



Financial reporting

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Consolidated income statement

January 1 – June 30

millions of CHF	Notes	2020	2019
Sales	3	1'598.5	1'773.8
Cost of goods sold		-1'122.5	-1'241.8
Gross profit		476.0	532.0
Selling and distribution expenses		-168.5	-187.4
General and administrative expenses		-189.5	-196.7
Research and development expenses		-41.7	-43.3
Other operating income and expenses, net	6	-40.3	-5.7
Operating income (EBIT)		36.0	98.9
Interest and securities income	7	2.5	2.9
Interest expenses	7	-11.7	-12.4
Other financial income and expenses, net	7	-3.0	-2.5
Share of profit and loss of associates		-0.3	-0.8
Income before income tax expenses		23.5	86.2
Income tax expenses	8	-6.7	-19.6
Net income		16.8	66.5
attributable to shareholders of Sulzer Ltd		15.4	65.1
attributable to non-controlling interests		1.4	1.4
Earnings per share (in CHF)			
Basic earnings per share		0.45	1.92
Diluted earnings per share		0.45	1.90

Consolidated statement of comprehensive income

January 1 – June 30

millions of CHF	Notes	2020	2019
Net income		16.8	66.5
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		-4.0	3.1
Currency translation differences		-91.1	-26.5
Total of items that may be reclassified subsequently to the income statement		-95.1	-23.5
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax		-21.0	15.5
Total of items that will not be reclassified to the income statement		-21.0	15.5
Total other comprehensive income		-116.1	-8.0
Total comprehensive income for the period		-99.3	58.6
attributable to shareholders of Sulzer Ltd		-99.9	57.2
attributable to non-controlling interests		0.6	1.3

Consolidated balance sheet

millions of CHF	Notes	June 30, 2020	December 31, 2019	June 30, 2019
Non-current assets				
Goodwill		899.1	920.8	908.0
Other intangible assets		393.4	430.1	440.7
Property, plant and equipment		537.4	544.4	535.0
Lease assets		102.5	112.6	104.7
Associates		20.4	10.7	12.5
Other non-current financial assets		10.4	12.6	10.1
Non-current receivables		5.0	6.3	6.0
Deferred income tax assets		134.5	134.4	143.9
Total non-current assets		2'102.7	2'172.0	2'160.9
Current assets				
Inventories		547.5	574.9	690.8
Current income tax receivables		26.2	22.8	28.1
Advance payments to suppliers		67.8	73.6	87.0
Contract assets		350.6	355.2	335.6
Trade accounts receivable		558.8	645.9	601.7
Other current receivables and prepaid expenses		144.9	172.0	188.0
Current financial assets		4.8	57.5	–
Cash and cash equivalents		957.3	1'035.5	938.6
Total current assets		2'657.9	2'937.5	2'869.8
Total assets		4'760.6	5'109.5	5'030.7
Equity				
Share capital	9	0.3	0.3	0.3
Reserves		1'340.8	1'580.4	1'565.1
Equity attributable to shareholders of Sulzer Ltd		1'341.1	1'580.7	1'565.4
Non-controlling interests		11.3	13.1	11.5
Total equity		1'352.4	1'593.9	1'576.9
Non-current liabilities				
Non-current borrowings	10	1'199.3	1'199.2	1'308.9
Non-current lease liabilities		73.5	82.3	79.2
Deferred income tax liabilities		60.8	79.4	94.0
Non-current income tax liabilities		2.3	2.6	2.3
Defined benefit obligations		187.8	201.0	154.7
Non-current provisions	11	68.1	73.4	69.8
Other non-current liabilities		4.1	6.2	6.0
Total non-current liabilities		1'595.9	1'644.1	1'714.8
Current liabilities				
Current borrowings	10	134.0	131.0	7.7
Current lease liabilities		29.9	27.4	28.0
Current income tax liabilities		35.7	33.3	28.3
Current provisions	11	167.9	135.3	142.4
Contract liabilities		312.4	344.8	362.2
Trade accounts payable		423.3	522.4	468.1
Other current and accrued liabilities	12	709.2	677.3	702.3
Total current liabilities		1'812.3	1'871.5	1'739.0
Total liabilities		3'408.2	3'515.6	3'453.8
Total equity and liabilities		4'760.6	5'109.5	5'030.7

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, 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			-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
Equity as of January 1, 2020		0.3	2'125.4	-25.6	-4.3	-515.1	1'580.7	13.1	1'593.9
Comprehensive income for the period:									
Net income			15.4				15.4	1.4	16.8
– Cash flow hedges, net of tax		-	-	-	-4.0	-	-4.0	-	-4.0
– Remeasurements of defined benefit obligations, net of tax		-	-21.0	-	-	-	-21.0	-	-21.0
– Currency translation differences		-	-	-	-	-90.3	-90.3	-0.8	-91.1
Other comprehensive income		-	-21.0	-	-4.0	-90.3	-115.3	-0.8	-116.1
Total comprehensive income for the period		-	-5.6	-	-4.0	-90.3	-99.9	0.6	-99.3
Transactions with owners of the company:									
Allocation of treasury shares to share plan participants		-	-9.9	9.9	-	-	-		-
Purchase of treasury shares		-	-	-10.3	-	-	-10.3		-10.3
Share-based payments		-	6.7	-	-	-	6.7		6.7
Dividends	9	-	-136.1	-	-	-	-136.1	-2.4	-138.5
Equity as of June 30, 2020		0.3	1'980.5	-26.0	-8.3	-605.5	1'341.1	11.3	1'352.4

Consolidated statement of cash flows

January 1 – June 30

millions of CHF	Notes	2020	2019
Cash and cash equivalents as of January 1		1'035.5	1'095.2
Net income		16.8	66.5
Interest and securities income	7	-2.5	-2.9
Interest expenses	7	11.7	12.4
Income tax expenses	8	6.7	19.6
Depreciation, amortization and impairments		87.3	82.4
Income from disposals of property, plant and equipment	6	-0.3	-0.1
Changes in inventories		0.4	-30.8
Changes in advance payments to suppliers		8.3	-7.5
Changes in contract assets		-11.6	-122.1
Changes in trade accounts receivable		53.6	16.3
Changes in contract liabilities		-20.8	107.7
Changes in trade accounts payable		-77.0	-58.6
Change in provision for employee benefit plans		-28.8	9.4
Changes in provisions		35.9	-0.1
Changes in other net current assets		13.8	-24.3
Other non-cash items		26.6	7.8
Interest received		2.5	2.9
Interest paid		-4.5	-4.6
Income tax paid		-26.2	-31.0
Total cash flow from operating activities		91.8	43.1
Purchase of intangible assets		-5.4	-2.1
Sale of intangible assets		0.0	0.3
Purchase of property, plant and equipment		-54.3	-51.7
Sale of property, plant and equipment		4.7	2.5
Acquisitions of subsidiaries, net of cash acquired	4	-6.8	-33.7
Divestitures of subsidiaries		-	0.0
Acquisitions of associates		-5.2	0.0
Dividends from associates		-	0.1
Purchase of other non-current financial assets		-2.3	-0.5
Sale of other non-current financial assets		0.3	0.0
Purchase of current financial assets		-5.2	-
Sale of current financial assets		56.9	-
Total cash flow from investing activities		-17.3	-85.0
Dividend	9	-92.6	-77.5
Dividend paid to non-controlling interests		-2.4	-1.0
Purchase of treasury shares		-10.3	-6.9
Payments for leases		-19.5	-16.3
Additions in non-current borrowings	10	0.1	0.2
Repayment of non-current borrowings	10	-0.0	-0.0
Additions in current borrowings	10	43.2	59.6
Repayment of current borrowings	10	-39.0	-68.9
Total cash flow from financing activities		-120.6	-110.8
Exchange losses on cash and cash equivalents		-32.1	-3.9
Net change in cash and cash equivalents		-78.2	-156.6
Cash and cash equivalents as of June 30/ December 31		957.3	938.6

Notes to the consolidated financial statements

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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, 2020, 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, agitation, mixing, separation and application technologies for fluids of all types. Sulzer was founded in 1834 in Winterthur, Switzerland, and employs around 15’600 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”. Details 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:

- COVID-19 has dominated the world stage in the first half of 2020. The lockdowns led to a standstill of public life in many countries, limited access to customer sites, travel restrictions and challenges in supply chain and sales channels.
- The group has initiated measures to mitigate the impact of market disruptions on Energy-related business activities caused by the pandemic. Up to June 2020, the group recognized restructuring costs of CHF 43.2 million (half year 2019: CHF 16.7 million), partly offset by released restructuring provisions of CHF 1.2 million (2019: CHF 0.4 million). Restructuring costs mainly relate to the closure or resizing of sites in Europe and the USA, as well as the resizing of supporting resources. Associated with restructuring initiatives, the group further recognized impairments on tangible and intangible assets of CHF 4.2 million (half year 2019: CHF 0.5 million).

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

	Pumps Equipment		Rotating Equipment Services		Chemtech		Applicator Systems	
millions of CHF	2020	2019	2020	2019	2020	2019	2020	2019
Order intake¹⁾	744.0	752.5	617.0	602.2	319.4	350.3	160.2	228.4
Nominal growth	-1.1%	4.5%	2.5%	5.3%	-8.8%	25.1%	-29.9%	-0.5%
Currency-adjusted growth	6.0%	5.9%	10.2%	7.3%	-3.2%	25.9%	-27.3%	0.1%
Organic growth ²⁾	7.3%	5.5%	6.3%	6.2%	-12.0%	23.3%	-27.3%	-2.1%
Order backlog as of June 30/ December 31	999.1	924.3	485.0	422.2	408.5	385.3	53.6	60.8
Sales recognized at a point in time	389.4	466.6	431.5	463.6	182.4	181.5	166.1	218.2
Sales recognized over time	227.2	223.7	96.6	97.9	105.4	122.3	-	-
Sales³⁾	616.6	690.3	528.1	561.4	287.8	303.8	166.1	218.2
Nominal growth	-10.7%	16.0%	-5.9%	12.3%	-5.3%	13.5%	-23.9%	-4.7%
Currency-adjusted growth	-4.4%	17.8%	1.3%	14.9%	0.2%	14.4%	-21.0%	-4.3%
Organic growth ²⁾	-3.1%	17.3%	-1.2%	13.7%	-7.7%	13.0%	-21.0%	-5.9%
opEBITA	19.2	20.0	64.0	67.9	23.0	27.3	19.5	47.3
opROSA	3.1%	2.9%	12.1%	12.1%	8.0%	9.0%	11.8%	21.7%
Restructuring expenses	-28.9	-0.5	-8.0	-0.4	-3.0	-0.4	-1.1	-14.4
Amortization	-14.8	-15.0	-3.9	-3.6	-3.3	-2.5	-9.0	-9.6
Impairments on tangible and intangible assets	-0.4	-0.1	-0.0	-0.0	-3.7	-0.0	-0.1	-0.4
Non-operational items	-2.2	-4.5	-0.8	0.2	-2.4	-0.2	-0.3	-6.9
EBIT	-27.1	-0.1	51.2	64.1	10.6	24.1	9.0	15.9
Depreciation	-17.3	-17.9	-14.9	-12.5	-6.6	-5.9	-11.3	-12.7
Operating assets	1'499.0	1'605.5	893.5	960.8	538.6	590.9	611.5	608.3
Unallocated assets	-	-	-	-	-	-	-	-
Total assets as of June 30/ December 31	1'499.0	1'605.5	893.5	960.8	538.6	590.9	611.5	608.3
Operating liabilities	655.7	730.6	352.2	363.2	320.1	364.5	94.2	108.6
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities as of June 30/ December 31	655.7	730.6	352.2	363.2	320.1	364.5	94.2	108.6
Operating net assets	843.3	874.9	541.3	597.6	218.6	226.4	517.4	499.7
Unallocated net assets	-	-	-	-	-	-	-	-
Total net assets as of June 30/ December 31	843.3	874.9	541.3	597.6	218.6	226.4	517.4	499.7
Capital expenditure (incl. lease assets)	-21.0	-16.9	-23.8	-14.5	-6.5	-9.2	-22.7	-18.7
Employees (number of full-time equivalents) as of June 30/ December 31	5'623	5'759	4'795	4'900	3'206	3'803	1'769	1'821

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

Segment information by divisions

millions of CHF	Total divisions		Others ⁴⁾		Total Sulzer	
	2020	2019	2020	2019	2020	2019
Order intake¹⁾	1'840.5	1'933.3	–	–	1'840.5	1'933.3
Nominal growth	–4.8%	7.3%	–	–	–4.8%	7.3%
Currency-adjusted growth	1.7%	8.7%	–	–	1.7%	8.7%
Organic growth ²⁾	–0.6%	7.5%	–	–	–0.6%	7.5%
Order backlog as of June 30/ December 31	1'946.2	1'792.6	–	–	1'946.2	1'792.6
Sales recognized at a point in time	1'169.4	1'329.9	–	–	1'169.4	1'329.9
Sales recognized over time	429.1	443.9	–	–	429.1	443.9
Sales³⁾	1'598.5	1'773.8	–	–	1'598.5	1'773.8
Nominal growth	–9.9%	11.5%	–	–	–9.9%	11.5%
Currency-adjusted growth	–3.9%	13.1%	–	–	–3.9%	13.1%
Organic growth ²⁾	–5.5%	12.1%	–	–	–5.5%	12.1%
opEBITA	125.8	162.5	–5.6	–0.9	120.2	161.5
opROSA	7.9%	9.2%	n/a	n/a	7.5%	9.1%
Restructuring expenses	–41.0	–15.7	–1.0	–0.5	–42.0	–16.2
Amortization	–31.0	–30.8	–0.5	–0.5	–31.6	–31.3
Impairments on tangible and intangible assets	–4.2	–0.5	–	–	–4.2	–0.5
Non-operational items	–5.7	–11.4	–0.7	–3.2	–6.4	–14.6
EBIT	43.8	104.0	–7.8	–5.1	36.0	98.9
Depreciation	–50.1	–49.0	–1.5	–1.6	–51.6	–50.6
Operating assets	3'542.7	3'765.5	–1.1	35.6	3'541.6	3'801.1
Unallocated assets	–	–	1'219.0	1'308.4	1'219.0	1'308.4
Total assets as of June 30/ December 31	3'542.7	3'765.5	1'218.0	1'344.0	4'760.7	5'109.5
Operating liabilities	1'422.2	1'566.9	77.8	135.8	1'500.1	1'702.7
Unallocated liabilities	–	–	1'908.2	1'812.9	1'908.2	1'812.9
Total liabilities as of June 30/ December 31	1'422.2	1'566.9	1'986.0	1'948.7	3'408.2	3'515.6
Operating net assets	2'120.5	2'198.6	–78.9	–100.2	2'041.6	2'098.4
Unallocated net assets	–	–	–689.1	–504.5	–689.1	–504.5
Total net assets as of June 30/ December 31	2'120.5	2'198.6	–768.0	–604.7	1'352.5	1'593.9
Capital expenditure (incl. lease assets)	–74.0	–59.3	–1.2	–1.2	–75.1	–60.5
Employees (number of full-time equivalents) as of June 30/ December 31	15'393	16'284	207	222	15'600	16'506

1) Order intake from external customers.

2) Adjusted for currency and acquisition effects.

3) Sales from external customers.

4) The most significant activities under “Others” relate to Corporate Center.

For the definition of opEBITA, opROSA and adjustments for currency and acquisition effects, reference is made to the Sulzer Annual Report.

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

The Pumps Equipment division specializes in pumping solutions specifically engineered for the processes of its customers. The division provides pumps, agitators, compressors, grinders and screens developed through intensive research and development in fluid dynamics and advanced materials. The focus is on pumping solutions for water, oil and gas, power, chemicals and most industrial segments.

Rotating Equipment Services

Through a network of over 100 service sites around the world, the Rotating Equipment Services division provides cutting-edge parts as well as maintenance and repair solutions for pumps, turbines, compressors, motors and generators. The division services Sulzer original equipment, but also all associated third-party rotating equipment run by the customers, maximizing its sustainability and life cycle cost-effectiveness. The division's technology-based solutions, fast execution and expertise in complex maintenance projects are available at its customers' doorsteps.

Chemtech

The Chemtech division focuses on innovative mass transfer, static mixing and polymer solutions for petrochemicals, refining, LNG, biopolymers and biofuels. The division's product offering ranges from process components to complete separation process plants, including licensing. Customer support covers engineering services and field services to tray and packing installation, tower maintenance, welding and plant turnaround projects.

Applicator Systems

Through its Mixpac, Cox, Transcodent and Geka brands, the Applicator Systems division develops and delivers innovative fluid applicators for the dental, adhesives, healthcare and beauty markets. The division's IP-protected applicator solutions leverage its expertise in plastic-injection molding, micro-brushes and two-component mixing to make the customers' products precise, safe, unique and more sustainable.

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 opEBITA to assess the performance of the operating segments. However, the Chief Executive Officer also receives information about the segments' order intake and backlog, sales, and operating assets and liabilities on a monthly basis.

Sales from external customers reported to the Chief Executive Officer are 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 sales.

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

Segment information by region

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

Sales by region

	2020				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, Middle East, Africa	263.5	219.1	84.4	96.8	663.8
– thereof Germany	30.8	23.8	13.3	37.8	105.7
– thereof United Kingdom	11.6	52.8	4.9	6.8	76.2
– thereof Saudi Arabia	35.3	11.4	17.0	0.0	63.7
– thereof Russia	16.4	30.8	5.5	1.0	53.7
– thereof France	14.1	9.8	2.3	12.0	38.3
Americas	226.0	239.1	66.9	55.5	587.5
– thereof USA	152.7	195.4	47.6	50.0	445.6
Asia-Pacific	127.0	69.8	136.5	13.8	347.2
– thereof China	93.8	10.2	89.5	6.4	199.9
Total	616.6	528.1	287.8	166.1	1'598.5

	2019				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Europe, Middle East, Africa	277.3	248.7	81.9	122.5	730.4
– thereof Germany	29.5	23.1	12.6	48.1	113.3
– thereof United Kingdom	12.0	60.6	3.4	11.4	87.3
– thereof Saudi Arabia	20.0	21.9	6.8	0.0	48.7
– thereof Russia	16.8	36.7	4.6	0.4	58.4
– thereof France	15.0	16.1	2.2	13.7	47.1
Americas	250.8	238.7	75.0	80.6	645.1
– thereof USA	173.6	188.4	49.3	57.0	468.3
Asia-Pacific	162.3	74.0	146.9	15.1	398.2
– thereof China	90.2	11.4	81.9	6.4	190.0
Total	690.3	561.4	303.8	218.2	1'773.8

Segment information by market segment

The following table shows the allocation of sales from external customers by market segment:

Sales by market segment

	2020				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and gas	124.8	198.1	87.6	–	410.5
Chemicals	114.7	86.2	180.5	–	381.4
General industry	152.7	80.3	17.8	–	250.9
Water	181.2	15.0	1.2	–	197.4
Power	43.1	148.5	0.6	–	192.3
Adhesives, dental, healthcare	–	–	–	105.2	105.2
Beauty	–	–	–	60.8	60.8
Total	616.6	528.1	287.8	166.1	1'598.5

	2019				
millions of CHF	Pumps Equipment	Rotating Equipment Services	Chemtech	Applicator Systems	Total Sulzer
Oil and gas	161.5	203.9	81.9	–	447.3
Chemicals	103.0	96.3	207.5	–	406.8
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
Beauty	–	–	–	76.6	76.6
Total	690.3	561.4	303.8	218.2	1'773.8

4 Acquisitions of subsidiaries

Cash flow from acquisitions of subsidiaries

millions of CHF	2020	2019
Cash consideration paid	-1.5	-39.9
Cash acquired	-	6.2
Payments for acquisitions in prior years	-5.3	-
Total cash flow from acquisitions, net of cash acquired	-6.8	-33.7

Contingent consideration

millions of CHF	2020	2019
Balance as of January 1	3.5	0.9
Assumed in a business combination	0.9	3.6
Release to other operating income	-	-0.9
Currency translation differences	0.4	-0.1
Total contingent consideration as of June 30/ December 31	4.8	3.5

5 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as of June 30, 2020, and December 31, 2019, 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 earnout clauses and technology transfer. For more information please refer to [note 4](#).

Fair value table

		June 30, 2020								
		Carrying amount				Fair value				
millions of CHF	Notes	Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value										
			8.3			8.3	0.3	–	8.0	8.3
Other non-current financial assets (at fair value)										
Derivative assets – current		6.1				6.1	–	6.1	–	6.1
Current financial assets (at fair value)			0.0			0.0	–	0.0	–	0.0
Total financial assets measured at fair value		6.1	8.3	–	–	14.4	0.3	6.1	8.0	14.4
Financial assets not measured at fair value										
Other non-current financial assets (at amortized cost)				2.1		2.1				
Non-current receivables (excluding non-current derivative assets)				5.0		5.0				
Trade accounts receivable				558.8		558.8				
Other current receivables (excluding current derivative assets and other taxes)				73.8		73.8				
Current financial assets (at amortized cost)				4.8		4.8				
Cash and cash equivalents				957.3		957.3				
Total financial assets not measured at fair value		–	–	1'601.7	–	1'601.7				
Financial liabilities measured at fair value										
Derivative liabilities – non-current		0.0				0.0	–	0.0	–	0.0
Derivative liabilities – current		8.1				8.1	–	8.1	–	8.1
Contingent considerations	4		4.8			4.8	–	–	4.8	4.8
Total financial liabilities measured at fair value		8.1	4.8	–	–	12.9	–	8.2	4.8	12.9
Financial liabilities not measured at fair value										
Outstanding non-current bonds	10				1'199.3	1'199.3	1'215.6	–	–	1'215.6
Other non-current borrowings					0.0	0.0				
Other non-current liabilities (excluding non-current derivative liabilities)					4.1	4.1				
Outstanding current bonds	10				110.0	110.0	110.0	–	–	110.0
Other current borrowings and bank loans					24.0	24.0				
Trade accounts payable					423.3	423.3				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)					318.3	318.3				
Total financial liabilities not measured at fair value		–	–	–	2'079.0	2'079.0				

Fair value table

December 31, 2019										
	Notes	Carrying amount					Fair value			Total fair value
		Fair value hedging instruments	Fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	
millions of CHF										
Financial assets measured at fair value										
Other non-current financial assets (at fair value)			10.3			10.3	0.3	–	10.0	10.3
Derivative assets – non-current		0.1				0.1	–	0.1	–	0.1
Derivative assets – current		6.7				6.7	–	6.7	–	6.7
Total financial assets measured at fair value		6.8	10.3	–	–	17.1	0.3	6.8	10.0	17.1
Financial assets not measured at fair value										
Other non-current financial assets (at amortized cost)				2.4		2.4				
Non-current receivables (excluding non-current derivative assets)				6.2		6.2				
Trade accounts receivable				645.9		645.9				
Other current receivables (excluding current derivative assets and other taxes)				87.9		87.9				
Current financial assets (at amortized cost)				57.5		57.5				
Cash and cash equivalents				1'035.5		1'035.5				
Total financial assets not measured at fair value		–	–	1'835.3	–	1'835.3				
Financial liabilities measured at fair value										
Derivative liabilities – current		8.2				8.2	–	8.2	–	8.2
Contingent considerations	4		3.5			3.5	–	–	3.5	3.5
Total financial liabilities measured at fair value		8.2	3.5	–	–	11.7	–	8.2	3.5	11.7
Financial liabilities not measured at fair value										
Outstanding non-current bonds	10				1'199.2	1'199.2	1'234.0	–	–	1'234.0
Other non-current liabilities (excluding non-current derivative liabilities)					6.2	6.2				
Outstanding current bonds	10				109.9	109.9	110.3	–	–	110.3
Other current borrowings and bank loans					21.1	21.1				
Trade accounts payable					522.4	522.4				
Other current liabilities (excluding current derivative liabilities, other taxes and contingent considerations)					257.8	257.8				
Total financial liabilities not measured at fair value		–	–	–	2'116.7	2'116.7				

6 Other operating income and expenses

millions of CHF	2020	2019
Gain from sale of property, plant and equipment	0.3	0.1
Operating currency exchange gains, net	–	2.4
Other operating income	7.4	9.4
Total other operating income	7.7	12.0
Restructuring expenses	–42.0	–16.2
Impairments on tangible and intangible assets	–4.2	–0.5
Cost for mergers and acquisitions	–0.2	–0.8
Loss from sale of property, plant and equipment	–0.1	–0.1
Operating currency exchange losses, net	–1.6	–
Total other operating expenses	–48.1	–17.7
Total other operating income and expenses, net	–40.3	–5.7

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

The group has initiated measures to mitigate the impact of market disruptions on Energy-related business activities caused by the pandemic. Up to June 2020, the group recognized restructuring costs of CHF 43.2 million (half year 2019: CHF 16.7 million), partly offset by released restructuring provisions of CHF 1.2 million (2019: CHF 0.4 million). Restructuring costs mainly relate to the closure or resizing of sites in Europe and the USA, as well as the resizing of supporting resources. The group further performed impairment tests on the related production machines and facilities leading to impairments of CHF 4.2 million (half year 2019: CHF 0.5 million).

The functional allocation of the total restructuring expenses and impairments is as follows: cost of goods sold CHF –32.3 million (half year 2019: CHF –12.0 million), selling and distribution expenses CHF –3.2 million (half year 2019: CHF –0.0 million), general and administrative expenses CHF –9.7 million (half year 2019: CHF –4.8 million) and research and development expenses CHF –1.0 million (half year 2019: CHF –0.0 million).

7 Financial income and expenses

millions of CHF	2020	2019
Interest and securities income	2.5	2.9
Total interest and securities income	2.5	2.9
Interest expenses on borrowings and lease liabilities	-10.3	-10.0
Interest expenses on employee benefit plans	-1.4	-2.4
Total interest expenses	-11.7	-12.4
Total interest income and expenses, net	-9.3	-9.5
Income from investments and other financial assets	0.0	0.0
Fair value changes	11.9	4.7
Other financial expenses	-1.3	-1.2
Currency exchange gains/losses, net	-13.6	-6.0
Total other financial income and expenses, net	-3.0	-2.5
Total financial income and expenses, net	-12.3	-12.0
- thereof fair value changes on financial assets at fair value through profit and loss	11.9	4.7
- thereof other income from financial assets at fair value through profit and loss	0.0	0.0
- thereof interest income on financial assets at amortized costs	2.5	2.9
- thereof other financial expenses	-1.3	-1.2
- thereof currency exchange gains/losses, net	-13.6	-6.0
- thereof interest expenses on borrowings	-9.1	-8.5
- thereof interest expenses on lease liabilities	-1.2	-1.5
- thereof interest expenses on employee benefit plans	-1.4	-2.4

Total financial expenses amounted to CHF 12.3 million, compared with CHF 12.0 million in the first half of 2019.

The “Fair value changes” are largely related to derivative financial instruments that are classified as financial assets or financial liabilities at fair value through profit and loss and that are used as hedging instruments to hedge foreign exchange risks.

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 2020 is 28.4%, compared with 22.8% for the six months ended June 30, 2019. The effective income tax rate used for 2020 was impacted by restructuring expenses related to closed facilities with no corresponding tax effects.

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, 2020, amounted to 281'477 treasury shares (December 31, 2019: 240'924 shares).

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

Dividends

On April 15, 2020, the Annual General Meeting approved an ordinary dividend of CHF 4.00 (2019: ordinary dividend of CHF 3.50) per share to be paid out of reserves. The dividend was paid to shareholders on April 21, 2020. The total amount of the dividend to shareholders of Sulzer Ltd is CHF 136.1 million (2019: CHF 119.2 million), thereof paid dividends of CHF 92.6 million (2019: CHF 77.5 million) and unpaid dividends of CHF 43.5 million (2019: CHF 41.7 million). The unpaid dividends are reflected in the balance sheet position “other current and accrued liabilities” (see [note 12](#)).

10 Borrowings

millions of CHF	2020		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'199.2	131.0	1'330.2
Additions (cash flow effective)	0.1	43.2	43.3
Repayments (cash flow effective)	-0.0	-39.0	-39.0
Currency translation differences	-0.0	-1.2	-1.2
Total borrowings as of June 30	1'199.3	134.0	1'333.3

millions of CHF	2019		
	Non-current borrowings	Current borrowings	Total
Balance as of January 1	1'308.7	16.9	1'325.6
Acquired through business combination	0.4	-	0.4
Additions (cash flow effective)	0.3	153.8	154.1
Repayments (cash flow effective)	-0.0	-149.2	-149.2
Reclassifications	-110.1	110.1	-
Currency translation differences	-0.0	-0.7	-0.7
Total borrowings as of December 31	1'199.2	131.0	1'330.2

The group arranged a CHF 500 million syndicated credit facility with maturity date May 2022. The facility is available for general corporate purposes including financing of acquisitions. The facility is subject to financial covenants based on net financial indebtedness and EBITDA, which were adhered to throughout the reporting period. As of June 30, 2020, and December 31, 2019, the syndicated facility of CHF 500 million was not used.

Outstanding bonds

millions of CHF	2020		2019	
	Amortized costs	Nominal	Amortized costs	Nominal
0.375% 07/2016–07/2022	325.2	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	110.0	110.0	109.9	110.0
1.300% 07/2018–07/2023	289.6	290.0	289.4	290.0
0.625% 10/2018–10/2021	209.8	210.0	209.7	210.0
1.600% 10/2018–10/2024	249.8	250.0	249.8	250.0
Total as of June 30	1'309.3	1'310.0	1'309.1	1'310.0
– thereof non-current	1'199.3	1'200.0	1'199.2	1'200.0
– thereof current	110.0	110.0	109.9	110.0

All outstanding bonds are traded at the SIX Swiss Exchange.

11 Provisions

millions of CHF	2020					
	Other employee benefits	Warranties/liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1	54.4	67.6	20.0	14.7	51.9	208.7
Additions	6.7	15.4	43.2	–	17.8	83.0
Released as no longer required	–	–2.9	–1.2	–0.2	–2.0	–6.3
Utilized	–5.7	–7.7	–12.5	–0.3	–13.9	–40.2
Currency translation differences	–1.6	–3.5	–2.4	–0.4	–1.4	–9.3
Total provisions as of June 30	53.8	68.9	47.1	13.7	52.4	236.0
– thereof non-current	37.2	3.0	3.3	13.7	10.9	68.1
– thereof current	16.7	65.9	43.8	0.0	41.5	167.9

The category “Other employee benefits” includes provisions for jubilee gifts, early retirement of senior managers and other obligations to employees.

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

The group has initiated measures to mitigate the impact of market disruptions on Energy-related business activities caused by the pandemic. Up to June 2020, the group recognized restructuring costs of CHF 43.2 million (half year 2019: CHF 16.7 million), partly offset by released restructuring provisions of CHF 1.2 million (2019: CHF 0.4 million). Restructuring costs mainly relate to the closure or resizing of sites in Europe and the USA, as well as the resizing of supporting resources. The remaining restructuring provision as of June 30, 2020, is CHF 47.1 million, of which CHF 43.8 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 not have 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	2020	2019
Liability related to the purchase of treasury shares	102.1	104.2
Outstanding dividend payments	157.6	114.1
Taxes (VAT, withholding tax)	34.1	29.4
Derivative financial instruments	8.1	8.2
Notes payable	7.8	9.3
Other current liabilities	55.5	30.2
Total other current liabilities as of June 30/ December 31	365.3	295.5
Contract-related costs	86.0	104.7
Salaries, wages and bonuses	79.2	113.7
Vacation and overtime claims	33.8	31.8
Other accrued liabilities	144.9	131.7
Total accrued liabilities as of June 30/ December 31	343.9	381.8
Total other current and accrued liabilities as of June 30/ December 31	709.2	677.3

The outstanding dividend payments amounted to CHF 157.6 million (2019: CHF 114.1 million), which is an increase of CHF 43.5 million. The details regarding the dividends are explained in [note 9](#).

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 2019 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, 2019, 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 2020

A number of new standards and amendments to standards have become effective as of January 1, 2020, 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 2020

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

14 Subsequent events after the balance sheet date

The Board of Directors authorized these consolidated interim financial statements for issue on July 22, 2020. 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.