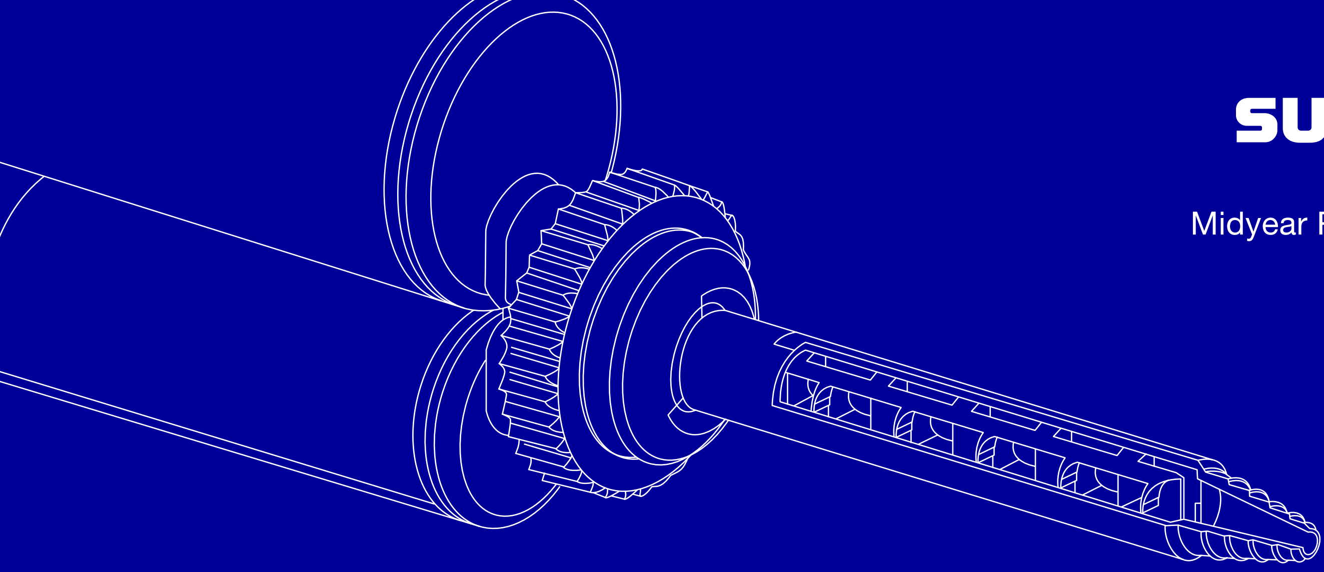
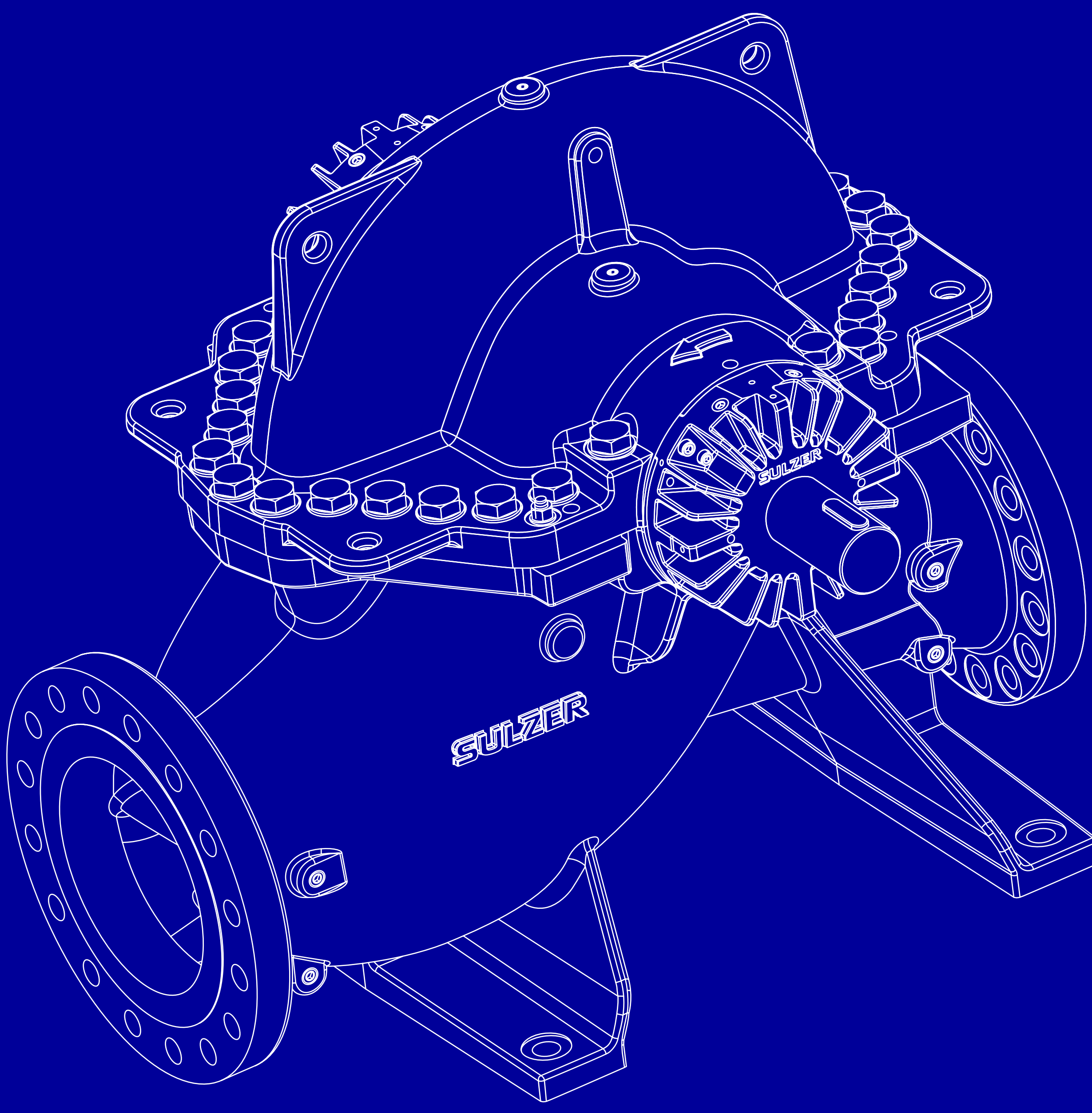
SULZER

Midyear Report 2017





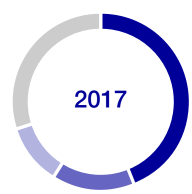
Currency-Adjusted Order Intake and Sales Increased

Order intake increased in the first half of 2017, both on a currency-adjusted basis and organically. Sales grew on a currency-adjusted basis, whereas the figure declined organically. Operational EBITA and operational ROSA rose compared with the same period of the previous year.

Sales by division

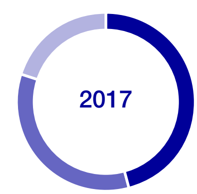
- **36%** Pumps Equipment
- **33%** Rotating Equipment Services
- **16%** Chemtech
- **15%** Applicator Systems

Sales by market segment



- **44%** Oil and gas
- **15%** Power
- **11%** Water
- **30%** General industry

Sales by region



- **46%** Europe, Middle East, and Africa
- **34%** Americas
- **20%** Asia-Pacific

Key figures
January 1–June 30

millions of CHF	2017	2016	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	1 594.6	1 423.4	12.0	12.5	1.9
Order intake gross margin	34.2%	34.6%			
Order backlog as of June 30/December 31	1 649.3	1 439.1	14.6		
Sales	1 428.5	1 380.9	3.4	3.7	–6.7
EBIT	55.3	81.7	–32.3		
opEBITA	106.1	98.7	7.5	7.7	–1.0
opROSA	7.4%	7.1%			
Net income attributable to shareholders of Sulzer Ltd	36.9	50.4	–26.8		
EPS	1.08	1.48			
FCF	–2.5	3.7			
Net liquidity as of June 30/December 31	–279.8	–35.9			
Employees (number of full-time equivalents) as of June 30/December 31	15 027	14 005	7.3		

[1] Adjusted for currency effects.
[2] Adjusted for acquisition and currency effects.

Abbreviations

EBIT: Operating income
ROS: Return on sales (EBIT/sales)
opEBITA: Operating income before restructuring, amortization, impairments, and non-operational items
opROSA: Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales)
EPS: Basic earnings per share
FCF: Free cash flow

Contents

Peter Löscher, Chairman of the Board of Directors, and Greg Poux-Guillaume, CEO

"Our acquisitions and sustained capital investments in a down market are laying the foundation for profitable growth."

Winterthur, July 25, 2017

Dear shareholder

With the acquisitions we announced last year, we have laid the foundation for profitable growth in 2017. In the first half year, our order intake increased by 12.5% compared with the same period of the previous year. Of this, 1.9% was organic and 10.6% through acquisitions. Let us briefly summarize the strategic rationale behind the acquisitions.

Our acquisition of the dispenser business PC Cox Group Ltd, closed in April 2016, allowed us to complete our product range for industrial adhesives. Through the acquisition of Geka, closed at the end of August 2016, we added a new, highly resilient market — beauty — to our portfolio. The development of the acquired businesses has exceeded our expectations. Together, PC Cox and Geka contributed CHF 99 million of order intake in the first half of 2017. As you know, we combined PC Cox, Geka, and Sulzer Mixpac Systems into a new division called Applicator Systems (APS) as of January 1, 2017. APS is active in resilient, high-margin end-market segments such as industrial adhesives, dental, healthcare, and beauty.

For our Pumps Equipment division we closed the acquisition of pumps manufacturer Ensival Moret (EM) at the end of January this year. EM is a good complement and added axial flow and slurry pump technologies to the Sulzer portfolio. It also strengthened market segments such as fertilizers, sugar, mining, and chemicals. Although EM's profitability will only break even in 2017, we see significant sales synergies going forward. In the first half of this year, we reported an additional CHF 34 million of orders through EM.

In our service division, we closed the acquisition of Rotec GT at the end of June this year. The gas turbine service business, which focuses on the Russian market, significantly increased our presence in an important market for such services. Because of the requirements of the Russian market, it is of great value to have a large and local presence as an independent service provider. A total of CHF 17 million of order intake stems from Rotec.

A smaller but very promising acquisition is the Vessel Internal Electrostatic Coalescer (VIEC) technology, closed in January this year. This separation technology is going to be a winning upstream application as soon as the market rebounds. VIEC projects contributed CHF half a million of order intake since closing.

Taking further steps to grow and strengthen our businesses

In May, we signed a binding agreement to acquire Simcro. With that, we positioned ourselves in another new, attractive end-market segment — animal healthcare. Simcro is the market leader for veterinary devices such as injectors and applicators for livestock and companion animals. The acquisition not only helps us further diversify, it also enlarges our presence in New Zealand and Australia.

Putting together what belongs together

Apart from acquisitions, we changed our reporting structure for increased customer focus. We transferred our spare parts business for pumps from the Pumps Equipment (PE) to the Rotating Equipment Services (RES) division. This was the logical step in a development we started in previous years when we moved the pumps field service and workshops to RES. Our customers appreciate that they now have a single point of access for services and parts.

Talking about the Sulzer Full Potential (SFP) program, we are on track for the CHF 40 to 60 million of additional savings expected for the full year 2017. We also confirm our goal of cumulative savings of CHF 200 million for the full program from 2018 onwards. SFP has helped us counterbalance adverse market impacts in the past and will benefit our margins as soon as the market rebounds.

Performance in the first half of 2017

Order intake increased by 12.5% on a currency-adjusted basis and by 1.9% organically, i.e., adjusted for currency and acquisition effects. Orders from the oil and gas market stabilized on a low level with increased activity in the downstream market segment. Order intake in the power market went up thanks to Rotec's contribution. Orders from the water market decreased because of fewer larger orders in the engineered water business. General industry grew driven by the acquisitions.

Sales increased by 3.7% on a currency-adjusted basis, whereas they decreased by 6.7% organically compared with the same period of the previous year. The organic decline is due to decreasing sales volumes from the oil and gas market in the Pumps Equipment division. Operational EBITA increased on a currency-adjusted basis and remained stable organically. Despite lower organic sales volumes, the operational EBITA margin (opROSA) increased to 7.4% from 7.1% in the first half of 2016.

Outlook

For the full year 2017, Sulzer is updating its guidance on order intake. The company previously communicated that order intake would grow by 5 to 8%. The updated guidance indicates that order intake is expected to grow by 7 to 10%. The company confirms its guidance on sales and operational EBITA margin. Sales are forecast to grow by 3 to 5%. OpROSA is expected to be around 8.5%.

Dear Shareholders, we have seen our restructuring measures and acquisition strategy pay off in the first half year 2017. We thank you for your support, especially in challenging times. We are looking forward to growing together with you.

Yours sincerely,

Peter Löscher
Chairman of the Board of Directors

Greg Poux-Guillaume
CEO

See abbreviations on page 2.

Organic Order Growth and Improved Profitability Despite Continuous Headwinds

Order intake increased by 12.5% as a result of 1.9% organic growth and 10.6% (CHF 150 million) from acquisitions. Despite some stabilization of order intake in the oil and gas market, price pressure remains high. Sales increased by 3.7% as a result of acquisitions and declined organically by 6.7% because of lower order backlog at the beginning of the year. Operational ROSA of 7.4% increased by some 30 basis points because savings of CHF 26 million from the Sulzer Full Potential (SFP) program more than offset the impact of the headwinds.

Order intake of CHF 1 594.6 million increased by 12.5% compared with the same period last year (nominal: 12.0%). CHF 150 million in orders from acquisitions and 1.9% organic growth drove this upsurge. Order intake gross margin decreased nominally by 0.4% to 34.2% because the larger share of higher-margin aftermarket business just partly offset the price erosion effect in the oil and gas and power markets.

"We returned to order growth and increased profitability — our commercial and cost efforts are paying off."

Thomas Dittrich,
Chief Financial Officer

Growth in the Pumps Equipment division was driven by the Ensival Moret acquisition. Organically, Pumps Equipment orders remained broadly stable. Order intake in the Rotating Equipment Services division grew moderately as a result of the Rotec acquisition and slight organic growth. The Chemtech division benefited from a strong rebound of the Chinese market, which compensated for lower order volumes in other geographies. The strong growth in the Applicator Systems division resulted from two effects: the acquisition of Geka and PC Cox as well as healthy organic growth.

Sulzer recorded growth in all market segments except for the water segment. Growth was most pronounced in the general industry segment, driven by the acquisitions of Geka and Ensival Moret. Orders in the oil and gas market grew moderately due to acquisitions and the rebounding Chinese market which positively affected the Chemtech division. Orders in the water market decreased because of fewer larger orders in the engineered water business.

As of June 30, 2017, the order backlog increased by approximately CHF 210 million to CHF 1 649.3 million from CHF 1 439.1 million on December 31, 2016.

Higher sales due to acquisitions

Sales amounted to CHF 1 428.5 million — an increase of 3.7% (nominal: 3.4%). This rise was driven by CHF 143 million in acquisition-related sales, which compensated an organic decline of 6.7% compared with the same period last year.

The Pumps Equipment division recorded a significant decline in sales caused by a lower order backlog in the oil and gas market and timing of projects. This drop was partly offset by additional volume related to the Ensival Moret acquisition. Sales decreased slightly in the Rotating Equipment Services division. Chemtech recorded significantly higher sales as a result of the rebound in China and higher service sales. The Applicator Systems division doubled its sales volume driven by acquisitions (Geka and PC Cox) and healthy organic growth.

Sales increased strongly in Europe, the Middle East, and Africa (EMEA) as well as Asia-Pacific, and declined in the Americas. The share of sales in emerging markets increased from 34.1% in the first half of 2016 to 40.0% in the first half of 2017.

Improved gross margin

Gross margin increased to 31.3% compared with 30.9% in the same period last year. A larger share of higher-margin aftermarket business offset the price erosion effect in the oil and gas and power markets. Total gross profit increased to CHF 446.7 million (first half of 2016: CHF 426.8 million).

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

See abbreviations on page 2.

Operational return on sales increased to 7.4%

Operational EBITA (opEBITA) amounted to CHF 106.1 million compared with CHF 98.7 million in the first half of 2016, an increase of 7.7%. Savings of CHF 26 million from the SFP and the contribution of acquisitions more than offset the impact of market headwinds. OpEBITA decreased organically only by 1.0% despite the pronounced organic sales decline (–6.7%).

Operating expenses excluding amortization, impairment on property, plant, and equipment, restructuring expenses, and other non-operational items increased by 7.0% because SFP savings were exceeded by acquisition-related cost additions.

Operational return on sales (opROSA) increased to 7.4% compared with 7.1% in the first half year of 2016.

opROSA

7.4%

(2016: 7.1%)

Bridge from EBIT to operational EBITA

January 1–June 30

millions of CHF	2017	2016
EBIT	**55.3**	**81.7**
Amortization	25.4	21.4
Impairment on tangible and intangible assets	13.4	5.6
Restructuring expenses	5.7	16.5
Non-operational items[1]	6.3	–26.5
opEBITA	**106.1**	**98.7**

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

Restructuring expenses and SFP program costs impacted operating income

As part of the SFP program, Sulzer has continued to adapt its global manufacturing capacities and streamline its organizational setup. This resulted in restructuring expenses of CHF 5.7 million in the first half of 2017 compared with expenses of CHF 16.5 million during the same period in 2016. The SFP-related non-operational items, including internal and external program management and planning expenses, were lower than those of last year. Non-operational items further included acquisition-related expenses and the profit reversal of a property sale. In 2016, non-operational items had included a one-time gain of CHF 35.4 million that had resulted from a reduction of the conversion rate of the Swiss pension plans.

Consequently, EBIT amounted to CHF 55.3 million compared with CHF 81.7 million (CHF 46.3 million excluding the abovementioned one-time gain from the Swiss pension plans) in the first half of 2016. Return on sales (ROS) was 3.9% compared with 5.9% in the first half of 2016.

Improved financial income

Total financial income amounted to CHF –4.9 million compared with CHF –13.9 million in the first half of 2016. This was largely driven by lower interest expenses following the bond refinancing in 2016 and lower currency exchange losses (CHF –0.7 million) than in the first half of 2016 (CHF –5.5 million). A negative income from associates of CHF –0.4 million (2016: CHF –0.4 million) was recorded from a joint venture in Asia.

Slightly lower effective tax rate

Income tax expenses decreased to CHF 12.4 million (2016: CHF 16.9 million) mainly as a consequence of lower pretax income. The effective tax rate for the first half of 2017 decreased slightly to 24.8% compared with 25.0% in the first half of 2016.

See abbreviations on page 2.

Higher core net income

In the first half of 2017, net income amounted to CHF 37.6 million compared with CHF 50.5 million in the previous year. Core net income, which excludes the tax-adjusted effects of non-operational items, totaled CHF 75.9 million compared with CHF 63.3 million in the first half of 2016. Basic earnings per share decreased from CHF 1.48 in the first half of 2016 to CHF 1.08 in the first half of 2017.

Key balance sheet positions

Total assets as of June 30, 2017, amounted to CHF 3 783.6 million, which is an increase of CHF 47.7 million from December 31, 2016. Non-current assets increased nominally by CHF 63.2 million mainly due to higher other intangibles (CHF + 40.9 million) and higher goodwill (CHF + 22.7 million) from acquisitions. Current assets decreased nominally by CHF 15.5 million, as a lower cash balance was partly offset by higher inventories and other receivables.

Total liabilities nominally increased by CHF 142.6 million to CHF 2 287.5 million as of June 30, 2017. The main reason was an increase of CHF 141.7 million in current borrowings to fund acquisition payments.

Equity decreased nominally by CHF 94.9 million to CHF 1 496.1 million, mainly as a result of the abovementioned effects.

Free cash flow seasonality in line with prior year

Sulzer's free cash flow generation is usually back-end loaded. Free cash flow amounted to CHF – 2.5 million compared with CHF 3.7 million reported in the first half of 2016. This change was the result of an increase in net working capital and higher income tax payments.

Cash flow from investing activities totaled CHF – 111.2 million compared with CHF 156.0 million in the first half of 2016. In the first half of 2017, cash flow from investing activities was driven by CHF 84.2 million of acquisition-related payments and CHF 34.1 million in purchases of property, plant, and equipment. The positive cash flow from investing activities in the first half of 2016 was mainly caused by the sale of CHF 208 million in marketable securities to fund the dividend payments, partly offset by purchase of property, plant, and equipment and acquisition-related payments.

Cash flow from financing activities totaled CHF 11.7 million compared with CHF – 629.3 million in the first half of 2016. In the first half of 2016, dividend payments of CHF 617.5 million included a special dividend of CHF 498.1 million. The net change in cash since January 1, 2017, amounted to CHF – 101.6 million, including exchange losses on cash and cash equivalents of CHF 11.6 million.

Outlook 2017

Despite some stabilization of order levels in the oil and gas market seen in the first half of 2017, an impending recovery could translate into a commercial rebound for Sulzer only in the course of 2018. Sulzer's other businesses are expected to continue to grow slightly in the second half of 2017 despite increased price pressure as a consequence of reduced market volume. This should lead to an organic order level for the company that is slightly up versus 2016, supplemented by additional volume from newly acquired businesses.

Sulzer expects its SFP program to deliver incremental cost savings in 2017 in the range of CHF 40 to 60 million. The company confirms its overall SFP run rate savings target of CHF 200 million from 2018 onwards.

For the full year 2017, Sulzer is updating its guidance on order intake. The company previously communicated that order intake would grow by 5 to 8%. The updated guidance indicates that order intake is expected to grow by 7 to 10%. The company confirms its guidance on sales and operational EBITA margin. Sales are forecast to grow by 3 to 5%. The operational EBITA margin (opROSA) is expected to be around 8.5%.

See abbreviations on page 2.

Order Intake Increased — Acquisition of Ensival Moret Completed

Order intake of Pumps Equipment increased on a currency-adjusted basis and remained broadly stable organically in the first half of 2017. Sales, operational EBITA, and operational ROSA decreased. Sulzer completed the acquisition of pump manufacturer Ensival Moret.

Becoming a full line supplier in industrial process applications

In the first half of 2017, Sulzer completed the acquisition of Ensival Moret. The addition allows Pumps Equipment to close specific product gaps in its general industry pumps portfolio — like axial flow pumps and slurry pumps. Ensival Moret offers a wide range of industrial pumps with strong positions in a variety of industrial applications such as fertilizers, sugar, mining, and chemicals.

Furthermore, the company won important orders to support power projects around the world. Pumps Equipment will supply pumps for the Kilpilahti combined heat and power plant in Finland. The division will also deliver vital cooling water pump kits for Forsmark Kraftgrupp's nuclear power plant in Sweden.

Increase in order intake

In the first half year of 2017, Pumps Equipment reported a growing order intake on a currency-adjusted basis (+5.4%) and remained broadly stable organically (–0.5%). While the oil and gas market grew, the power market declined. The water market decreased, due to fewer larger orders in the engineered water business. The general industry market increased because of the acquisition of Ensival Moret. Regionally, orders in Europe, the Middle East, and Africa (EMEA) as well as the Asia-Pacific region increased, whereas they decreased in the Americas.

Decrease in sales, operational EBITA, and operational ROSA

Currency-adjusted and organic sales decreased (–12.1% and –19.5%, respectively). This is largely due to the significantly lower sales volumes from the oil and gas market, which is in line with last year's lower order intake, and the timing of projects. The division's operational EBITA turned negative, mainly driven by lower sales volumes. Consequently, operational ROSA amounted to a negative 2.4%. As previously announced, the pumps spare parts business was transferred from Pumps Equipment to Rotating Equipment Services as of January 1, 2017. With the back-end loaded sales profile of the remaining new equipment business, the company expects the profitability to break even in the full year.

Key figures Pumps Equipment

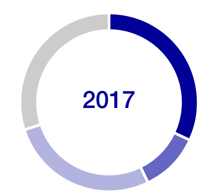
January 1–June 30

millions of CHF	2017	2016	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	590.7	565.8	4.4	5.4	–0.5
Order intake gross margin	28.4%	28.1%			
Order backlog as of June 30 / December 31	827.8	697.4	18.7		
Sales	528.6	603.1	–12.4	–12.1	–19.5
EBIT	–36.8	–14.8	n/a		
opEBITA	–12.7	1.2	n/a	n/a	n/a
opROSA	–2.4%	0.2%			
Employees (number of full-time equivalents) as of June 30 / December 31	5660	5156	9.8		

[1] Adjusted for currency effects.
[2] Adjusted for acquisition and currency effects.

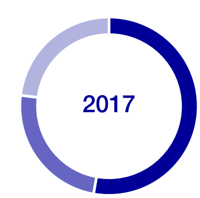
See abbreviations on page 2.

Sales by market segment



- **32%** Oil and gas
- **11%** Power
- **27%** Water
- **30%** General industry

Sales by region



- **53%** Europe, Middle East, and Africa
- **24%** Americas
- **23%** Asia-Pacific

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

Order Intake Increased — Acquisition of Service Provider Closed

Order intake of Rotating Equipment Services increased in the first half of 2017, whereas sales decreased slightly. Operational EBITA and operational ROSA remained broadly on the previous year's level. Sulzer closed the acquisition of Rotec GT to become a sizeable player in the Russian gas turbine service market.

Targeting the Russian market

In the second quarter of the year, Sulzer closed the acquisition of a controlling stake in Rotec's gas turbine maintenance business (Rotec GT). Rotec GT, headquartered in Moscow, is active mainly in the Russian market. The business was combined with Sulzer Russia's service activities. Sulzer is now the leading independent gas turbine service provider for Russia and the CIS countries.

Sulzer changed its reporting structure and transferred the pumps spare parts business from Pumps Equipment to Rotating Equipment Services. Customers benefit from a single access point for services and parts. With new service agreements for electromechanical equipment, the division continued to strengthen strategically important relationships.

Increase in order intake

Order intake increased both on a currency-adjusted basis (+ 4.2%) and organically (+ 1.0%) compared with the same period of the previous year. The increase was triggered largely by turbo services which reported growing order intake despite increased competition from original equipment manufacturers. Pumps services (including parts) and the electromechanical business also grew. Regionally, Europe, the Middle East, and Africa as well as Asia-Pacific grew significantly, while the Americas increased slightly.

Sales decreased — stable operational EBITA and operational ROSA

Organically, sales decreased slightly from the previous year's level, mainly due to the weaker order intake in the Americas in the last quarter of the previous year. Operational EBITA was on the previous year's level, resulting in an operational ROSA of 12.4% compared with 12.2% in the first half of 2016.

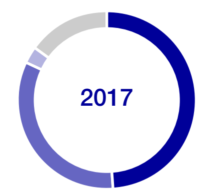
Key figures Rotating Equipment Services

January 1–June 30

millions of CHF	2017	2016	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	549.1	524.5	4.7	4.2	1.0
Order intake gross margin	37.3%	38.0%			
Order backlog as of June 30 / December 31	427.7	378.7	12.9		
Sales	491.0	498.9	–1.6	–1.5	–1.5
EBIT	57.8	55.1	4.9		
opEBITA	60.9	60.9	–	0.8	0.9
opROSA	12.4%	12.2%			
Employees (number of full-time equivalents) as of June 30 / December 31	4 582	4 541	0.9		

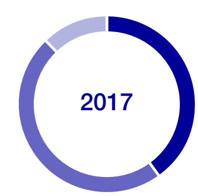
[1] Adjusted for currency effects.
[2] Adjusted for acquisition and currency effects.

Sales by market segment



- **49%** Oil and gas
- **33%** Power
- **3%** Water
- **15%** General industry

Sales by region



- **40%** Europe, Middle East, and Africa
- **48%** Americas
- **12%** Asia-Pacific

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

See abbreviations on page 2.

Order Intake Increased — Expanding Separation Technology Business

Chemtech reported growing order intake and sales in the first half of 2017, both on a currency-adjusted basis and organically. Operational EBITA and operational ROSA also increased. With the closing of the Vessel Internal Electrostatic Coalescer (VIEC) acquisition, the company added a patented separation technology to its portfolio.

Expanding business with oil and water separation applications

Sulzer closed the acquisition of Wärtsilä’s Vessel Internal Electrostatic Coalescer (VIEC) technology in the first quarter of 2017. The patented technology separates oil from water in a highly efficient manner. Over the last 15 years, it has been delivered to more than 40 clients. The acquisition allows Sulzer to further extend its Chemtech upstream product portfolio for advanced oil and water separation applications.

ExxonMobil has licensed its new patented cMIST™ technology to the Chemtech division. cMIST efficiently removes water vapor present during the production of natural gas. This inline technology reduces the size, weight, footprint, and cost of the gas dehydration system. cMIST complements Sulzer’s line of compact multiphase separation technologies and will benefit oil and gas operating companies around the world.

With the creation of the new Applicator Systems division as of January 1, 2017, Sulzer Mixpac Systems, Geka, and PC Cox are not reported within Chemtech anymore.

Order intake increased

Chemtech reported growing order intake compared with the same period of the previous year, both on a currency-adjusted basis (+ 7.8%) and organically (+ 7.6%). The increase is largely due to the robust performance of the Separation Technology business. Regionally, the Asia-Pacific region grew strongly, driven by some larger orders from China. The region Europe, the Middle East, and Africa was down from a high base in the first half year 2016 when a large order was booked. Order intake in the Americas grew.

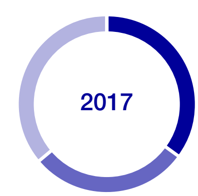
Higher sales, operational EBITA, and operational ROSA

In the first half of 2017, currency-adjusted (+ 10.4%) and organic (+ 10.2%) sales increased. This is in line with the higher order intake last year. Higher sales in the tower field services business stemming from the execution of previously booked large projects also contributed to the increase. Operational EBITA increased remarkably, triggered by a higher sales volume and operational improvement measures. Accordingly, operational ROSA improved to 4.9%.

Sales by market segment

- **97%** Oil and gas
- **1%** Power
- **1%** Water
- **1%** General industry

Sales by region



- **35%** Europe, Middle East, and Africa
- **29%** Americas
- **36%** Asia-Pacific

Key figures Chemtech
January 1–June 30

millions of CHF	2017	2016	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	265.8	247.1	7.6	7.8	7.6
Order intake gross margin	29.7%	30.7%			
Order backlog as of June 30 / December 31	334.4	304.9	9.7		
Sales	231.5	210.0	10.2	10.4	10.2
EBIT	6.0	– 10.9	n/a		
opEBITA	11.4	4.3	165.1	162.8	178.7
opROSA	4.9%	2.0%			
Employees (number of full-time equivalents) as of June 30 / December 31	2 946	2 570	14.6		

[1] Adjusted for currency effects.
[2] Adjusted for acquisition and currency effects.

See abbreviations on page 2.

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

Sales and Profits Increased — Adding Attractive Animal Health Business

As previously announced, Sulzer established a fourth division called Applicator Systems (APS) at the beginning of 2017. In the first half of 2017, APS reported growing order intake and sales. Operational EBITA increased compared with the same period of the previous year.

New division Applicator Systems

On January 1, 2017, Sulzer changed its reporting structure for increased transparency and customer focus: The combination of the Sulzer Mixpac Systems (SMS) business unit and the recently acquired Geka and PC Cox businesses are now being reported as the new Applicator Systems (APS) division. APS offers a global platform for high-precision plastic molding, assembly, decoration, and filling technologies for mixing and applicator solutions. The division serves customers in the dental, industrial adhesives, and beauty segments.

In the second quarter of the year, Sulzer signed a binding agreement to acquire Simcro, adding animal health as a new, attractive market segment to the APS division. Simcro, headquartered in Hamilton, New Zealand, is the market leader for veterinary devices such as injectors and applicators for livestock and companion animals. Simcro is expected to achieve revenues of CHF 35 million in 2017.

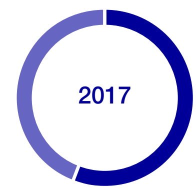
Growing order intake and sales

By nature of the business, there is little difference between order intake and sales at APS, and focus is on sales. Organic sales increased by a currency-adjusted 6.7% in the first half of 2017. The acquisitions of Geka and PC Cox contributed an additional CHF 98.1 million in sales, boosting the growth rate to 100% on a currency-adjusted basis. Organic growth was driven by the industrial adhesives and dental segments. All regions contributed to growth.

Higher operational EBITA

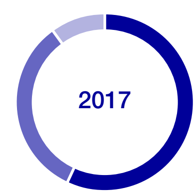
Operational EBITA increased to CHF 45.1 million in the first half of 2017 from CHF 29.7 million in the same period of the previous year, mainly due to acquisitions. Operational ROSA is not comparable with the first half of 2016 because of the impact of the Geka acquisition which was closed in the second half of 2016 and is therefore not included in the comparable base.

Sales by market segment



- **56%** Adhesives, dental, healthcare
- **44%** Beauty

Sales by region



- **57%** Europe, Middle East, and Africa
- **33%** Americas
- **10%** Asia-Pacific

Key figures Applicator Systems

January 1–June 30

millions of CHF	2017	2016	Change in +/–%	+/–% adjusted[1]	+/–% organic[2]
Order intake	210.1	106.2	97.8	100.0	7.0
Order intake gross margin	44.6%	55.2%			
Order backlog as of June 30 / December 31	59.4	58.0	2.4		
Sales	208.5	105.0	98.6	100.2	6.7
EBIT	35.5	24.6	44.3		
opEBITA	45.1	29.7	51.9	52.2	14.4
opROSA	21.6%	28.3%			
Employees (number of full-time equivalents) as of June 30 / December 31	1 649	1 562	5.6		

[1] Adjusted for currency effects.
[2] Adjusted for acquisition and currency effects.

See abbreviations on page 2.

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

Consolidated income statement
January 1–June 30

millions of CHF	Notes	2017	2016
Sales	3	1 428.5	1 380.9
Cost of goods sold		–981.8	–954.1
Gross profit		**446.7**	**426.8**
Selling and distribution expenses		–166.9	–149.2
General and administrative expenses		–174.2	–144.2
Research and development expenses		–39.2	–33.7
Other operating income and expenses, net	6	–11.1	–18.0
Operating income		**55.3**	**81.7**
Interest and securities income	7	1.8	2.7
Interest expenses	7	–6.4	–10.7
Other financial income and expenses, net	7	–0.3	–5.9
Share of loss of associates		–0.4	–0.4
Income before income tax expenses		**50.0**	**67.4**
Income tax expenses	8	–12.4	–16.9
Net income		**37.6**	**50.5**
Attributable to shareholders of Sulzer Ltd		36.9	50.4
Attributable to non-controlling interests		0.7	0.1
Earnings per share (in CHF)			
Basic earnings per share		1.08	1.48
Diluted earnings per share		1.08	1.47

Consolidated statement of comprehensive income

January 1–June 30

millions of CHF	Notes	2017	2016
Net income		**37.6**	**50.5**
Items that may be reclassified subsequently to the income statement			
Cash flow hedges, net of tax		9.0	0.2
Currency translation differences		–34.6	–7.5
Total of items that may be reclassified subsequently to the income statement		**–25.6**	**–7.3**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit obligations, net of tax	12	22.2	–110.0
Total of items that will not be reclassified to the income statement		**22.2**	**–110.0**
Total other comprehensive income		**–3.4**	**–117.3**
Total comprehensive income for the year		**34.2**	**–66.8**
Attributable to shareholders of Sulzer Ltd		33.9	–66.5
Attributable to non-controlling interests		0.3	–0.3

Consolidated balance sheet

millions of CHF	Notes	June 30, 2017	December 31, 2016	June 30, 2016
Non-current assets				
Goodwill		802.8	780.1	670.9
Other intangible assets		376.2	335.3	241.9
Property, plant, and equipment	10	506.3	511.0	480.4
Associates		9.7	5.8	8.0
Other financial assets		16.9	13.1	12.0
Non-current receivables		7.5	7.0	8.7
Deferred income tax assets		153.7	157.6	157.7
Total non-current assets		**1 873.1**	**1 809.9**	**1 579.6**
Current assets				
Inventories		468.6	401.7	417.2
Advance payments to suppliers		68.0	82.0	85.7
Trade accounts receivable		888.4	883.2	841.2
Other accounts receivable and prepaid expenses		157.6	129.6	135.4
Cash and cash equivalents		327.9	429.5	571.2
Total current assets		**1 910.5**	**1 926.0**	**2 050.7**
Total assets		**3 783.6**	**3 735.9**	**3 630.3**
Equity				
Share capital		0.3	0.3	0.3
Reserves		1 482.2	1 580.9	1 544.0
Equity attributable to shareholders of Sulzer Ltd		**1 482.5**	**1 581.2**	**1 544.3**
Non-controlling interests		13.6	9.8	9.1
Total equity		**1 496.1**	**1 591.0**	**1 553.4**
Non-current liabilities				
Non-current borrowings	11	458.9	458.3	7.3
Deferred income tax liabilities		120.0	95.6	66.1
Non-current income tax liabilities		2.6	2.6	2.6
Defined benefit obligations	12	301.3	339.6	391.6
Non-current provisions	13	74.4	73.8	72.2
Other non-current liabilities		24.2	10.4	18.8
Total non-current liabilities		**981.4**	**980.3**	**558.6**
Current liabilities				
Current borrowings	11	148.8	7.1	503.6
Current income tax liabilities		10.8	13.9	7.6
Current provisions	13	178.1	176.1	135.6
Trade accounts payable		376.1	379.3	299.7
Advance payments from customers		205.1	179.8	173.2
Other current and accrued liabilities		387.2	408.4	398.6
Total current liabilities		**1 306.1**	**1 164.6**	**1 518.3**
Total liabilities		**2 287.5**	**2 144.9**	**2 076.9**
Total equity and liabilities		**3 783.6**	**3 735.9**	**3 630.3**

Consolidated statement of changes in equity
January 1–June 30

		Attributable to shareholders of Sulzer Ltd							
millions of CHF	Notes	Share capital	Retained earnings	Treasury shares	Cash flow hedge reserve	Currency translation adjustment	Total	Non-controlling interests	Total equity
Equity as of January 1, 2016		**0.3**	**2 661.4**	**–17.8**	**–9.2**	**–410.0**	**2 224.7**	**9.5**	**2 234.2**
Comprehensive income for the period:									
Net income			50.4				50.4	0.1	50.5
— Cash flow hedges, net of tax					0.2		0.2		0.2
— Remeasurements of defined benefit obligations, net of tax	12		–110.0				–110.0		–110.0
— Currency translation differences						–7.1	–7.1	–0.4	–7.5
Other comprehensive income			–110.0		0.2	–7.1	–116.9	–0.4	–117.3
Total comprehensive income for the period		**–**	**–59.6**	**–**	**0.2**	**–7.1**	**–66.5**	**–0.3**	**–66.8**
Transactions with owners of the company:									
Allocation of treasury shares to share plan participants			–4.2	4.1			–0.1		–0.1
Share-based payments			3.7				3.7		3.7
Dividends	9		–617.5				–617.5	–0.1	–617.6
Equity as of June 30, 2016		**0.3**	**1 983.8**	**–13.7**	**–9.0**	**–417.1**	**1 544.3**	**9.1**	**1 553.4**
Equity as of January 1, 2017		**0.3**	**2 024.2**	**–16.9**	**–11.0**	**–415.4**	**1 581.2**	**9.8**	**1 591.0**
Comprehensive income for the period:									
Net income			36.9				36.9	0.7	37.6
— Cash flow hedges, net of tax					9.0		9.0		9.0
— Remeasurements of defined benefit obligations, net of tax	12		22.2				22.2		22.2
— Currency translation differences						–34.2	–34.2	–0.4	–34.6
Other comprehensive income			22.2		9.0	–34.2	–3.0	–0.4	–3.4
Total comprehensive income for the period		**–**	**59.1**	**–**	**9.0**	**–34.2**	**33.9**	**0.3**	**34.2**
Transactions with owners of the company:									
Put option liability	4		–13.9				–13.9		–13.9
Allocation of treasury shares to share plan participants			–5.9	5.9			–		–
Acquisition of treasury shares				–4.7			–4.7		–4.7
Share-based payments			5.4				5.4		5.4
Dividends	9		–119.4				–119.4	–0.7	–120.1
Aquisition of subsidiaries	4						–	4.2	4.2
Equity as of June 30, 2017		**0.3**	**1 949.5**	**–15.7**	**–2.0**	**–449.6**	**1 482.5**	**13.6**	**1 496.1**

Consolidated statement of cash flows

January 1–June 30

millions of CHF	Notes	2017	2016
Cash and cash equivalents as of January 1		**429.5**	**1 009.0**
Net income		37.6	50.5
Interest and securities income		−1.8	−2.7
Interest expenses	7	6.4	10.7
Income tax expenses		12.4	16.9
Depreciation, amortization, and impairments	3	73.9	62.1
Income from disposals of property, plant, and equipment	10	−3.8	−0.1
Changes in inventories		−40.2	−6.1
Changes in advance payments to suppliers		13.2	−3.7
Changes in trade accounts receivable		4.8	−5.9
Changes in advance payments from customers		13.5	−23.6
Changes in trade accounts payable		−25.1	−18.5
Changes in provisions for employee benefit plans		−4.0	−31.5
Changes in provisions		−3.5	−2.1
Changes in other net current assets		−36.3	15.7
Other non-cash items		−8.5	−3.1
Interest received		1.8	2.7
Interest paid		−2.3	−1.9
Income tax paid		−28.6	−23.0
Total cash flow from operating activities		**9.5**	**36.4**
Purchase of intangible assets		−1.7	−0.5
Purchase of property, plant, and equipment		−34.1	−33.3
Sale of property, plant, and equipment		8.5	1.1
Acquisitions of subsidiaries, net of cash acquired	4	−79.6	−14.5
Acquisitions of associates		−4.6	−4.8
Purchase of financial assets		−0.1	–
Sale of financial assets		0.4	–
Sale of marketable securities		–	208.0
Total cash flow from investing activities		**−111.2**	**156.0**
Dividend	9	−119.4	−617.5
Dividends paid to non-controlling interests		−0.7	−0.1
Purchase of treasury shares		−4.7	–
Additions in non-current borrowings		0.4	1.0
Repayment of non-current borrowings		−0.8	−1.8
Additions in current borrowings		339.9	7.7
Repayment of current borrowings		−203.0	−18.6
Total cash flow from financing activities		**11.7**	**−629.3**
Exchange losses on cash and cash equivalents		−11.6	−0.9
Net change in cash and cash equivalents		**−101.6**	**−437.8**
Cash and cash equivalents as of June 30		**327.9**	**571.2**

Notes to the Financial Statements

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, 2017, 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 15 000 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).

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 January 1, 2017, the spare parts business for pumps was transferred from the Pumps Equipment to the Rotation Equipment Services division. Comparative segment information in note 3 have been prepared accordingly.
— As of January 1, 2017, the group separated the business for liquid applications and mixing technology, previously reported in the Chemtech division, into a new division called Applicator Systems. Comparative segment information in note 3 have been prepared accordingly.
— The acquisitions of Ensival Moret, Rotec GT, and VIEC resulted in an increase in property, plant, and equipment of CHF 24.2 million and the recognition of goodwill (CHF 25.2 million) and other intangible assets (CHF 60.9 million) at the date of acquisition (see note 4).
— As part of the Sulzer Full Potential Program (SFP), the group initiated several measures to adapt the global manufacturing footprint and the organizational setup. Restructuring measures resulted in restructuring expenses of CHF –5.7 million in the first half year 2017 (half year 2016: CHF –16.5 million). Associated with restructuring initiatives, the group further recognized impairments on property, plant, and equipment of CHF –13.3 million (half year 2016: CHF –5.6 million) and intangible assets of CHF –0.1 million (half year 2016: CHF 0.0 million, see note 6).

3 Segment information

Segment information by division

millions of CHF	Pumps Equipment		Rotating Equipment Services		Chemtech		Applicator Systems	
	2017	2016[6]	2017	2016[6]	2017	2016[6]	2017	2016[6]
Order intake	**590.7**	**565.8**	**549.1**	**524.5**	**265.8**	**247.1**	**210.1**	**106.2**
Nominal growth	4.4%	–14.9%	4.7%	–5.6%	7.6%	–17.8%	97.8%	17.7%
Currency adjusted growth	5.4%	–14.4%	4.2%	–4.2%	7.8%	–16.9%	100.0%	16.9%
Organic growth[1]	–0.5%	–17.4%	1.0%	–5.9%	7.6%	–17.1%	7.0%	10.9%
Order backlog as of June 30/December 31	827.8	697.4	427.7	378.7	334.4	304.9	59.4	58.0
Sales[2]	**528.6**	**603.1**	**491.0**	**498.9**	**231.5**	**210.0**	**208.5**	**105.0**
Nominal growth	–12.4%	2.0%	–1.6%	1.7%	10.2%	–14.2%	98.6%	–11.7%
Currency adjusted growth	–12.1%	2.1%	–1.5%	3.0%	10.4%	–13.4%	100.2%	11.1%
Organic growth[1]	–19.5%	1.5%	–1.5%	1.5%	10.2%	–13.4%	6.7%	4.9%
opEBITA[3]	**–12.7**	**1.2**	**60.9**	**60.9**	**11.4**	**4.3**	**45.1**	**29.7**
in % of sales[4]	–2.4%	0.2%	12.4%	12.2%	4.9%	2.0%	21.6%	28.3%
Restructuring expenses	–2.7	–3.8	–1.4	–1.7	–0.9	–10.1	–	–
Amortization	–11.2	–9.0	–3.1	–3.2	–2.6	–3.2	–7.9	–5.1
Impairments on tangible and intangible assets	–9.0	–	–2.1	–0.2	–2.2	–5.4	–	–
Non-operational items	–1.2	–3.2	3.5	–0.7	0.3	3.5	–1.7	–
EBIT[5]	**–36.8**	**–14.8**	**57.8**	**55.1**	**6.0**	**–10.9**	**35.5**	**24.6**
Depreciation	–12.2	–14.5	–8.3	–7.6	–4.3	–5.0	–10.3	–6.0
Operating assets	1 438.0	1 351.8	788.4	813.3	452.5	441.1	572.3	559.5
Unallocated assets	–	–	–	–	–	–	–	–
Total assets as of June 30/December 31	1 438.0	1 351.8	788.4	813.3	452.5	441.1	572.3	559.5
Operating liabilities	685.4	623.9	286.0	275.4	206.5	213.3	70.6	63.6
Unallocated liabilities	–	–	–	–	–	–	–	–
Total liabilities as of June 30/December 31	685.4	623.9	286.0	275.4	206.5	213.3	70.6	63.6
Operating net assets	752.6	727.9	502.4	537.9	246.0	227.8	501.7	495.9
Unallocated net assets	–	–	–	–	–	–	–	–
Total net assets as of June 30/December 31	752.6	727.9	502.4	537.9	246.0	227.8	501.7	495.9
Capital expenditure	9.6	12.5	8.4	6.7	4.6	6.9	12.6	7.2
Employees (number of full-time equivalents) as of June 30/December 31	5 660	5 156	4 582	4 541	2 946	2 570	1 649	1 562

1) Adjusted for currency and acquisition effects.
2) Sales between segments are not material.
3) Operating income before restructuring, amortization, impairments, and non-operational items.
4) Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales).
5) Operating income.
6) Reclassified numbers according to new operational structure, effective since January 1, 2017.

Segment information by division

millions of CHF	Total Divisions		Others[2]		Total Sulzer	
	2017	2016	2017	2016	2017	2016
Order intake	**1 615.7**	**1 443.6**	**–21.1**	**–20.2**	**1 594.6**	**1 423.4**
Nominal growth	11.9%	–10.4%	n/a	n/a	12.0%	–10.1%
Currency adjusted growth	12.4%	–9.5%	n/a	n/a	12.5%	–9.1%
Organic growth[1]	2.0%	–11.8%	n/a	n/a	1.9%	–11.5%
Order backlog as of June 30 / December 31	1 649.3	1 439.0	–	0.1	1 649.3	1 439.1
Sales	**1 459.6**	**1 417.0**	**–31.1**	**–36.1**	**1 428.5**	**1 380.9**
Nominal growth	3.0%	–0.3%	n/a	n/a	3.4%	–0.9%
Currency adjusted growth	3.3%	0.3%	n/a	n/a	3.7%	–0.1%
Organic growth[1]	–6.8%	–0.8%	n/a	n/a	–6.7%	–1.5%
opEBITA[3]	**104.7**	**96.1**	**1.4**	**2.6**	**106.1**	**98.7**
in % of sales[4]	7.2%	6.8%	n/a	n/a	7.4%	7.1%
Restructuring expenses	–5.0	–15.6	–0.7	–0.9	–5.7	–16.5
Amortization	–24.8	–20.5	–0.6	–0.9	–25.4	–21.4
Impairments on tangible and intangible assets	–13.3	–5.6	–0.1	–	–13.4	–5.6
Non-operational items	0.9	–0.4	–7.2	26.9	–6.3	26.5
EBIT[5]	**62.5**	**54.0**	**–7.2**	**27.7**	**55.3**	**81.7**
Depreciation	–35.1	–33.1	–	–2.0	–35.1	–35.1
Operating assets	3 251.2	3 165.7	4.2	–1.5	3 255.4	3 164.2
Unallocated assets	–	–	528.2	571.7	528.2	571.7
Total assets as of June 30 / December 31	3 251.2	3 165.7	532.4	570.2	3 783.6	3 735.9
Operating liabilities	1 248.5	1 176.2	279.1	320.8	1 527.6	1 497.0
Unallocated liabilities	–	–	759.9	647.9	759.9	647.9
Total liabilities as of June 30 / December 31	1 248.5	1 176.2	1 039.0	968.7	2 287.5	2 144.9
Operating net assets	2 002.7	1 989.5	–274.9	–322.3	1 727.8	1 667.2
Unallocated net assets	–	–	–231.7	–76.2	–231.7	–76.2
Total net assets as of June 30 / December 31	2 002.7	1 989.5	–506.6	–398.5	1 496.1	1 591.0
Capital expenditure	35.2	33.3	0.7	0.5	35.9	33.8
Employees (number of full-time equivalents) as of June 30 / December 31	14 837	13 829	190	176	15 027	14 005

[1] Adjusted for currency and acquisition effects.
[2] The most significant activities under "Others" relate to the Corporate Center. Interdivisional order intake and sales are eliminated in this column.
[3] Operating income before restructuring, amortization, impairments, and non-operational items.
[4] Return on sales before restructuring, amortization, impairments, and non-operational items (opEBITA/sales).
[5] Operating income.

Information about reportable segments

As of January 1, 2017, the group changed its reporting structure for increased customer focus. The spare parts business for pumps was transferred from the Pumps Equipment to the Rotating Equipment Services division.

In addition, the business activities in mixing and dispenser systems and liquid application systems for the dental, healthcare, and beauty markets were transferred to the new division Applicator Systems. Comparative segment information in note 3 have been prepared accordingly.

Operating segments are determined based on the reports reviewed by the Chief Executive Officer that are used to track 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 offers a wide range of pumping solutions and related equipment. The market focus is on (a) production, transport, and processing of crude oil and its derivates, (b) supply, treatment, and transport of water as well as wastewater collection, (c) fossil-fired, nuclear, and renewable power generation, and (d) specific general industries, e. g., pulp and paper, fertilizers, and other markets.

Rotating Equipment Services — provider of service solutions for rotating equipment:
This division offers a full range of repair and maintenance services. The market focus is on industrial gas and steam turbines, turbocompressors, generators and motors, and pumps.

Chemtech — separation, mixing, and service solutions:
This division offers products and services for separation, reaction, liquid application, and mixing technology. The market focus is on separation solutions, and tower field services.

Applicator Systems — systems for liquid applications:
This division offers products for liquid applications and for mixing technologies. The market focus is on mixing and dispenser systems and liquid application systems for the dental, healthcare, and beauty 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 reconciling and other items, e. g., adjustments made in preparing the financial statements, and interdivisional order intake, sales, and operating assets and liabilities elimination.

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.

Revenue 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.

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.

For the first half year 2017, non-operational items include expenses related to the SFP program of CHF –6.9 million (half year 2016: CHF –12.3 million) and other non-operational income of CHF 0.6 million (half year 2016: income of CHF 3.4 million). There were no pension plan amendments in the first half year 2017. Swiss pension plan amendments in the first half year 2016 resulted in an income of CHF 35.4 million.

The reconciliation from EBIT to operational EBITA is as follows:

millions of CHF	2017	2016
EBIT	55.3	81.7
Amortization	25.4	21.4
Impairments on tangible and intangible assets	13.4	5.6
Restructuring expenses	5.7	16.5
Non-operational items	6.3	−26.5
opEBITA	**106.1**	**98.7**

4 Acquisitions of subsidiaries

Acquisitions in 2017

The purchase price allocations for Ensival Moret and Rotec GT are provisional and will be finalized within 12 months after the acquisition date. The fair values have been determined on a provisional basis and are subject to changes.

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.

Net assets acquired

millions of CHF	Ensival Moret	VIEC	Rotec GT	Total
Intangible assets	55.7	5.2	–	60.9
Property, plant, and equipment	17.8	0.5	5.9	24.2
Cash and cash equivalents	7.0	–	–	7.0
Trade accounts receivable	22.2	–	–	22.2
Other current assets	50.2	0.1	2.4	52.7
Borrowings	−6.4	–	–	−6.4
Other liabilities with third parties	−68.8	–	–	−68.8
Deferred tax liabilities	−24.8	−1.4	–	−26.2
Net identifiable assets	**52.9**	**4.4**	**8.3**	**65.6**
Non-controlling interests	–	–	−4.2	−4.2
Goodwill	16.4	–	8.8	25.2
Total consideration	**69.3**	**4.4**	**12.9**	**86.6**
Purchase price paid in cash	69.3	4.4	12.9	86.6
Total consideration	**69.3**	**4.4**	**12.9**	**86.6**

Ensival Moret (EM)

On February 1, 2017, Sulzer acquired a 100% controlling interest of Ensival Moret (EM) for CHF 69.3 million. EM's main manufacturing facilities are based in Saint Quentin, France, and Thimister, Belgium. EM employs approximately 730 employees and offers a wide range of industrial pumps with leading positions in a broad range of industrial applications such as fertilizers, sugar, mining, and chemicals. Through the acquisition, Sulzer closed specific product gaps in its general industry pumps portfolio, such as axial flow pumps. Combining the complementary product portfolios enables Sulzer to become a full line supplier in most industrial process applications. The business will be fully integrated into Sulzer's Pumps Equipment division. The goodwill is attributable to significant synergies by leveraging scale and cross-selling opportunities. None of the goodwill is expected to be deductible for tax purposes. Transaction cost recognized in the income statement amount to CHF −0.8 million. Since the acquisition date, the acquired business contributed order intake of CHF 33.7 million, sales of CHF 44.7 million, and net income of CHF −4.9 million to the group. The fair value of trade accounts receivables is CHF 22.2 million. The gross contractual amount for trade receivables is CHF 22.9 million, of which CHF 0.7 million are expected to be uncollectable.

Vessel Internal Electrostatic Coalescer (VIEC)

On February 1, 2017, Sulzer acquired 100% of the business of Vessel Internal Electrostatic Coalescer (VIEC) for CHF 4.4 million. VIEC is based in Anker, Norway, and employs 13 people. VIEC's patented technology separates oil from water in a highly efficient manner and it greatly reduces operating costs due to its exclusive in-vessel design. This acquisition allows Sulzer to further extend its Chemtech upstream product portfolio for advanced oil and water separation applications. Transaction cost recognized in the income statement amount to CHF –0.1 million. Since the acquisition date, the acquired business contributed order intake of CHF 0.5 million, sales of CHF 0.4 million, and net income of CHF –0.7 million to the group.

Rotec GT

On June 30, 2017, Sulzer acquired 51% of the business of Rotec GT, the gas turbine maintenance division of the Rotec Group, which is considered to be a related party to the group, and obtained control of the acquired business. The group holds a call option to purchase, and the Rotec Group holds a put option to sell 49%, after January 1, 2019. The group recognized a liability of CHF 13.9 million against retained earnings, for the present value of the exercise price of the put option. The present value calculation is based on expected revenue, target EBITDA margin, and a predefined multiple. Remeasurements of the liability will be recognized against retained earnings. The group did not recognize the call option, since the criteria as financial asset are not met.

Rotec GT is headquartered in Moscow, Russia, and has a service center for the refurbishment of gas turbine components in Ekaterinburg as well as an office for field service resources in St. Petersburg. With the service center in Ekaterinburg, Sulzer will have a strong local footprint. The business will be integrated into Sulzer's Rotating Equipment Services division. The goodwill is attributable to synergies from combined solutions and shared services. None of the goodwill is expected to be deductible for tax purposes. Transaction cost recognized in the income statement of the group amount to CHF –0.5 million. Since the acquisition date, the acquired business contributed order intake of CHF 16.9 million to the group. There was no impact on sales or net income.

Pro forma revenue and profit contribution

If the acquisitions had occurred on January 1, 2017, consolidated sales and the consolidated net income of the group for the half year ended June 30, 2017, would have been CHF 1 511.0 million and CHF 39.1 million, respectively.

Cash flow from acquisitions of subsidiaries

millions of CHF	2017	2016
Cash consideration paid	–86.6	–22.3
Contingent consideration paid	–	–0.5
Cash acquired	7.0	8.5
Payments for acquisitions in prior years	–	–0.2
Total cash flow from acquisitions, net of cash acquired	**–79.6**	**–14.5**

Contingent consideration

millions of CHF	2017	2016
Balance as of January 1	9.5	22.1
Payment of contingent consideration	–	–7.7
Release to other operating income	–1.6	–4.8
Currency translation differences	–0.2	–0.1
Total contingent consideration as of June 30 / December 31	**7.7**	**9.5**

As of June 30, 2017, the group reassessed the achievement of the earn-out targets (gross profit and EBITDA) related to contingent consideration arrangements. The reassessment resulted in an income of CHF 1.6 million (December 31, 2016: CHF 4.8 million).

5 Financial instruments

The following tables present the carrying amounts and fair values of financial assets and liabilities as of June 30, 2017, and December 31, 2016, 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 bond) 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.

millions of CHF		June 30, 2017				
	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Available-for-sale financial assets		4.2	4.2	–	4.2	–
Derivative assets—non-current		0.1	0.1	–	0.1	–
Derivative assets—current		10.2	10.2	–	10.2	–
Total financial assets measured at fair value		**14.5**	**14.5**	**–**	**14.5**	**–**
Financial assets not measured at fair value						
Loans and receivables		12.7				
Non-current receivables (excluding non-current derivative assets)		7.5				
Trade accounts receivable		888.4				
Other accounts receivable (excluding current derivative assets)		103.4				
Cash and cash equivalents		327.9				
Total financial assets not measured at fair value		**1 339.9**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities—current		4.5	4.5	–	4.5	–
Contingent considerations	4	7.7	7.7	–	–	7.7
Total financial liabilities measured at fair value		**12.2**	**12.2**	**–**	**4.5**	**7.7**
Financial liabilities not measured at fair value						
Outstanding bond	11	450.4	454.9	454.9	–	–
Bank loans and other borrowings	11	157.3				
Other non-current liabilities (excluding non-current derivative liabilities)		24.2				
Trade accounts payable		376.1				
Other current liabilities (excluding current derivative liabilities)		59.0				
Total financial liabilities not measured at fair value		**1 067.0**	**454.9**	**454.9**	**–**	**–**

millions of CHF		December 31, 2016				
	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Available-for-sale financial assets		4.5	4.5	–	4.5	–
Derivative assets—current		6.6	6.6	–	6.6	–
Total financial assets measured at fair value		**11.1**	**11.1**	**–**	**11.1**	**–**
Financial assets not measured at fair value						
Loans and receivables		8.6				
Non-current receivables (excluding non-current derivative assets)		7.0				
Trade accounts receivable		883.2				
Other accounts receivable (excluding current derivative assets)		82.9				
Cash and cash equivalents		429.5				
Total financial assets not measured at fair value		**1 411.2**	**–**	**–**	**–**	**–**
Financial liabilities measured at fair value						
Derivative liabilities—non-current		0.2	0.2	–	0.2	–
Derivative liabilities—current		9.2	9.2	–	9.2	–
Contingent considerations	4	9.5	9.5	–	–	9.5
Total financial liabilities measured at fair value		**18.9**	**18.9**	**–**	**9.4**	**9.5**
Financial liabilities not measured at fair value						
Outstanding bond	11	450.4	452.9	452.9	–	–
Bank loans and other borrowings	11	15.0				
Other non-current liabilities (excluding non-current derivative liabilities)		10.2				
Trade accounts payable		379.3				
Other current liabilities (excluding current derivative liabilities)		44.2				
Total financial liabilities not measured at fair value		**899.1**	**452.9**	**452.9**	**–**	**–**

6 Other operating income and expenses

Total other operating income and expenses for the half year 2017 was CHF –11.1 million (half year 2016: CHF –18.0 million).

millions of CHF	2017	2016
Income from release of contingent consideration	1.6	4.5
Gain from sales of property, plant, and equipment	3.9	0.7
Operating currency exchange gains, net	1.2	2.4
Other operating income	3.9	4.7
Total other operating income	**10.6**	**12.3**
Restructuring expenses	–5.7	–16.5
Impairments of tangible and intangible assets	–13.4	–5.6
Cost for mergers and acquisitions	–2.2	–1.3
Loss from sales of property, plant, and equipment	–0.1	–0.3
Other operating expenses	–0.3	–6.6
Total other operating expenses	**–21.7**	**–30.3**
Total other operating income and expenses, net	**–11.1**	**–18.0**

As part of the Sulzer Full Potential (SFP) program, Sulzer has initiated several measures to adapt the global manufacturing capacities and streamline the organizational setup. For the half year 2017, the group booked restructuring expenses of CHF –5.7 million compared to CHF –16.5 million for the period ended June 30, 2016. Transactional foreign exchange effects resulted in an income of CHF 1.2 million in the first six months 2017, compared to CHF 2.4 million for the six months ended June 30, 2016.

As of June 30, 2017 the group reassessed the achievement of the earn-out targets related to contingent consideration arrangements. The reassessment resulted in an income of CHF 1.6 million (half year 2016: CHF 4.5 million).

The functional allocation of the total restructuring expenses and impairments is as follows:
Cost of goods sold CHF –12.1 million (half year 2016: CHF –18.1 million), selling and distribution expenses CHF –0.6 million (half year 2016: CHF –0.9 million), and general and administrative expenses CHF –6.4 million (half year 2016: CHF –3.1 million).

7 Financial income and expenses

millions of CHF	2017	2016
Interest and securities income	1.8	2.7
Total interest and securities income	**1.8**	**2.7**
Interest expenses	–3.8	–7.2
Interest expenses on employee benefit plans	–2.6	–3.5
Total interest expenses	**–6.4**	**–10.7**
Net interest expenses	**–4.6**	**–8.0**
Fair value changes	0.5	0.1
Currency exchange gains/(losses) net	–0.7	–5.5
Other financial income/(expenses)	–0.1	–0.5
Total other financial expenses	**–0.3**	**–5.9**
Total financial expenses	**–4.9**	**–13.9**

Interest expenses decreased significantly in 2017 compared with 2016. This is mainly due to the reduced interest cost on bonds issued, which in 2017 amounted to CHF 1.2 million versus 5.9 million in 2016.

Other financial expenses decreased compared with 2016, mainly due to reduced hedging costs and lower foreign currency revaluation effects on financial assets and liabilities.

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 2017 is 24.8%, compared with 25.0% for the six months ended June 30, 2016.

9 Dividends

On April 6, 2017, the Annual General Meeting approved an ordinary dividend of CHF 3.50 (2016: ordinary dividend of CHF 3.50 and a special dividend of CHF 14.60) per share to be paid out of reserves. The dividend was paid to shareholders on April 12, 2017. The total amount of the dividend paid was CHF 119.4 million (2016: CHF 617.5 million).

10 Property, plant, and equipment

					June 30, 2017
millions of CHF	Land and buildings	Machinery and technical equipment	Other non-current assets	Assets under construction	Total
Acquisition cost					
Balance as of January 1	383.6	713.0	187.2	32.6	1 316.4
Acquired through business combination	9.8	12.1	2.2	0.1	24.2
Additions	2.1	10.2	3.2	18.6	34.1
Disposals	−6.4	−8.3	−2.1	–	−16.8
Reclassifications	2.9	9.6	2.1	−14.6	–
Currency translation differences	−8.3	−11.4	−2.8	−0.2	−22.7
Balance as of June 30	**383.7**	**725.2**	**189.8**	**36.5**	**1 335.2**
Accumulated depreciation					
Balance as of January 1	164.8	488.6	152.0	–	805.4
Additions	6.1	23.1	5.9	–	35.1
Disposals	−3.2	−7.0	−1.9	–	−12.1
Reclassifications	−0.3	−1.0	1.3	–	–
Impairments	2.5	10.5	0.3	–	13.3
Currency translation differences	−3.4	−7.2	−2.2	–	−12.8
Balance as of June 30	**166.5**	**507.0**	**155.4**	**–**	**828.9**
Net book value					
As of January 1	218.8	224.4	35.2	32.6	511.0
As of June 30	217.2	218.2	34.4	36.5	506.3

Following restructuring announcements and related underabsorptions, the group performed impairment tests on the related production machines and facilities, resulting in impairments of CHF 13.3 million as of June 30, 2017 (December 31, 2016: CHF 18.4 million), all of which were charged to other operating expenses. In the first six months 2017, fixed assets with a book value of CHF 4.7 million were sold for CHF 8.5 million, resulting in a profit of CHF 3.8 million.

11 Borrowings

					June 30, 2017
millions of CHF	Bond	Long-term borrowings	Short-term borrowings	Lease obligations	Total
Balance as of January 1, 2017	450.4	5.4	6.9	2.7	465.4
Acquired through business combination	–	–	–	6.4	6.4
Changes from financing cash flows	–	–0.2	137.1	–0.4	136.5
Reclassifications	–	–4.8	4.8	–	–
Currency translation differences	–	–0.1	–0.4	–0.1	–0.6
Total borrowings as of June 30, 2017	**450.4**	**0.3**	**148.4**	**8.6**	**607.7**

					December 31, 2016
millions of CHF	Bond	Long-term borrowings	Short-term borrowings	Lease obligations	Total
Balance as of January 1, 2016	499.6	6.5	14.5	1.0	521.6
Acquired through business combination	–	–	–	1.7	1.7
Changes from financing cash flows	–49.2	–1.5	–8.7	–	–59.4
Reclassifications	–	–0.6	0.6	–	–
Currency translation differences	–	1.0	0.5	–	1.5
Total borrowings as of December 31, 2016	**450.4**	**5.4**	**6.9**	**2.7**	**465.4**

During 2017, the CHF 500 million syndicated credit facility with initial maturity date in May 2020 was extended until May 2022.

On July 11, 2016, Sulzer issued new bonds via dual tranches of total CHF 450 million nominal amount (recorded at the amortized cost amount of CHF 450.4 million as per end of June 2017). The first tranche of CHF 325 million has a term of six years and carries a coupon of 0.375% and has an effective interest rate of 0.35%. The second tranche of CHF 125 million has a term of ten years and carries a coupon of 0.875% and has an effective interest rate of 0.88%.

In 2017, Sulzer has received two short-term borrowings from the Sulzer pension funds. As per end of June 2017, the amount borrowed from the Sulzer pension funds was in total CHF 55 million. The interest rate for both borrowings was zero %.

12 Employee benefit plans

The balance sheet defined benefit obligations and income statement expenses for the period ended June 30, 2017, are based on updated actuarial valuations for the pension schemes. The defined benefit obligations for the Swiss and the UK pension plans represent more than 94% of the group. The significant assumptions were as follows:

millions of CHF		2017		2016
Principal actuarial assumptions as of June 30 / December 31	Funded plans Switzerland	Funded plans United Kingdom	Funded plans Switzerland	Funded plans United Kingdom
Discount rate for active employees	0.7%	2.5%	0.8%	2.5%
Discount rate for pensioners	0.4%	2.5%	0.4%	2.5%
Future salary increases	1.0%	0.0%	1.0%	0.0%
Future pension increases	0.0%	2.5%	0.0%	2.5%
Life expectancy at retirement age (male / female) in years	22/24	22/24	22/24	22/24

The appropriate discount rates are determined by reference to market yields at the balance sheet date on long-term government bonds of the respective country. The Swiss Pension Fund Board decided in June

2016 to reduce the guaranteed pension conversion rate by 1.0 percentage point over four years, beginning January 1, 2018. The plan amendments, recognized as past service cost, have had a positive impact of CHF 35.4 million in the income statement 2016, of which CHF 8.2 million were recorded as cost of goods sold and CHF 27.2 million as general administrative expenses. No such effect was recognized in 2017.

As of June 30, 2017, the defined benefit obligations were CHF 301.3 million compared to CHF 339.6 million as of December 31, 2016.

13 Provisions

millions of CHF	Other employee benefits	Warranties/ liabilities	Restructuring	Environmental	Other	Total
Balance as of January 1, 2017	47.4	76.6	57.6	15.2	53.1	249.9
Acquired through business combination	–	6.4	–	–	3.5	9.9
Additions	5.5	10.8	6.0	–	8.0	30.3
Released as no longer required	−1.1	−0.2	−0.3	–	−0.4	−2.0
Utilized	−2.4	−11.6	−11.1	–	−6.2	−31.3
Reclassifications	–	–	–	−0.2	0.2	–
Currency translation differences	−1.0	−1.7	–	–	−1.6	−4.3
Total provisions as of June 30, 2017	**48.4**	**80.3**	**52.2**	**15.0**	**56.6**	**252.5**
— thereof non-current	34.9	4.0	2.2	14.9	18.4	74.4
— thereof current	13.5	76.3	50.0	0.1	38.2	178.1

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

As part of the Sulzer Full Potential (SFP) program, Sulzer has initiated several measures to adapt the global manufacturing capacities and streamline the organizational setup. For the first half year 2017, the group recognized new restructuring provisions of CHF 6.0 million. The remaining provision as of June 30, 2017, is CHF 52.2 million, of which CHF 50.0 million is expected to be utilized within one year.

The category “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 onerous contracts, in particular related from divestitures. In addition, provisions for ongoing asbestos lawsuits and other legal claims are included.

14 Accounting policies

14.1 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 2016 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, 2016, and any public announcements made by Sulzer during the interim reporting period.

14.2 Change in accounting policies

a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b) Impact of standards issued but not yet applied by the entity

Standards which are issued, but not yet effective, which the group has decided not to early adopt in 2017:

IFRS 9 'Financial Instruments'

'Financial Instruments,' published in July 2014, replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement.' IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables, and available for sale.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

— For the equity instruments that are currently classified as available-for-sale financial assets (CHF 4.2 million), management has the ability to make an irrevocable election on initial recognition, to present changes in the fair value in other comprehensive income rather than profit or loss and hence there will be no change to the accounting for these assets.
— Derivatives used for hedging currently measured at fair value through profit or loss will continue to be measured on the same basis under IFRS 9.
— Loans and receivables will continue to be measured at amortized cost.

The accounting for financial liabilities will remain unchanged, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

When initially applying IFRS 9, the group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the group's plan is that it will elect to apply the new requirements of IFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the group does not expect to identify any new hedge relationships. The group's existing hedge relationships appear to qualify as continuing hedges upon the adoption of IFRS 9. As a consequence, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost such as trade accounts receivable and contract assets under IFRS 15 'Revenue from Contracts with Customer.' The group believes that impairment losses are likely to increase for assets in the scope of the IFRS 9 impairment model. The group is currently estimating the impact on the provision for impairments and expects to disclose the effect in the consolidated financial statements for the year ended December 31, 2017.

IFRS 15 'Revenue from Contracts with Customers'
'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue,' IAS 11 'Construction Contracts,' and IFRIC 13 'Customer Loyalty Programs.' The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

The standard is to be applied either (i) retrospectively to each prior reporting period presented, with the option to elect certain defined practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the update recognized at the date of adoption in retained earnings (with additional disclosure as to the impact on individual financial statement lines affected). The group has not yet taken a final decision regarding the transition method. However, there are strong indicators that the group will decide for the modified retrospective transition method (option ii). Under this method, in the financial statements 2018, the 2017 comparative information will still be prepared under IAS 11/IAS 18, with a cumulative catch-up effect in retained earnings on January 1, 2018 (no restatement of 2017 numbers).

Under the new accounting standard it is possible that more judgments and estimates would be required than under existing standards, including identifying the separate performance obligations in a contract, estimating any variable consideration elements, and allocating the transaction price to each separate performance obligation. The update also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The group has started a project and is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. Based on analyzed sales orders, Sulzer currently does not anticipate that IFRS 15 will have a significant impact on its sales. However, Sulzer continues to evaluate the expected impacts of the adoption of the new accounting standard on its financial statements and the effective impacts are subject to change.

IFRS 16 'Leases'
'Leases', published in January 2016, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Sulzer is currently assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. The standard will primarily affect the accounting for the group's operating leases. As of December 31, 2016, the group reported non-cancellable operating lease commitments of CHF 109.2 million. However, Sulzer has not yet finally determined to what extent these commitments will result in the recognition of an asset and a liability and how this will affect the group's profit and classification of cash flows.

IFRS 16 is effective for the period beginning on or after January 1, 2019. The group has not yet determined which transition approach to apply.

15 Subsequent events after the balance sheet date
The Board of Directors authorized these consolidated interim financial statements for issue on July 25, 2017. 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.

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