by region



- **43%** Europe, the Middle East and Africa
- **42%** Americas
- **15%** Asia-Pacific

Stable sales and robust operational profitability

Sales remained on the previous year’s level. Operational profit remained robust, supported by structural cost-out measures from the Energy Resilience program, resulting in stable operational profitability of 13.9%.

Safety performance in 2020

In 2020, RES reported an accident frequency rate (AFR) of 1.6 cases per million working hours, after a strong decline to 0.7 cases the year before. The accident severity rate (ASR) decreased to 24.2 lost days per million working hours in 2020 from 60.7 in 2019. RES and Pumps Equipment jointly developed COVID-19 contingency and prevention plans to implement effective safety control measures while introducing substantial changes to working methods and shift patterns. To curb an increase in AFR during the first half-year, RES developed and introduced the “12 Life-Saving Rules” initiative and a dedicated program of Safety Compliance Training courses which will continue throughout 2021. Together with the RES Highly Hazardous Activity self-assessment program, the additional initiatives helped reduce accident and severity rates over the course of the year.

Abbreviations

EBIT: Earnings before interest and taxes
For the definition of the alternative performance measures, please refer to “Supplementary information”.

Stable order intake sustained by China, operational profitability flat despite lower sales

In 2020, Chemtech reported stable orders in a challenging market environment. Despite a sales decline of 4.8%, operational profitability remained stable at 9.6% due to swift cost-out measures. Chemtech's growing portfolio of sustainable technologies, from biopolymers to recycling, contributed to a resilient year.

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

Chemtech technology is enabling the circular economy

Chemtech technology is at the heart of a groundbreaking textile recycling process by Worn Again, a start-up company jointly controlled by Sulzer and H&M. The teams are currently working on scaling up the process to an output of 1'000 tons a year, the final proof of concept before commercialization.

Chemtech is also pioneering bio-based and recycling technologies, expanding its R&D capabilities in Switzerland. We are driving the scaling-up of cutting-edge biopolymer processes and plastic recycling technologies. Today, renewable applications (bio-based, recycling, low-carbon solutions) make up a substantial part of Chemtech's business, with a 2020 order intake of CHF 47 million. We expect this to grow significantly over the next few years.

Despite the pandemic-related impact, our order intake remained stable on the back of strong demand in China. We took swift structural action to resize our capacities, leading to a stable operational profitability despite the sales decline.

Torsten Wintergerste, Division President Chemtech

Key figures Chemtech

millions of CHF	2020	2019	Change in +/–%	+/–% adjusted 1)	+/–% organic 2)
Order intake	620.8	670.0	–7.3	–1.1	–6.9
Order intake gross margin	30.6%	30.4%			
Order backlog as of December 31	396.9	385.3	3.0		
Sales	593.1	664.0	–10.7	–4.8	–9.7
EBIT	35.9	54.0	–33.4		
Operational profit	56.9	63.8	–10.8	–4.1	–12.7
Operational profitability	9.6%	9.6%			
Employees (number of full-time equivalents) as of December 31	3'221	3'803	–15.3		

1) Adjusted for currency effects.

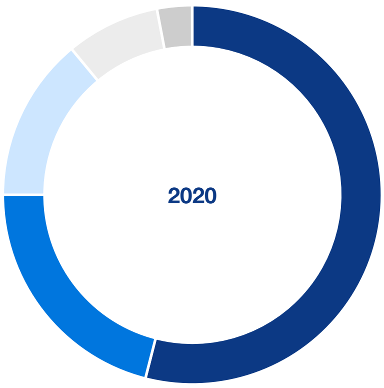
2) Adjusted for acquisition and currency effects.

Stable order intake

Despite the pandemic, Chemtech's order intake remained on the previous year's level in 2020 (–1.1%). Strong demand in China (+29.2%) and CHF 17.7 milllion of orders from an internal transfer of the dissolved air flotation business from Pumps Equipment to the Chemtech division were counterbalanced by customers shifting investment decisions for larger projects and by site access restrictions.

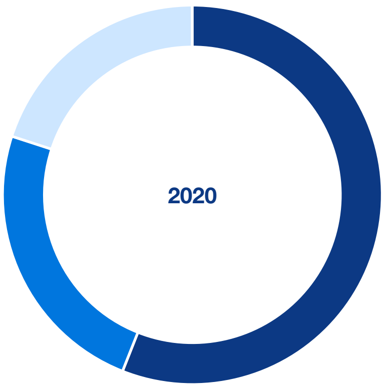
Order intake in Asia-Pacific grew by 14.7%, due to strong Chinese demand. Orders decreased by 14.1% in the Americas and by 17.2% in EMEA (Europe, the Middle East and Africa).

Order intake by segment



- **54%** Chemicals
- **21%** Gas and Refining
- **14%** Services
- **8%** Renewables
- **3%** Water

Order intake by region



- **56%** Asia-Pacific
- **24%** Europe, the Middle East and Africa
- **20%** Americas

Stable operational profitability due to swift structural action

Sales declined by 4.8% compared with 2019. Strong growth and rapid factory ramp-up in Chemtech's Chinese facility helped to partly offset the impact from lockdowns and lower orders in other parts of the world. Operational profit decreased by 4.1%, mainly due to the volume decline. The swift implementation of structural actions to resize capacities primarily in Europe and the Americas resulted in a stable operational profitability of 9.6%.

Safety performance in 2020

The company's health and safety priorities shifted in early 2020 towards setting up and implementing the COVID-19 preventive measures in its facilities worldwide. Chemtech's accident frequency rate (AFR) remained stable at very low 0.6 cases per million working hours. The accident severity rate (ASR) decreased to 27.3 lost days per million working hours, from 41.5 the year before. Thanks to the continued focus on the EYE 5 safety leadership initiative and the sharing of safety alerts identifying opportunities for improvement, Chemtech's AFR and ASR metrics have steadily decreased in the past two years. The division's business units successfully migrated from the OHSAS 18001 to the ISO 45001 standard and obtained certification by the independent certification company SGS.

Abbreviations

EBIT: Earnings before interest and taxes
For the definition of the alternative performance measures, please refer to "Supplementary information".

Forced market pause in the second quarter followed by a strong rebound in the second half-year

Order intake and sales in Applicator Systems (APS) decreased by 11.0% and 13.4% in 2020, as markets stalled in the second quarter with lockdowns around the world. All segments rebounded strongly in the second half of 2020. Decisive cost-out measures delivered operational profitability of 12.7% compared with 21.0% in the previous year. APS continues to expand its presence in the healthcare segment with the acquisition of Haselmeier, a leading provider of drug delivery devices.

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

Boosting presence in drug delivery devices market

In 2020, Sulzer boosted its presence in medical devices with the acquisition of Haselmeier, a Swiss-German developer and manufacturer of drug delivery devices. With the CHF 119 million transaction, APS complemented its healthcare portfolio, leveraging its expertise in precision injection molding to seize opportunities in the fast-growing drug delivery device market. Haselmeier delivered revenues of CHF 40 million in the prior year. The transaction, closed on October 1, added orders of CHF 13.6 million in 2020.

APS took further steps to integrate sustainability into its processes and make its products eco-friendlier. Geka received the Platinum award from the prestigious EcoVadis sustainability rating provider, placing the beauty player amongst the top 1% of companies assessed worldwide. Furthermore, Geka obtained the International Sustainability and Carbon Certification and a “B" rating in the Carbon Disclosure Program, ahead of its competition.

After the forced pause in demand following lockdowns in the first half of 2020, all our segments rebounded in the second half-year. Thanks to our proactive measures and strict cost control, we were able to significantly mitigate the impact of COVID-19. Looking ahead, we are excited to have Haselmeier on board to boost our presence in the fast-growing drug delivery devices market.

Girts Cimermans, Division President Applicator Systems

Key figures Applicator Systems

millions of CHF	2020	2019	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	364.8	425.1	–14.2	–11.0	–14.2
Order intake gross margin	46.0%	46.3%			
Order backlog as of December 31	82.0	60.8	34.9		
Sales	351.2	420.6	–16.5	–13.4	–15.2
EBIT	20.2	40.2	–49.8		
Operational profit	44.7	88.2	–49.3	–48.6	–47.9
Operational profitability	12.7%	21.0%			
Employees (number of full-time equivalents) as of December 31	1'857	1'821	2.0		

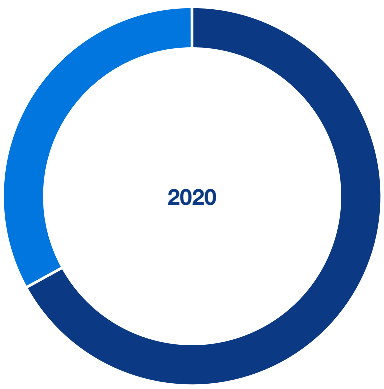
1) Adjusted for currency effects.
2) Adjusted for acquisition and currency effects.

Order and sales decline – rebound in the second half-year

Order intake decreased by 11.0% and sales by 13.4% in 2020. In the first half-year, Adhesives, Dental and Beauty segments suffered from pandemic-related closing of stores, factories and dental clinics following lockdowns, while growing Healthcare and China were the only bright spots.

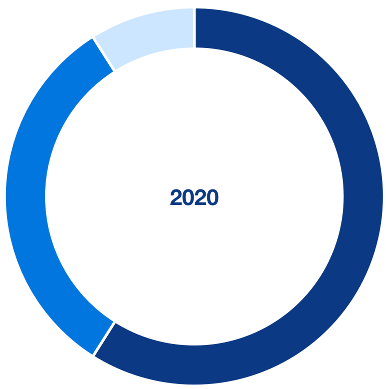
All APS segments rebounded strongly in the second half of 2020 on continuing market reopening and customer restocking, with year-on-year order and sales growth in the fourth quarter. Thanks to Sulzer's high safety standards and the quick implementation of additional preventive measures, global APS factories remained operational throughout the pandemic.

Order intake by segment



67% Adhesives, Dental, Healthcare
33% Beauty

Order intake by region



59% Europe, the Middle East and Africa
32% Americas
9% Asia-Pacific

Operational profit and profitability decreased

Operational profit decreased by 48.6%, due to the large volume hit and negative mix effects following lockdowns. APS reacted early in the year and took decisive cost-out measures, which helped mitigate the impact of the pandemic and resulted in an operational profitability of 12.7%.

Safety performance in 2020

In 2020, APS reported an accident frequency rate (AFR) of 4.8 cases per million working hours (2019 7.4), and the number of major accidents reduced from 23 to 16. The accident severity rate (ASR) dropped from 171.1 in 2019 to 64.9 lost days per million working hours. The decrease is visible across all business units, and is the result of continued drive for line ownership and structured risk assessment.

Abbreviations

EBIT: Earnings before interest and taxes
For the definition of the alternative performance measures, please refer to “Supplementary information”.