



Financial reporting

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English
only

Consolidated income statement

January 1 – June 30

millions of CHF	Notes	2019	2018
Sales	3	1'773.8	1'591.4
Cost of goods sold		-1'241.8	-1'103.7
Gross profit		532.0	487.7
Selling and distribution expenses		-187.4	-180.2
General and administrative expenses		-196.7	-185.0
Research and development expenses		-43.3	-42.6
Other operating income and expenses, net	6	-5.7	2.1
Operating income		98.9	82.0
Interest and securities income	7	2.9	1.5
Interest expenses	7	-12.4	-10.8
Other financial income and expenses, net	7	-2.5	4.4
Share of profit and loss of associates		-0.8	0.7
Income before income tax expenses		86.2	77.8
Income tax expenses	8	-19.6	-17.8
Net income		66.5	60.0
attributable to shareholders of Sulzer Ltd		65.1	57.9
attributable to non-controlling interests		1.4	2.0
Earnings per share (in CHF)			
Basic earnings per share		1.92	1.81
Diluted earnings per share		1.90	1.80

Consolidated statement of comprehensive income

January 1 – June 30

millions of CHF	Notes	2019	2018
Net income		66.5	60.0
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		3.1	-2.9
Currency translation differences		-26.5	-36.4
Total of items that may be reclassified subsequently to the income statement		-23.5	-39.3
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax		15.5	19.5
Total of items that will not be reclassified to the income statement		15.5	19.5
Total other comprehensive income		-8.0	-19.8
Total comprehensive income for the period		58.6	40.2
attributable to shareholders of Sulzer Ltd		57.2	39.8
attributable to non-controlling interests		1.3	0.4

Consolidated balance sheet

millions of CHF	Notes	June 30, 2019	December 31, 2018	June 30, 2018
Non-current assets				
Goodwill		908.0	923.4	943.9
Other intangible assets		440.7	439.4	469.2
Property, plant and equipment		535.0	527.0	538.2
Lease assets	13	104.7	–	–
Associates		12.5	13.4	11.2
Other financial assets		10.1	9.4	14.7
Non-current receivables		6.0	6.2	7.7
Deferred income tax assets		143.9	138.9	145.3
Total non-current assets		2'160.9	2'057.7	2'130.1
Current assets				
Inventories		690.8	658.9	671.6
Current income tax receivables		28.1	29.0	21.9
Advance payments to suppliers		87.0	79.9	97.6
Contract assets		335.6	205.1	258.4
Trade accounts receivable		601.7	622.3	620.4
Other current receivables and prepaid expenses		188.0	150.2	149.9
Cash and cash equivalents		938.6	1'095.2	359.1
Total current assets		2'869.8	2'840.6	2'178.9
Total assets		5'030.7	4'898.3	4'309.1
Equity				
Share capital	9	0.3	0.3	0.3
Reserves		1'565.1	1'629.5	1'024.3
Equity attributable to shareholders of Sulzer Ltd		1'565.4	1'629.9	1'024.6
Non-controlling interests		11.5	11.2	22.5
Total equity		1'576.9	1'641.0	1'047.1
Non-current liabilities				
Non-current borrowings	10	1'308.9	1'316.3	458.1
Non-current lease liabilities	13	79.2	–	–
Deferred income tax liabilities		94.0	89.5	99.8
Non-current income tax liabilities		2.3	2.3	1.5
Defined benefit obligations		154.7	160.9	213.6
Non-current provisions	11	69.8	74.4	77.6
Other non-current liabilities		6.0	3.6	18.3
Total non-current liabilities		1'714.8	1'646.8	869.0
Current liabilities				
Current borrowings	10	7.7	18.0	422.9
Current lease liabilities	13	28.0	–	–
Current income tax liabilities		28.3	32.0	5.7
Current provisions	11	142.4	139.6	154.5
Contract liabilities		362.2	256.4	295.0
Trade accounts payable		468.1	521.8	449.8
Other current and accrued liabilities	12	702.3	642.6	1'065.1
Total current liabilities		1'739.0	1'610.4	2'393.0
Total liabilities		3'453.8	3'257.3	3'262.0
Total equity and liabilities		5'030.7	4'898.3	4'309.1

Consolidated statement of changes in equity

January 1 – June 30

millions of CHF	Notes	Attributable to shareholders of Sulzer Ltd					Total	Non-controlling interests	Total equity
		Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment			
Equity as of January 1, 2018		0.3	2'040.9	-22.1	-6.5	-362.2	1'650.4	22.3	1'672.6
Comprehensive income for the period:									
Net income			57.9				57.9	2.0	60.0
- Cash flow hedges, net of tax					-2.9		-2.9		-2.9
- Remeasurements of defined benefit obligations, net of tax			19.5				19.5		19.5
- Currency translation differences						-34.8	-34.8	-1.6	-36.4
Other comprehensive income			19.5		-2.9	-34.8	-18.2	-1.6	-19.8
Total comprehensive income for the period		-	77.4	-	-2.9	-34.8	39.8	0.4	40.2
Transactions with owners of the company:									
Changes of non-controlling interests without a change in control									
Allocation of treasury shares to share plan participants			-5.3	5.3			-		-
Purchase of treasury shares				-551.4			-551.4		-551.4
Share-based payments			4.9				4.9		4.9
Dividends	9		-119.1				-119.1	-0.8	-119.9
Equity as of June 30, 2018		0.3	1'998.7	-568.2	-9.4	-397.0	1'024.6	22.5	1'047.1
Equity as of January 1, 2019		0.3	2'123.6	-34.0	-8.6	-451.4	1'629.9	11.2	1'641.0
Comprehensive income for the period:									
Net income			65.1				65.1	1.4	66.5
- Cash flow hedges, net of tax		-	-	-	3.1	-	3.1	-	3.1
- Remeasurements of defined benefit obligations, net of tax		-	15.5	-	-	-	15.5	-	15.5
- Currency translation differences		-	-	-	-	-26.5	-26.5	-0.1	-26.5
Other comprehensive income		-	15.5	-	3.1	-26.5	-7.9	-0.1	-8.0
Total comprehensive income for the period		-	80.6	-	3.1	-26.5	57.2	1.3	58.6
Transactions with owners of the company:									
Allocation of treasury shares to share plan participants									
Allocation of treasury shares to share plan participants		-	-18.9	18.9	-	-	-		-
Purchase of treasury shares		-	-	-6.9	-	-	-6.9		-6.9
Share-based payments		-	4.5	-	-	-	4.5		4.5
Dividends	9	-	-119.2	-	-	-	-119.2	-1.0	-120.2
Equity as of June 30, 2019		0.3	2'070.6	-22.1	-5.5	-477.9	1'565.4	11.5	1'576.9

Consolidated statement of cash flows

January 1 – June 30

millions of CHF	Notes	2019	2018
Cash and cash equivalents as of January 1		1'095.2	488.8
Net income		66.5	60.0
Interest and securities income	7	-2.9	-1.5
Interest expenses	7	12.4	10.8
Income tax expenses	8	19.6	17.8
Depreciation, amortization and impairments		82.4	70.6
Income from disposals of property, plant and equipment	6	-0.1	-4.7
Changes in inventories		-30.8	-94.1
Changes in advance payments to suppliers		-7.5	-9.5
Changes in contract assets		-122.1	-58.6
Changes in trade accounts receivable		16.3	40.4
Changes in contract liabilities		107.7	5.8
Changes in trade accounts payable		-58.6	15.8
Change in provision for employee benefit plans		9.4	0.7
Changes in provisions		-0.1	-2.7
Changes in other net current assets		-24.3	-8.8
Other non-cash items		7.8	4.8
Interest received		2.9	1.5
Interest paid		-4.6	-6.0
Income tax paid		-31.0	-39.2
Total cash flow from operating activities		43.1	3.0
Purchase of intangible assets		-2.1	-1.8
Sale of intangible assets		0.3	-
Purchase of property, plant and equipment		-51.7	-42.4
Sale of property, plant and equipment		2.5	10.9
Acquisitions of subsidiaries, net of cash acquired	4	-33.7	-209.2
Divestitures of subsidiaries		0.0	0.6
Dividends from associates		0.1	-
Purchase of financial assets		-0.5	-0.6
Total cash flow from investing activities		-85.0	-242.5
Dividend	9	-77.5	-43.1
Dividend paid to non-controlling interests		-1.0	-0.8
Purchase of treasury shares		-6.9	-5.8
Payments for leases		-16.3	-
Additions in non-current borrowings	10	0.2	-
Repayment of non-current borrowings	10	-0.0	-0.4
Additions in current borrowings	10	59.6	409.0
Repayment of current borrowings	10	-68.9	-240.8
Total cash flow from financing activities		-110.8	118.1
Exchange losses on cash and cash equivalents		-3.9	-8.3
Net change in cash and cash equivalents		-156.6	-129.7
Cash and cash equivalents as of June 30		938.6	359.1

1 General information

Sulzer Ltd (the “company”) is a company domiciled in Switzerland. The address of the company’s registered office is Neuwiesenstrasse 15 in Winterthur, Switzerland. The unaudited consolidated interim financial statements for the six months ended June 30, 2019, comprise the company and its subsidiaries (together referred to as the “group” and individually as the “subsidiaries”) and the group’s interest in associates and joint ventures. The group specializes in pumping solutions, service solutions for rotating equipment, separation and mixing, and applicator technology. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 16’300 people. The company serves clients in over 180 production and service sites around the world. Sulzer Ltd is listed on the SIX Swiss Exchange in Zurich, Switzerland (symbol: SUN).

The interim financial statements have been prepared in accordance with the requirements of IAS 34 “Interim financial reporting”. This is the first set of consolidated financial statements where IFRS 16 “Leases” has been applied. Details and changes of the group’s accounting policies are described in [note 13](#).

2 Significant events and transactions during the reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- As of April 30, 2019, the group acquired 100% of the issued shares in GTC Technology US, LLC (“GTC”) for CHF 43.2 million. GTC is headquartered in Houston, Texas, US, and employs around 200 people. The company is offering proprietary processes and systems for the production of aromatics and other petrochemicals. GTC combines its specialized expertise in the licensing of process-based plant engineering with long-standing industry experience. The acquisition resulted in an increase in intangible assets of CHF 38.5 million at the date of acquisition (see [note 4](#)).
- Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. In the first half of 2019, restructuring expenses were mainly associated with measures taken in Germany. The group recognized restructuring expenses of CHF 16.2 million in the first half of 2019 (half year 2018: CHF 5.9 million). Associated with restructuring initiatives, the group further recognized impairments on tangible and intangible assets of CHF 0.5 million (half year 2018: CHF 0.7 million).
- This is the first set of consolidated financial statements where IFRS 16 “Leases” has been applied. The application of this new accounting standard resulted in an increase of total assets and total liabilities of CHF 107.3 million. Details and changes of the group’s accounting policies are described in [note 13](#).

For a detailed discussion about the group’s performance and financial position please refer to the [Business review](#).

3 Segment information

Segment information by divisions

millions of CHF	Pumps Equipment		Rotating Equipment Services		Chemtech		Applicator Systems	
	2019	2018	2019	2018	2019	2018	2019	2018
Order intake¹⁾	752.5	719.8	602.2	572.1	350.3	280.0	228.4	229.5
Nominal growth	4.5%	23.7%	5.3%	6.5%	25.1%	5.5%	-0.5%	9.2%
Currency adjusted growth	5.9%	21.3%	7.3%	6.5%	25.9%	5.0%	0.1%	6.3%
Organic growth ²⁾	5.5%	12.1%	6.2%	3.1%	23.3%	5.0%	-2.1%	1.3%
Order backlog as of June 30/ December 31	1'042.2	982.9	429.4	393.1	390.7	345.9	72.6	65.0
Sales recognized at a point in time	466.6	417.9	463.6	419.3	181.5	155.6	218.2	229.0
Sales recognized over time	223.7	177.0	97.9	80.5	122.3	112.1	0.0	0.0
Total sales³⁾	690.3	594.9	561.4	499.8	303.8	267.7	218.2	229.0
Nominal growth	16.0%	n/a	12.3%	n/a	13.5%	n/a	-4.7%	n/a
Currency adjusted growth	17.8%	n/a	14.9%	n/a	14.4%	n/a	-4.3%	n/a
Organic growth ²⁾	17.3%	n/a	13.7%	n/a	13.0%	n/a	-5.9%	n/a
opEBITA⁴⁾	20.0	7.7	67.9	61.4	27.3	22.3	47.3	48.5
in % of sales ⁵⁾	2.9%	1.3%	12.1%	12.3%	9.0%	8.3%	21.7%	21.2%
Restructuring expenses	-0.5	-4.2	-0.4	-1.0	-0.4	-0.0	-14.4	-0.3
Amortization	-15.0	-17.4	-3.6	-3.7	-2.5	-2.7	-9.6	-9.8
Impairments on tangible and intangible assets	-0.1	-0.5	-0.0	-0.0	-0.0	0.0	-0.4	-0.3
Non-operational items	-4.5	-4.2	0.2	0.0	-0.2	-5.3	-6.9	-2.0
EBIT (operating income)	-0.1	-18.6	64.1	56.6	24.1	14.3	15.9	36.1
Depreciation	-17.9	-12.2	-12.5	-8.5	-5.9	-4.1	-12.7	-10.7
Operating assets	1'722.3	1'670.1	921.1	860.2	571.3	483.0	625.4	623.4
Unallocated assets	-	-	-	-	-	-	-	-
Total assets as of June 30/ December 31	1'722.3	1'670.1	921.1	860.2	571.3	483.0	625.4	623.4
Operating liabilities	746.4	739.1	390.0	347.7	322.7	289.8	112.0	76.3
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities as of June 30/ December 31	746.4	739.1	390.0	347.7	322.7	289.8	112.0	76.3
Operating net assets	975.9	931.0	531.1	512.5	248.6	193.1	513.4	547.1
Unallocated net assets	-	-	-	-	-	-	-	-

Total net assets as of June 30/ December 31	975.9	931.0	531.1	512.5	248.6	193.1	513.4	547.1
Capital expenditure	-16.9	-13.2	-14.5	-11.8	-9.2	-3.7	-18.7	-15.1
Employees (number of full-time equivalents) as of June 30/ December 31	5'778	5'713	4'882	4'721	3'576	3'063	1'831	1'864

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

4) Operating income before restructuring, amortization, impairments and non-operational items.

5) Return on sales before restructuring, amortization, impairments and non-operational items (opEBITA/sales).

Segment information by divisions

millions of CHF	Total divisions		Others ⁶⁾		Total Sulzer	
	2019	2018	2019	2018	2019	2018
Order intake¹⁾	1'933.3	1'801.4	–	–	1'933.3	1'801.4
Nominal growth	7.3%	13.0%	–	–	7.3%	13.0%
Currency adjusted growth	8.7%	11.6%	–	–	8.7%	11.6%
Organic growth ²⁾	7.5%	6.5%	–	–	7.5%	6.5%
Order backlog as of June 30/ December 31	1'934.9	1'786.9	–	–	1'934.9	1'786.9
Sales recognized at a point in time	1'329.9	1'221.9	–	–	1'329.9	1'221.9
Sales recognized over time	443.9	369.6	–	–	443.9	369.6
Total sales³⁾	1'773.8	1'591.4	–	–	1'773.8	1'591.4
Nominal growth	11.5%	n/a	–	–	11.5%	n/a
Currency adjusted growth	13.1%	n/a	–	–	13.1%	n/a
Organic growth ²⁾	12.1%	n/a	–	–	12.1%	n/a
opEBITA⁴⁾	162.5	139.9	-0.9	-0.2	161.5	139.7
in % of sales ⁵⁾	9.2%	8.8%	n/a	n/a	9.1%	8.8%
Restructuring expenses	-15.7	-5.5	-0.5	-0.4	-16.2	-5.9
Amortization	-30.8	-33.6	-0.5	-0.5	-31.3	-34.1
Impairments on tangible and intangible assets	-0.5	-0.7	–	–	-0.5	-0.7
Non-operational items	-11.4	-11.5	-3.2	-5.5	-14.6	-17.0
EBIT (operating income)	104.0	88.5	-5.1	-6.6	98.9	82.0
Depreciation	-49.0	-35.5	-1.6	-0.2	-50.6	-35.7
Operating assets	3'840.1	3'636.6	30.9	-26.7	3'871.0	3'610.0
Unallocated assets	–	–	1'159.7	1'288.4	1'159.7	1'288.4
Total assets as of June 30/ December 31	3'840.1	3'636.6	1'190.6	1'261.7	5'030.7	4'898.3
Operating liabilities	1'571.1	1'452.9	113.3	79.7	1'684.4	1'532.5
Unallocated liabilities	–	–	1'769.4	1'724.7	1'769.4	1'724.7

Total liabilities as of June 30/ December 31	1'571.1	1'452.9	1'882.7	1'804.4	3'453.8	3'257.3
Operating net assets	2'269.0	2'183.8	-82.4	-106.4	2'186.6	2'077.4
Unallocated net assets	-	-	-609.7	-436.4	-609.7	-436.4
Total net assets as of June 30/ December 31	2'269.0	2'183.8	-692.1	-542.7	1'576.9	1'641.0
Capital expenditure	-59.3	-43.8	-1.2	-0.7	-60.5	-44.5
Employees (number of full-time equivalents) as of June 30/ December 31	16'066	15'361	223	211	16'289	15'572

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

4) Operating income before restructuring, amortization, impairments and non-operational items.

5) Return on sales before restructuring, amortization, impairments and non-operational items (opEBITA/sales).

6) The most significant activities under "Others" relate to Corporate Center.

Information about reportable segments

Operating segments are determined based on the reports reviewed by the Chief Executive Officer that are used to measure performance, make strategic decisions and allocate resources to the segments. The business is managed on a divisional basis and the reported segments have been identified as follows:

Pumps Equipment – Pump technology and solutions

This division provides a wide range of pumping solutions, compressors and mixers, including spare parts and service. The focus is on:

- Production, transport and processing of crude oil and its derivatives
- Supply, treatment and transport of water as well as wastewater treatment
- Fossil-fired, nuclear and renewable power generation
- Specific general industries, such as the pulp and paper, mining, metals, fertilizer, food and chemical process industries.

Rotating Equipment Services – Service solutions for rotating equipment

This division offers technology-based service solutions for complex rotating equipment maintenance, including gas and steam turbines, pumps, compressors, motors, generators and other adjacent equipment – be it Sulzer or third-party equipment. The focus is on:

- Oil and gas, power, transport, mining, water, heavy and process industries
- Gas and steam turbines, compressors, hot gas expanders
- Generators and electrical motors
- Pumps.

Chemtech – Separation and mixing technology and associated services

This division offers separation and mixing technology, process solutions and field services for the oil and gas, hydrocarbon and chemical processing industries. The focus is on:

- High-performance tower internals and separators
- Process engineering and skid solutions
- Service for towers and static equipment.

Applicator Systems – Systems for liquid applications

The division offers products and services for liquid application and mixing technology. The focus is on:

- Mixing and dispensing systems for the adhesives and dental markets
- Precise application systems for liquid color cosmetics and beauty accessories
- One- and two-component application systems for the healthcare and medical markets.

Others

Certain expenses related to the Corporate Center are not attributable to a particular segment and are reviewed as a whole across the group. Also included are the eliminations for operating assets and liabilities.

The Chief Executive Officer primarily uses a measure of adjusted earnings before interest, tax and amortization (operational EBITA) to assess the performance of the operating segments. However, the Chief Executive Officer also receives information about the segments' order intake and backlog, revenue, and operating assets and liabilities on a monthly basis.

Operational EBITA (opEBITA) excludes amortization, restructuring expenses and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes certain non-operational items that are non-recurring or do not regularly occur in similar magnitude such as acquisition-related expenses, gains and losses from sale of businesses or real estate, expenses related to the Sulzer Full Potential program, or amendments to the pension plans.

Sales from external customers reported to the Chief Executive Officer is measured in a manner consistent with that in the income statement. There are no significant sales between the segments. No individual customer represents a significant portion of the group's revenue.

Operating assets and liabilities are assets or liabilities related to the operating activities of an entity and contributing to the operating income.

Segment information by region

The allocation of sales from external customers is based on the location of the customer.

Sales by region

	2019				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, the Middle East, Africa – thereof:	277.3	248.7	81.9	122.5	730.4
Germany	29.5	23.1	12.6	48.1	113.3
United Kingdom	12.0	60.6	3.4	11.4	87.3
Russia	16.8	36.7	4.6	0.4	58.4
Saudi Arabia	20.0	21.9	6.8	0.0	48.7
other countries	199.0	106.5	54.6	62.6	422.7
Americas – thereof:	250.8	238.7	75.0	80.6	645.1
USA	173.6	188.4	49.3	57.0	468.3
Brazil	29.2	11.5	13.7	5.3	59.7
Canada	29.1	10.1	6.0	0.6	45.8
Argentina	1.3	8.1	0.6	0.5	10.4
other countries	17.6	20.6	5.5	17.2	60.9
Asia-Pacific – thereof:	162.3	74.0	146.9	15.1	398.2
China	90.2	11.4	81.9	6.4	190.0
India	16.6	4.4	26.1	0.3	47.5
Australia	6.5	19.2	1.6	0.2	27.6
South Korea	8.5	5.4	7.2	2.0	23.0
other countries	40.5	33.6	30.0	6.1	110.1
Total	690.3	561.4	303.8	218.2	1'773.8

	2018				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, the Middle East, Africa – thereof:	240.2	208.9	87.4	135.4	671.9
Germany	23.9	24.1	11.2	47.2	106.4
United Kingdom	17.2	51.4	2.3	14.6	85.5
Russia	15.2	31.5	5.6	0.9	53.2
Saudi Arabia	18.1	8.3	21.0	0.0	47.5
other countries	165.7	93.5	47.4	72.6	379.3
Americas – thereof:	189.8	219.0	62.3	70.9	542.0
USA	130.8	172.2	34.6	63.1	400.7
Brazil	15.6	10.8	14.5	4.9	45.7
Canada	24.4	13.4	6.6	0.7	45.0
Argentina	0.3	8.2	2.6	0.6	11.6
other countries	18.7	14.4	4.1	1.7	38.9

Asia-Pacific – thereof:	165.0	72.0	118.1	22.7	377.7
China	115.8	22.0	70.4	8.0	216.2
India	10.7	2.3	16.0	0.2	29.2
Australia	7.0	17.7	2.4	0.6	27.7
South Korea	5.4	5.1	7.9	2.2	20.6
other countries	26.1	24.9	21.4	11.8	84.1
Total	594.9	499.8	267.7	229.0	1'591.4

Segment information by market segment

The following tables show the allocation of sales from external customers by market segments:

Sales by market segment

	2019				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and Gas	235.3	257.0	245.7	–	737.9
General Industry	174.7	97.8	8.0	–	280.5
Water	193.6	18.5	0.3	–	212.4
Power	57.6	144.9	6.1	–	208.6
Adhesives, Dental, Healthcare	–	–	–	141.6	141.6
Chemical Processing Industry	29.2	43.2	43.7	–	116.1
Beauty	–	–	–	76.6	76.6
Total	690.3	561.4	303.8	218.2	1'773.8

	2018				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and Gas	163.7	185.7	234.8	–	584.2
General Industry	162.0	90.5	1.7	–	254.3
Water	205.4	11.7	0.3	–	217.4
Power	45.6	168.7	0.3	–	214.6
Adhesives, Dental, Healthcare	–	–	–	135.6	135.6
Chemical Processing Industry	18.3	43.3	30.5	–	92.1
Beauty	–	–	–	93.4	93.4
Total	594.9	499.8	267.7	229.0	1'591.4

4 Acquisitions of subsidiaries

Acquisitions in 2019

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition, including the resulting goodwill and the total consideration paid. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts recognized below, then the accounting for the acquisition will be revised.

Net assets acquired

millions of CHF	GTC Technology US, LLC
Intangible assets	38.5
Property, plant and equipment	4.4
Lease assets	0.8
Cash and cash equivalents	6.2
Trade accounts receivable	9.8
Other current assets	11.9
Other liabilities	-20.9
Deferred tax liabilities	-9.4
Net identifiable assets	41.3
Goodwill recognized in balance sheet	1.9
Total consideration	43.2
Purchase price paid in cash	39.9
Contingent consideration	3.3
Total consideration	43.2

GTC Technology US, LLC

On April 30, 2019, Sulzer acquired a 100% controlling interest of GTC Technology US, LLC (“GTC”) for CHF 43.2 million, of which CHF 39.9 million was paid in cash and CHF 3.3 million arose from a contingent consideration agreement. The headquarters of GTC are located in Houston, Texas, USA. GTC employs 200 people and is a technology company offering proprietary processes and systems for the production of aromatics and other petrochemicals. This acquisition strengthens Sulzer Chemtech’s leadership in petrochemical processes and expands its revenue base to process licensing and associated proprietary equipment and chemicals. The goodwill is attributable to synergies by leveraging cross-selling opportunities. None of the goodwill is expected to be deductible for tax purposes. Transaction costs recognized in the income statement amount to CHF 0.2 million. Since the acquisition date, GTC contributed order intake of CHF 7.8 million, sales of CHF 3.8 million and net income of CHF 0.0 million to the group.

Contingent consideration

The contingent consideration is dependent on patents, technology and licensing, as well as order intake from the company’s product portfolio. The total liability is limited at CHF 3.3 million. The calculation of the contingent consideration is based on management assessments that the criteria will be achieved at a probability of 100%.

Acquired receivables

The fair value of acquired trade accounts receivable is CHF 9.8 million. The gross contractual amount for trade account receivables due is CHF 12.1 million, of which CHF 2.3 million is expected to be uncollectible at the date of acquisition.

Pro forma sales and profit contribution

Had the acquisition above occurred on January 1, 2019, management estimates that total net sales of the group would amount to CHF 1’790.9 million, and the consolidated net income would be CHF 67.5 million.

Cash flow from acquisitions of subsidiaries

millions of CHF	2019	2018
Cash consideration paid	-39.9	-211.3
Contingent consideration paid	-	-1.4
Cash acquired	6.2	3.6
Payments for acquisitions in prior years	-	-0.1
Total cash flow from acquisitions, net of cash acquired	-33.7	-209.2

Contingent consideration

millions of CHF	2019	2018
Balance as of January 1	0.9	5.1
Assumed in a business combination	3.3	-
Payment of contingent consideration	-	-1.4
Release to other operating income	-	-1.4
Currency translation differences	-0.1	0.1
Total contingent consideration as of June 30/December 31	4.1	2.4

5 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as of June 30, 2019, and December 31, 2018, including their levels in the fair value hierarchy. For financial assets and financial liabilities not measured at fair value in the balance sheet, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

Fair values are categorized into three different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

The fair value of financial instruments traded in active markets, including the outstanding bonds, is based on quoted market prices at the balance sheet date. Such instruments are included in level 1.

The fair values included in level 2 are based on valuation techniques using observable market input data. This may include discounted cash flow analysis, option pricing models or reference to other instruments that are substantially the same, while always making maximum use of market inputs and relying as little as possible on entity-specific inputs. The fair values of forward contracts are measured based on broker quotes for foreign exchange rates and interest rates.

Fair values measured using unobservable inputs are categorized within level 3 of the fair value hierarchy. This applies particularly to contingent considerations in business combinations.

Contingent considerations are linked to the fulfillment of certain parameters, mainly related to earn-out clauses and technology transfer. For more information please refer to [note 4](#).

Fair value table

						June 30, 2019
millions of CHF	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Other financial assets (at fair value)		7.3	7.3	0.2	–	7.1
Derivative assets – non-current		0.1	0.1	–	0.1	–
Derivative assets – current		9.6	9.6	–	9.6	–
Total financial assets measured at fair value		16.9	16.9	0.2	9.7	7.1
Financial assets not measured at fair value						
Other financial assets (at amortized cost)		2.8				
Non-current receivables (excluding non-current derivative assets)		5.9				
Contract assets		335.6				
Trade accounts receivable		601.7				
Other current receivables (excluding current derivative assets and other taxes)		30.2				
Cash and cash equivalents		938.6				
Total financial assets not measured at fair value		1'914.9	–	–	–	–
Financial liabilities measured at fair value						
Derivative liabilities – non-current		0.1	0.1	–	0.1	–
Derivative liabilities – current		7.7	7.7	–	7.7	–
Contingent considerations	4	4.1	4.1	–	–	4.1
Total financial liabilities measured at fair value		11.8	11.8	–	7.7	4.1
Financial liabilities not measured at fair value						
Outstanding bonds	10	1'308.9	1'343.7	1'343.7	–	–
Non-current lease liabilities		79.2				
Other current borrowings and bank loans		7.7				
Other non-current liabilities		6.0				
Current lease liabilities		28.0				
Trade accounts payable		468.1				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)		262.7				
Total financial liabilities not measured at fair value		2'160.5	1'343.7	1'343.7	–	–

Fair value table

							December 31, 2018
millions of CHF	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3	
Financial assets measured at fair value							
Other financial assets (at fair value)		6.8	6.8	0.2	–	6.6	
Derivative assets – current		6.4	6.4	–	6.4	–	
Total financial assets measured at fair value		13.1	13.1	0.2	6.4	6.6	
Financial assets not measured at fair value							
Other financial assets (at amortized cost)		2.7					
Non-current receivables (excluding non-current derivative assets)		6.2					
Contract assets		205.1					
Trade accounts receivable		622.3					
Other current receivables (excluding current derivative assets and other taxes)		24.3					
Cash and cash equivalents		1'095.2					
Total financial assets not measured at fair value		1'955.7	–	–	–	–	
Financial liabilities measured at fair value							
Derivative liabilities – non-current		0.2	0.2	–	0.2	–	
Derivative liabilities – current		8.4	8.4	–	8.4	–	
Contingent considerations	4	0.9	0.9	–	–	0.9	
Total financial liabilities measured at fair value		9.6	9.6	–	8.7	0.9	
Financial liabilities not measured at fair value							
Outstanding bonds	10	1'308.7	1'312.6	1'312.6	–	–	
Other non-current borrowings	10	7.6					
Other current borrowings and bank loans	10	18.0					
Other non-current liabilities		3.6					
Trade accounts payable		521.8					
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)		211.3					
Total financial liabilities not measured at fair value		2'070.9	1'312.6	1'312.6	–	–	

6 Other operating income and expenses

millions of CHF	2019	2018
Income from release of contingent consideration	–	1.4
Gain from sale of property, plant and equipment	0.1	4.7
Operating currency exchange gains, net	2.4	–
Other operating income	9.4	4.4
Total other operating income	12.0	10.5
Restructuring expenses	–16.2	–5.9
Impairments on tangible and intangible assets	–0.5	–0.7
Cost for mergers and acquisitions	–0.8	–0.8
Loss from sale of property, plant and equipment	–0.1	–
Operating currency exchange losses, net	–	–0.7
Other operating expenses	–	–0.3
Total other operating expenses	–17.7	–8.4
Total other operating income and expenses, net	–5.7	2.1

During 2019, the group reassessed the achievement of the earn-out targets related to contingent consideration arrangements. The reassessment did not result in a change of contingent considerations (half year 2018: income of CHF 1.4 million).

Other operating income includes income from litigation cases, government grants and incentives, and recharges to third parties not qualifying as sales from customers.

Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. For the half year 2019, the group recognized restructuring costs of CHF 16.2 million (half year 2018: CHF 5.9 million). Restructuring costs are mainly associated with measures in Germany. The group further performed impairment tests on the related production machines and facilities leading to impairments of CHF 0.5 million (half year 2018: CHF 0.7 million).

The functional allocation of the total restructuring expenses and impairments is as follows: cost of goods sold CHF –12.0 million (half year 2018: CHF –1.2 million), selling and distribution expenses CHF 0.0 million (half year 2018: CHF –0.1 million), general and administrative expenses CHF –4.8 million (half year 2018: CHF –5.1 million) and research and development expenses CHF 0.0 million (half year 2018: CHF –0.2 million).

7 Financial income and expenses

millions of CHF	2019	2018
Interest and securities income	2.9	1.5
Total interest and securities income	2.9	1.5
Interest expenses	-10.0	-7.8
Interest expenses on employee benefit plans	-2.4	-3.0
Total interest expenses	-12.4	-10.8
Total interest income and expenses, net	-9.5	-9.3
Fair value changes	4.7	2.1
Other financial expenses	-1.2	-0.6
Currency exchange gains/losses, net	-6.0	2.9
Total other financial income and expenses, net	-2.5	4.4
Total financial income and expenses, net	-12.0	-4.9
- thereof fair value changes on financial assets at fair value through profit and loss	4.7	2.1
- thereof other income from financial assets at fair value through profit and loss	0.0	0.1
- thereof interest income on financial assets at amortized costs	2.9	1.5
- thereof other financial expenses	-1.2	-0.6
- thereof currency exchange gains/losses, net	-6.0	2.9
- thereof interest expenses on borrowings	-8.5	-7.7
- thereof interest expenses on lease liabilities	-1.5	-
- thereof interest expenses on employee benefit plans	-2.4	-3.0

“Interest expenses” increased from CHF 7.8 million in the first half year 2018 to CHF 10.0 million for the same period 2019. 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”.

Comparing the first half of 2019 with the same period of 2018, total financial expenses increased from CHF -4.9 million to CHF -12.0 million because of negative currency effects on financial instruments and the first time application of IFRS 16 “Leases”.

8 Income taxes

Income tax expenses comprise current and deferred tax. Income tax expenses are recognized based on the estimated income tax rate for the full financial year. The estimated average annual tax rate used for the year 2019 is 22.8%, compared with 22.9% for the six months ended June 30, 2018.

9 Share capital

The share capital amounts to CHF 342'623.70, made up of 34'262'370 shares with dividend entitlement and a par value of CHF 0.01. All shares are fully paid in and registered.

Treasury shares

The total number of shares held by Sulzer Ltd as of June 30, 2019, amounted to 205'999 treasury shares (December 31, 2018: 311'871 shares).

The treasury shares are mainly held for the purpose of issuing shares under the management share-based payment programs.

Dividends

On April 3, 2019, the Annual General Meeting approved an ordinary dividend of CHF 3.50 (2018: ordinary dividend of CHF 3.50) per share to be paid out of reserves. The dividend was paid to shareholders on April 9, 2019. The total amount of the dividend is CHF 119.2 million (2018: CHF 119.1 million), thereof paid dividends of CHF 77.5 million (2018: CHF 43.1 million) and unpaid dividends of CHF 41.7 million (2018: CHF 76.0 million). The unpaid dividends are reflected in the balance sheet position “other current and accrued liabilities” (see [note 12](#)).

10 Borrowings

millions of CHF	2019		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'308.7	16.9	1'325.6
Additions	0.2	59.6	59.8
Repayments	-0.0	-68.9	-68.9
Total borrowings as of June 30	1'308.9	7.7	1'316.6

millions of CHF	2018		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	458.7	255.1	713.8
Additions	859.4	426.4	1'285.9
Repayments	-1.1	-658.9	-659.9
Reclassifications	-0.5	0.5	-
Currency translation differences	-0.2	-5.1	-5.3
Total borrowings as of December 31	1'316.3	18.0	1'334.3

The borrowings have been adjusted as of January 1, 2019, due to the first time application of IFRS 16 “Leases”. Further details are provided in [note 13](#).

As of June 30, 2019, and December 31, 2018, the syndicated facility was not used.

Outstanding bonds

millions of CHF	2019		2018	
	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	325.3	325.0	325.3	325.0
0.875% 07/2016–07/2026	125.0	125.0	125.0	125.0
0.250% 07/2018–07/2020	109.9	110.0	109.8	110.0
1.300% 07/2018–07/2023	289.4	290.0	289.3	290.0
0.625% 10/2018–10/2021	209.7	210.0	209.5	210.0
1.600% 10/2018–10/2024	249.8	250.0	249.8	250.0
Total as of June 30/December 31	1'308.9	1'310.0	1'308.7	1'310.0

As of June 30, 2019, the group has six outstanding bonds all traded at the SIX Swiss Exchange.

11 Provisions

millions of CHF	2019					
	Other employee benefits	Warranties/liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	49.4	78.9	10.1	15.1	60.5	213.9
Additions	6.8	6.8	16.7	–	12.9	43.2
Released as no longer required	–	–5.2	–0.4	–	–7.9	–13.6
Utilized	–4.2	–5.7	–6.8	–0.0	–12.2	–28.9
Reclassifications	–	–	0.7	–	–0.7	–
Currency translation differences	–0.5	–0.7	–0.5	–0.1	–0.5	–2.3
Total provisions as of June 30/ December 31	51.5	74.0	19.8	15.0	51.9	212.3
– thereof non-current	35.7	3.4	3.2	15.0	12.6	69.8
– thereof current	15.8	70.6	16.6	–	39.4	142.4

The category “Other employee benefits” includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees. The additions and utilizations in “Other employee benefits” provision are mainly related to medical insurances of employees of the US entities.

The category “Warranties/liabilities” includes provisions for warranties, customer claims, penalties, litigation and legal cases relating to goods delivered or services rendered.

Sulzer has continued to adapt its global manufacturing footprint and streamline the organizational setup. In the first half of 2019, restructuring expenses were mainly associated with measures taken in Germany. The group recognized restructuring provisions of CHF 16.7 million. The remaining provision as of June 30, 2019, is CHF 19.8 million, of which CHF 16.6 million is expected to be utilized within one year.

“Environmental” mainly consists of expected costs related to inherited liabilities.

“Other” includes provisions that do not fit into the aforementioned categories. A large number of these provisions refer to indemnities, in particular related from divestitures. In addition, provisions for ongoing asbestos lawsuits and other legal claims are included. Based on the currently known facts, Sulzer is of the opinion that the resolution of the open cases will have no material effects on its liquidity or financial condition. Although Sulzer expects a large part of the category “Other” to be realized in one year, by their nature the amounts and timing of any cash outflows are difficult to predict.

12 Other current and accrued liabilities

millions of CHF	2019	2018
Liability related to the purchase of treasury shares	108.6	108.9
Outstanding dividend payments	117.7	76.0
Taxes (VAT, withholding tax)	29.3	25.3
Derivative financial instruments	7.7	8.4
Notes payable	0.5	0.4
Other current liabilities	36.7	26.9
Total other current liabilities as of June 30/December 31	300.5	245.9
Contract-related costs	102.3	130.6
Salaries, wages and bonuses	83.3	101.1
Vacation and overtime claims	36.5	31.8
Other accrued liabilities	179.7	133.3
Total accrued liabilities as of June 30/December 31	401.8	396.7
Total other current and accrued liabilities as of June 30/December 31	702.3	642.6

13 Accounting policies

13.1 Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting. The accounting policies applied are consistent with those applied in the consolidated financial statements for the year 2018 and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the financial statements for the year ended December 31, 2018, and any public announcements made by Sulzer during the interim reporting period.

13.2 Change in accounting policies

a) Standards, amendments and interpretations which are effective for 2019

IFRS 16 “Leases”

The group has initially adopted IFRS 16 “Leases” as of January 1, 2019.

IFRS 16 introduced a single, on-balance-sheet accounting model for lessees. As a result, the group has recognized lease assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The group does not act as a lessor.

The group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. The changes of the accounting policies are disclosed below.

Definition of a lease

Previously the group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 “Determining whether an arrangement contains a lease”. The group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under

IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

Accounting policies for leases

The group leases many assets, including properties, production equipment and other non-current assets.

The group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the group recognizes lease assets and lease liabilities for most leases (these leases are on-balance-sheet).

However, the group has elected not to recognize lease assets and lease liabilities for some leases of low value assets and short-term leases. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The group presents lease assets and lease liabilities as separate line items in the balance sheet.

The group recognizes lease assets and lease liabilities at the lease commencement date. The asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements. The lease liability is initially measured at the present value of the lease payments that are not paid on commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. In most cases, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Significant accounting estimates

The group has applied judgment to determine the lease term for lease contracts that include renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and lease assets recognized.

Transition

For finance leases, the carrying amount of the lease assets and the lease liability at January 1, 2019, were determined at the carrying amount of the lease assets and lease liability under IAS 17 immediately before that date.

For operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as of January 1, 2019. Lease assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Impacts on transition

The following table summarizes the impact of IFRS 16 on the consolidated balance sheet as of January 1, 2019.

Consolidated balance sheet

millions of CHF	December 31, 2018, as originally presented	Adjustment IFRS 16 finance leases	Adjustment IFRS 16 operating leases	January 1, 2019, adjusted
Non-current assets				
Goodwill	923.4			923.4
Other intangible assets	439.4			439.4
Property, plant and equipment	527.0	-7.6		519.4
Lease assets	-	7.6	107.3	114.9
Associates	13.4			13.4
Other financial assets	9.4			9.4
Non-current receivables	6.2			6.2
Deferred income tax assets	138.9			138.9
Total non-current assets	2'057.7	-	107.3	2'165.1
Current assets				
Inventories	658.9			658.9
Current income tax receivables	29.0			29.0
Advance payments to suppliers	79.9			79.9
Contract assets	205.1			205.1
Trade accounts receivable	622.3			622.3
Other current receivables and prepaid expenses	150.2			150.2
Cash and cash equivalents	1'095.2			1'095.2
Total current assets	2'840.6	-	-	2'840.6
Total assets	4'898.3	-	107.3	5'005.6
Equity				
Share capital	0.3			0.3
Reserves	1'629.5			1'629.5
Equity attributable to shareholders of Sulzer Ltd	1'629.9	-	-	1'629.9
Non-controlling interests	11.2			11.2
Total equity	1'641.0	-	-	1'641.0
Non-current liabilities				
Non-current borrowings	1'316.3	-7.3		1'308.7
Non-current lease liabilities	-	7.3	80.0	87.3
Deferred income tax liabilities	89.5			89.5
Non-current income tax liabilities	2.3			2.3
Defined benefit obligations	160.9			160.9
Non-current provisions	74.4			74.4
Other non-current liabilities	3.6			3.6
Total non-current liabilities	1'646.8	-	80.0	1'726.5
Current liabilities				

Current borrowings	18.0	-1.3		16.9
Current lease liabilities	-	1.3	27.3	28.6
Current income tax liabilities	32.0			32.0
Current provisions	139.6			139.6
Contract liabilities	256.4			256.4
Trade accounts payable	521.8			521.8
Other current and accrued liabilities	642.6			642.6
Total current liabilities	1'610.4	-	27.3	1'638.0
Total liabilities	3'257.3	-	107.3	3'364.6
Total equity and liabilities	4'898.3	-	107.3	5'005.6

When measuring lease liabilities that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.3%.

millions of CHF	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed in the consolidated financial statements	127.3
Discounted using the incremental borrowing rate at January 1, 2019	-9.3
Recognition exemption for leases with less than 12 months of lease term at transition (short-term leases)	-3.0
Recognition exemption for leases of low value assets	-7.7
Total adjusted operating leases at December 31, 2018	107.3
Finance lease liabilities recognized at December 31, 2018	8.6
Total lease liabilities recognized at January 1, 2019	115.9
- thereof non-current lease liabilities	87.3
- thereof current lease liabilities	28.6

Impacts for the period

Consolidated balance sheet

millions of CHF	June 30, 2019 (as reported)	Adjustments	June 30, 2019 (amounts without adoption of IFRS 16)
Non-current assets			
Lease assets	104.7	-99.8	4.9
Total non-current assets	2'160.9	-99.8	2'061.1
Current assets			
Total current assets	2'869.8	-	2'869.8
Total assets	5'030.7	-99.8	4'931.0
Equity			
Reserves	1'565.1	-1.3	1'563.8
Equity attributable to shareholders of Sulzer Ltd	1'565.4	-1.3	1'564.2
Total equity	1'576.9	-1.3	1'575.7
Non-current liabilities			
Non-current lease liabilities	79.2	-71.8	7.3

Total non-current liabilities	1'714.8	-71.8	1'643.0
Current liabilities			
Current lease liabilities	28.0	-26.7	1.3
Total current liabilities	1'739.0	-26.7	1'712.3
Total liabilities	3'453.8	-98.5	3'355.3
Total equity and liabilities	5'030.7	-99.8	4'931.0

As a result of initially applying IFRS 16, the group recognized CHF 99.8 million of lease assets and CHF 98.5 million of lease liabilities as of June 30, 2019, previously classified as operating leases.

Consolidated income statement

millions of CHF	2019 (as reported)	Adjustments	2019 (amounts without adoption of IFRS 16)
Operating income	98.9	-2.7	96.2
Interest expenses	-12.4	1.5	-10.9
Income before income tax expenses	86.2	-1.3	84.9
Net income	66.5	-1.3	65.3

As a result of initially applying IFRS 16, the group has recognized depreciation and interest expenses, instead of operating lease expenses, related to leases under IFRS 16. During the six months ended on June 30, 2019, the group recognized CHF 15.6 million of depreciation charges and CHF 1.5 million of interest expenses. Due to the recognition of the depreciation and interest expenses compared to the operating lease expenses, the application of IFRS 16 had a positive impact of CHF 1.3 million on the group's net income.

Consolidated statement of cash flows

millions of CHF	2019 (as reported)	Adjustments	2019 (amounts without adoption of IFRS 16)
Cash and cash equivalents as of January 1	1'095.2	-	1'095.2
Net income	66.5	-1.3	65.3
Interest expenses	12.4	-1.5	10.9
Depreciation, amortization and impairments	82.4	-15.6	66.8
Other non-cash items	7.8	0.5	8.4
Interest paid	-4.6	1.5	-3.1
Total cash flow from operating activities	43.1	-16.3	26.8
Total cash flow from investing activities	-85.0	-	-85.0
Payments for leases	-16.3	16.3	-
Total cash flow from financing activities	-110.8	16.3	-94.5
Net change in cash and cash equivalents	-156.6	-	-156.6
Cash and cash equivalents as of June 30	938.6	-	938.6

As a result of initially applying IFRS 16, the group has recognized leasing payments as part of the financing activities, instead of operating activities (shift from operating activities to financing activities). During the six months ended on June 30, 2019, the group recognized CHF 16.3 million of payments for leasing.

Lease assets overview

millions of CHF				2019
	Land and buildings, leased	Machinery and technical equipment, leased	Other non-current assets, leased	Total
Acquisition cost				
Balance as of January 1	96.6	5.0	14.7	116.3
Acquired through business combination	0.8	-	-	0.8
Additions	3.5	0.3	2.9	6.8
Disposals	-0.1	-0.2	-0.2	-0.5
Remeasurements	-0.7	-	-0.0	-0.7
Contract modifications	-0.1	-	-	-0.1
Reclassifications	2.3	-0.5	-1.7	-0.0
Currency translation differences	-0.8	-0.0	-0.2	-1.0
Balance as of June 30	101.5	4.6	15.5	121.6
Accumulated depreciation				
Balance as of January 1	0.8	0.4	0.2	1.5
Additions	11.5	1.0	3.1	15.6
Currency translation differences	0.0	-0.1	-0.0	-0.1
Balance as of June 30	12.3	1.3	3.3	16.9
Net book value				
As of January 1	95.8	4.6	14.5	114.9
As of June 30	89.2	3.3	12.2	104.7

Practical expedients

In applying IFRS 16 for the first time, the group used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 became effective as of January 1, 2019. The interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments. The group’s existing accounting policy for uncertain income tax treatments is consistent with the requirements in IFRS 23.

Other IFRS standards and interpretations

A number of other new standards have become effective as of January 1, 2019, but they do not have a material effect on the group’s financial statements.

b) Standards, amendments and interpretations issued but not yet effective which the group has decided not to early adopt in 2019

There are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on the group.

13.3 Reassessment of a customer contract

During the second half of the year 2018, the group reassessed the accounting treatment of a customer contract in the Rotating Equipment Services (RES) division. Following the reassessment, the group changed the sales recognition method from the point in time method (PIT method) to the over time method (OT method).

Consequently, certain figures in the consolidated opening balance as of January 1, 2018, in the consolidated income statement and the consolidated statement of cash flows for the period January 1 to June 30, 2018, have been adjusted. The figures in the consolidated balance sheet as of June 30, 2018 have not been adjusted.

The following tables summarize the impact on the group's consolidated financial statements.

Consolidated balance sheet

millions of CHF	January 1, 2018, as previously reported	Adjustments	January 1, 2018, after reassessment
Non-current assets			
Deferred income tax assets	150.5	-2.2	148.2
Total non-current assets	2'001.3	-2.2	1'999.0
Current assets			
Contract assets	192.4	8.6	201.1
Total current assets	2'158.3	8.6	2'166.9
Total assets	4'159.6	6.3	4'165.9
Equity			
Reserves	1'643.8	6.3	1'650.1
Equity attributable to shareholders of Sulzer Ltd	1'644.1	6.3	1'650.4
Total equity	1'666.4	6.3	1'672.6
Non-current liabilities			
Total non-current liabilities	899.9	-	899.9
Current liabilities			
Total current liabilities	1'593.3	-	1'593.3
Total liabilities	2'493.2	-	2'493.2
Total equity and liabilities	4'159.6	6.3	4'165.9

Consolidated income statement

millions of CHF	January 1 - June 30, 2018, as previously reported	Adjustments	January 1 - June 30, 2018, after reassessment
Sales	1'604.2	-12.8	1'591.4
Cost of goods sold	-1'108.0	4.3	-1'103.7
Gross profit	496.3	-8.5	487.7
Operating income	90.5	-8.5	82.0
Income before income tax expenses	86.3	-8.5	77.8
Income tax expenses	-20.0	2.2	-17.8
Net income	66.3	-6.3	60.0
attributable to shareholders of Sulzer Ltd	64.2	-6.3	57.9
Earnings per share (in CHF)			
Basic earnings per share	2.01	-0.20	1.81
Diluted earnings per share	2.00	-0.20	1.80

Consolidated statement of cash flows

millions of CHF	January 1 - June 30, 2018, as previously reported	Adjustments	January 1 - June 30, 2018, after reassessment
Cash and cash equivalents as of January 1	488.8	-	488.8
Net income	66.3	-6.3	60.0
Income tax expenses	20.0	-2.2	17.8
Changes in contract assets	-67.2	8.6	-58.6
Total cash flow from operating activities	3.0	-	3.0

14 Subsequent events after the balance sheet date

On July 1, 2019, the group acquired the Scottish aero-derivative gas turbine service provider Alba Power. The company employs 80 people and generated sales of CHF 44 million in 2018. Through this acquisition, Sulzer diversifies its gas turbine service business into distributed power and offshore as well as marine applications where there are sizable, active markets and numerous cross-selling synergies with its existing pump, motor, generator and turbo service customers. Founded in 2003, Alba Power offers a wide range of services to its clients including field service, inspection, repair and overhaul. Its facilities are located in Aberdeen (UK), Houston (US) and Ontario (CA).

The financial effects of this transaction have not been recognized as at June 30, 2019. The operating results and assets and liabilities of the acquired company will be consolidated from July 1, 2019.

The Board of Directors authorized these consolidated interim financial statements for issue on July 23, 2019. At the time when these consolidated interim financial statements were authorized for issue, the Board of Directors and the Executive Committee were not aware of any other events that would materially affect these financial statements.