

Facts and figures.

Interim Report as of June 30, 2018

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Schindler

Key figures as of June 30, 2018

1st half: January to June

In CHF million	2018	2017	Δ %	Δ % local currencies
Order intake	5 869	5 346	9.8	7.9
Revenue	5 255	4 769	10.2	8.4
Operating profit (EBIT)	613	558	9.9	7.5
in %	11.7¹	11.7 ²		
Net income from financing and investing activities	11³	-16		
Profit before taxes	624	542	15.1	
Income taxes	108³	123		
Net profit	516³	419	23.2	
Net profit before tax refund	461	419	10.0	
Earnings per share and participation certificate in CHF	4.54	3.67	23.7	
Cash flow from operating activities	434	441	-1.6	
Investments in property, plant, and equipment	111	87	27.6	
	30.6.2018	31.12.2017		
Order backlog ⁴	8 708	8 106	7.4	8.6
Number of employees	62 707	61 019	2.8	

¹ Before restructuring costs (CHF 9 million) 11.8%

² Before restructuring costs (CHF 12 million) 12.0%

³ One-time tax refund CHF 55 million (income taxes CHF 30 million, net interest income CHF 25 million)

⁴ With the implementation of IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018, the order backlog is reported net of work in progress. Previous-year figures have been restated accordingly.

2nd quarter: April to June

In CHF million	2018	2017	Δ %	Δ % local currencies
Order intake	3 047	2 739	11.2	8.2
Revenue	2 782	2 509	10.9	7.9
Operating profit (EBIT)	332	298	11.4	7.7
in %	11.9¹	11.9 ²		
Net income from financing and investing activities	20³	16		
Profit before taxes	352	314	12.1	
Income taxes	44³	74		
Net profit	308³	240	28.3	
Net profit before tax refund	253	240	5.4	
Earnings per share and participation certificate in CHF	2.72	2.12	28.3	
Cash flow from operating activities	104	85	22.4	
Investments in property, plant, and equipment	65	54	20.4	
	30.6.2018	30.6.2017		
Order backlog ⁴	8 708	7 785	11.9	8.9
Number of employees	62 707	59 055	6.2	

¹ Before restructuring costs (CHF 5 million) 12.1%

² Before restructuring costs (CHF 7 million) 12.2%

³ One-time tax refund CHF 55 million (income taxes CHF 30 million, net interest income CHF 25 million)

⁴ With the implementation of IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018, the order backlog is reported net of work in progress. Previous-year figures have been restated accordingly.

Balanced growth

Schindler achieved strong growth in the first half of 2018, delivering a significant increase in operating profit. The order intake grew by 9.8% to CHF 5 869 million (+7.9% in local currencies). Revenue rose by 10.2% to CHF 5 255 million (+8.4% in local currencies). Operating profit (EBIT) increased by 9.9% to CHF 613 million (+7.5% in local currencies) and the EBIT margin reached 11.7%, in line with the previous year. Net profit rose by 23.2% to CHF 516 million (first half of 2017: CHF 419 million) and cash flow from operating activities totaled CHF 434 million (first half of 2017: CHF 441 million).

Order intake and order backlog

In the first half of 2018, the order intake rose by 9.8% to CHF 5 869 million (first half of 2017: CHF 5 346 million), corresponding to growth of 7.9% in local currencies. The share of major orders increased, driven by strong growth in infrastructure projects and by the Key Account Management for global clients.

The Americas region achieved the strongest growth, followed by EMEA and Asia-Pacific. In the Chinese new installations market, Schindler grew both in volume and value.

In the second quarter of 2018, the order intake rose by 11.2% to CHF 3 047 million (second quarter of 2017: CHF 2 739 million), equivalent to growth of 8.2% in local currencies.

As of June 30, 2018, the order backlog totaled CHF 8 708 million. Compared to the figure of CHF 7 785 million as of June 30, 2017, the order backlog rose by 11.9% (+8.9% in local currencies).

Revenue

Revenue grew by 10.2% to CHF 5 255 million in the first half of 2018 (first half of 2017: CHF 4 769 million), corresponding to an increase of 8.4% in local currencies. The largest contribution to growth was generated by the EMEA region, followed by the Americas and Asia-Pacific regions.

In the second quarter of 2018, revenue improved by 10.9% to CHF 2 782 million (second quarter of 2017: CHF 2 509 million), equivalent to a growth rate of 7.9% in local currencies.

Operating profit (EBIT)

EBIT totaled CHF 613 million in the first half of 2018 (first half of 2017: CHF 558 million), corresponding to growth of 9.9% (+7.5% in local currencies). The EBIT margin stood at 11.7%, in line with the previous year. Economies of scale and efficiency gains offset the higher cost of raw materials as well as pricing pressure in China. Before restructuring costs of CHF 9 million (first half of 2017: CHF 12 million), the EBIT margin was 11.8% (first half of 2017: 12.0%).

In the second quarter of 2018, EBIT rose to 332 million (second quarter of 2017: CHF 298 million), equivalent to a growth rate of 11.4% (+7.7% in local currencies). The EBIT margin was 11.9% (second quarter of 2017: 11.9%). Before restructuring costs of CHF 5 million (second quarter of 2017: CHF 7 million), the EBIT margin was 12.1% (second quarter of 2017: 12.2%).

Net profit and cash flow from operating activities

Net profit increased by 23.2% to CHF 516 million in the first half of 2018 (first half of 2017: CHF 419 million), mainly reflecting the improved operating result and a settlement in an arbitration procedure with regards to Schindler's tax position which had an impact on net profit of CHF 55 million that was recognized in the second quarter of 2018. Net profit before tax refund grew by 10.0% and amounted to CHF 461 million. Cash flow from operating activities totaled CHF 434 million (first half of 2017: CHF 441 million).

Strategic initiatives on course

Schindler reached two important milestones in the first half of 2018. In its digitization initiative, all new elevators feature the Schindler Ahead Cube and are therefore digitally connected with the 'Internet of Elevators and Escalators.' In its modularity initiative, Schindler brought to market the first modular components across the world.

Outlook for 2018

Market trends seen in the first half of 2018 are expected to largely continue in the second half of the year. For the full year 2018 – excluding any unforeseeable events – Schindler expects revenue growth of between 5% and 7% in local currencies and net profit of between CHF 960 million and CHF 1 010 million for the fiscal year 2018.

Consolidated interim financial statements

Consolidated income statement

In CHF million	Jan.–June 2018		Jan.–June 2017 ¹	
		%		%
Revenue	5 255	100.0	4 769	100.0
Cost of materials	1 504	28.6	1 334	28.0
Personnel expenses	1 995	38.0	1 817	38.1
Other operating expenses	1 060	20.1	986	20.6
Depreciation, amortization, and impairment	83	1.6	74	1.6
Total operating expenses	4 642	88.3	4 211	88.3
Operating profit	613	11.7	558	11.7
Financial income	39	0.7	15	0.3
Financial expenses	24	0.4	24	0.5
Result from associates	-4	-0.1	-7	-0.1
Profit before taxes	624	11.9	542	11.4
Income taxes	108	2.1	123	2.6
Net profit	516	9.8	419	8.8
Net profit attributable to				
Shareholders of Schindler Holding Ltd.	487		393	
Non-controlling interests	29		26	
Earnings per share and participation certificate in CHF				
Basic	4.54		3.67	
Diluted	4.53		3.66	

¹ Refer to the change in presentation outlined in note 2.3

Consolidated statement of comprehensive income

In CHF million	Jan.–June 2018	Jan.–June 2017
Net profit	516	419
Other comprehensive income – may be reclassified to the income statement in future		
Exchange differences	-35	-50
Cash flow hedges	-2	8
Financial assets at fair value through other comprehensive income	-	11
Income taxes	-1	-
Total – may be reclassified to the income statement in future	-38	-31
Other comprehensive income – not to be reclassified to the income statement in future		
Financial assets at fair value through other comprehensive income	124	-
Remeasurements of employee benefits	6	49
Income taxes	-11	-2
Total – not to be reclassified to the income statement in future	119	47
Total other comprehensive income	81	16
Comprehensive income	597	435
Comprehensive income attributable to		
Shareholders of Schindler Holding Ltd.	570	410
Non-controlling interests	27	25

Consolidated balance sheet

In CHF million	30.6.2018	%	1.1.2018 restated ¹	%
Current assets				
Cash and cash equivalents	1 992	20.5	1 709	19.2
Current financial assets	158	1.6	191	2.2
Accounts receivable	1 973	20.3	2 076	23.4
Income tax receivable	192	2.0	126	1.4
Contract assets	1 354	13.9	1 044	11.7
Inventories	480	4.9	422	4.8
Prepaid expenses	155	1.6	115	1.3
Assets held for sale	8	0.1	8	0.1
Total current assets	6 312	64.9	5 691	64.1
Non-current assets				
Property, plant, and equipment	1 072	11.0	1 041	11.7
Intangible assets	1 141	11.8	1 123	12.6
Associates	88	0.9	78	0.9
Non-current financial assets	807	8.3	638	7.2
Deferred taxes	300	3.1	309	3.5
Employee benefits	1	0.0	–	–
Total non-current assets	3 409	35.1	3 189	35.9
Total assets	9 721	100.0	8 880	100.0
Liabilities				
Current liabilities				
Accounts payable	924	9.5	947	10.7
Financial debts	173	1.8	160	1.8
Income tax payable	130	1.3	78	0.9
Contract liabilities	2 326	23.9	2 019	22.7
Accrued expenses	1 248	12.9	1 379	15.5
Provisions	158	1.6	182	2.1
Total current liabilities	4 959	51.0	4 765	53.7
Non-current liabilities				
Financial debts	524	5.4	20	0.2
Provisions	348	3.6	354	4.0
Deferred taxes	122	1.2	117	1.3
Employee benefits	491	5.1	499	5.6
Total non-current liabilities	1 485	15.3	990	11.1
Total liabilities	6 444	66.3	5 755	64.8
Shareholders of Schindler Holding Ltd.	3 190	32.8	3 022	34.0
Non-controlling interests	87	0.9	103	1.2
Total equity	3 277	33.7	3 125	35.2
Total liabilities and equity	9 721	100.0	8 880	100.0

¹ Restatement following the implementation of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments

Consolidated statement of changes in equity

In CHF million	Share and participation capital	Share premium	Treasury shares	Exchange differences	Other reserves	Retained earnings	Total	Non-controlling interests	Total Group
December 31, 2017	11	311	-107	-756	110	3 592	3 161	107	3 268
Effect of adoption of IFRS 15 and IFRS 9					-110	-29	-139	-4	-143
January 1, 2018 restated	11	311	-107	-756	-	3 563	3 022	103	3 125
Net profit						487	487	29	516
Other comprehensive income				-35	-1	119	83	-2	81
Comprehensive income				-35	-1	606	570	27	597
Dividends						-428	-428	-43	-471
Change in treasury shares			38			-30	8	-	8
Share-based payments						18	18	-	18
June 30, 2018	11	311	-69	-791	-1	3 729	3 190	87	3 277
January 1, 2017	11	311	-114	-762	111	3 198	2 755	92	2 847
Net profit						393	393	26	419
Other comprehensive income				-47	17	47	17	-1	16
Comprehensive income				-47	17	440	410	25	435
Dividends						-535	-535	-33	-568
Change in treasury shares			23			-24	-1	-	-1
Share-based payments						13	13	-	13
Change in non-controlling interests						-3	-3	3	-
June 30, 2017	11	311	-91	-809	128	3 089	2 639	87	2 726

Consolidated cash flow statement

In CHF million	Jan.–June 2018	Jan.–June 2017
Profit before taxes	624	542
Net income from financing and investing activities	–11	16
Operating profit	613	558
Depreciation, amortization, and impairment	83	74
Other non-cash items	7	35
Dividends received	5	6
Interest paid and received	6	6
Other financial result	–10	–23
Income taxes paid	–113	–115
Change in net working capital	–157	–100
Cash flow from operating activities	434	441
Investments in property, plant, and equipment, net	–105	–84
Investments in intangible assets, net	–16	–17
Business combinations	–34	–37
Investments in associates	–17	–21
Change in current and non-current financial assets	–20	–29
Cash flow from investing activities	–192	–188
Change in financial debts	504	–12
Change in treasury shares	8	–1
Dividends paid	–471	–568
Cash flow from financing activities	41	–581
Exchange differences	–	–35
Change in cash and cash equivalents	283	–363
Cash and cash equivalents as at January 1	1 709	1 988
Cash and cash equivalents as at June 30	1 992	1 625

Notes to the consolidated interim financial statements

1 Business activities

The Schindler Group (referred to hereinafter as 'the Group') is one of the world's leading suppliers of elevators, escalators, and moving walks. It is active in the areas of production, installation, maintenance, and modernization in the most important markets around the globe.

The registered shares and participation certificates of Schindler Holding Ltd. are traded on the SIX Swiss Exchange.

2 Basis of preparation

The consolidated interim financial statements as of June 30, 2018, are based on International Financial Reporting Standards (IFRS) and have been prepared in condensed form in accordance with IAS 34 – Interim Financial Reporting. The consolidated interim financial statements are unaudited.

The consolidated interim financial statements contain certain assumptions and estimates that influence the figures presented in this report. The actual results may differ from these estimates. All significant assumptions and estimates remain unchanged compared to the Group Financial Statements as of December 31, 2017.

The same accounting principles have been applied as for the Group Financial Statements for the year ended December 31, 2017, with the exception of the new or amended accounting standards and interpretations that are effective as of January 1, 2018.

The consolidated interim financial statements as of June 30, 2018, were approved and released for publication by the Board of Directors of Schindler Holding Ltd. on August 16, 2018.

2.1 Changes in IFRS

The accounting standards IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, which became effective as of January 1, 2018, were applied by the Group for the first time. The impact of the initial application of these new standards was recognized directly in retained earnings as of January 1, 2018. Comparative figures were not restated. The nature of these first-time applications and their impact on the Group's consolidated balance sheet are outlined below.

Several other interpretations and amendments were applied for the first time as of January 1, 2018, but did not have an impact on accounting practices or on the Group's consolidated balance sheet, consolidated statement of comprehensive income, or consolidated cash flow statement.

2.1.1 Impact on the consolidated balance sheet

The following table summarizes the adjustments and reclassifications.

In CHF million	31.12.2017 reported	IFRS 15 restatement	IFRS 9 restatement	1.1.2018 restated
Current assets				
Cash and cash equivalents	1 709	–	–	1 709
Current financial assets	191	–	–	191
Accounts receivable	2 089	–	–13	2 076
Income tax receivable	126	–	–	126
Contract assets	695	349	–	1 044
Inventories	517	–95	–	422
Prepaid expenses	145	–30	–	115
Assets held for sale	8	–	–	8
Total current assets	5 480	224	–13	5 691
Non-current assets				
Property, plant, and equipment	1 041	–	–	1 041
Intangible assets	1 123	–	–	1 123
Associates	81	–3	–	78
Non-current financial assets	638	–	–	638
Deferred taxes	263	42	4	309
Total non-current assets	3 146	39	4	3 189
Total assets	8 626	263	–9	8 880
Liabilities				
Current liabilities				
Accounts payable	947	–	–	947
Financial debts	160	–	–	160
Income tax payable	78	–	–	78
Contract liabilities	1 232	787	–	2 019
Accrued expenses	1 782	–403	–	1 379
Provisions	180	2	–	182
Total current liabilities	4 379	386	–	4 765
Non-current liabilities				
Financial debts	20	–	–	20
Provisions	344	10	–	354
Deferred taxes	116	1	–	117
Employee benefits	499	–	–	499
Total non-current liabilities	979	11	–	990
Total liabilities	5 358	397	–	5 755
Shareholders of Schindler Holding Ltd.	3 161	–130	–9	3 022
Non-controlling interests	107	–4	–	103
Total equity	3 268	–134	–9	3 125
Total liabilities and equity	8 626	263	–9	8 880

2.1.2 IFRS 15 – Revenue from Contracts with Customers

The Group applied the new standard using the modified retrospective approach. Consequently, the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018, and comparative figures were not restated.

Under IFRS 15, revenue is recognized as the control of goods or services is transferred to the customer. This can occur at a point in time or over time. The major impact of IFRS 15 for the Group relates to new installations and modernization. Revenue is recognized by performance obligation progressively over time, beginning with the start of installation and based on the cost-to-cost method. This results in deferred revenue recognition compared to the previous accounting practice, where revenue was already recognized from the start of the project. A performance obligation typically represents an installation or modernization of a single unit (elevator or escalator). The performance obligation is considered to be satisfied upon handover of the units to the customer.

For customer contracts related to maintenance and repairs, revenue recognition remained substantially unchanged. For maintenance, revenue is recognized over time as the service is provided, and for repairs, it is recognized at the point of customer acceptance.

Revenue recognized for new installations and modernization is reported net of progress payments received as a net contract asset or net contract liability. Costs incurred before the start of revenue recognition are recognized as inventory for customer contracts at the lower of production cost or the net realizable value. A receivable is recognized once the Group has an unconditional right to payment. Rights to payment are considered as unconditional once all performance obligations in a contract are satisfied. For maintenance, a receivable is recognized when the customer is invoiced based on the contractual terms and conditions.

The first-time application of IFRS 15 resulted in a negative equity impact of CHF 134 million after deferred taxes. This negative impact is substantially related to deferred revenue recognition for new installation and modernization contracts. Other impacts are related to the allocation of the transaction prices between different performance obligations. As a result of the restatement, inventory for customer contracts increased substantially, whereas work in progress decreased and contract liabilities increased, respectively. Maintenance contracts that are invoiced in advance were previously disclosed in accrued expenses. This balance has been reclassified to contract liabilities as the performance obligation has not yet been satisfied. Additional amounts were reclassified between other balance sheet accounts to reflect IFRS 15 requirements without any impact on equity.

The implementation of IFRS 15 did not have a significant impact on the consolidated statement of comprehensive income in the reporting period.

2.1.3 IFRS 9 – Financial Instruments

IFRS 9 triggered changes to the classification and measurement of financial instruments as well as to the impairment of financial assets, particularly bad debt allowances. The Group implemented the new standard as of January 1, 2018, and applied the exemption from full retrospective application for the classification and measurement requirements, including impairment. Therefore, comparative figures were in general not restated. In selected disclosures, the comparative figures were adjusted to increase the reader-friendliness.

The Group classified and measured its financial instruments in accordance with IFRS 9 for the first time as of January 1, 2018. The classification was performed based on the business model for managing these assets and their contractual cash flow characteristics.

The following table summarizes the changes in the classification and measurement of financial instruments as of January 1, 2018:

In CHF million	December 31, 2017						January 1, 2018			Total	
	Previous category and carrying amount		Other financial liabilities		IFRS 9		FVOCI with recycling ⁴	FVOCI without recycling ⁴	Other financial liabilities		
	LAR ¹	FVPL ²	AFS ³		Total	remeasurements	Amortized cost				
Cash and cash equivalents	1 709				1 709		1 709				1 709
Current financial assets	183	8			191		183	8			191
Accounts receivable	1 913				1 913	-13	1 900				1 900
Prepaid expenses	121	24			145		121	24			145
Non-current financial assets	313	52	273		638		318	60	5	255	638
Total financial assets	4 239	84	273		4 596	-13	4 231	92	5	255	4 583
Accounts payable				757	757					757	757
Financial debts				180	180					180	180
Accrued expenses		21		919	940			21		919	940
Total financial liabilities		21		1 856	1 877			21		1 856	1 877

¹ LAR: Loans and receivables

² FVPL: At fair value through profit and loss

³ AFS: Available for sale

⁴ FVOCI: At fair value through other comprehensive income

CHF 255 million of equity investments that were previously classified as available for sale were reclassified as financial assets at fair value through other comprehensive income without recycling, as these investments are not held for trading purposes. As a result, fair value gains of CHF 110 million after deferred taxes previously recognized in other comprehensive income were reclassified to retained earnings. The classification and measurement of financial liabilities remained unchanged.

The Group adjusted the impairment model applied to financial assets from an incurred loss to a forward-looking expected credit loss model. The change impacted the calculation of the bad debt allowance for accounts receivable in particular. The Group applies the simplified approach, which allows expected lifetime losses to be recognized for accounts receivable using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The first-time application of IFRS 9 resulted in a negative equity impact of CHF 9 million after deferred taxes. The impact results from the reassessment of the bad debt allowances as of January 1, 2018, in accordance with the new impairment model. They increased mainly due to the recognition of bad debt allowances for receivables not due.

The implementation of IFRS 9 did not have a significant impact on the consolidated statement of comprehensive income in the reporting period.

2.2 Published standards, interpretations, and amendments not yet applied

The Group will apply IFRS 16 – Leases with effect from January 1, 2019. The new standard requires leasing contracts to be recognized in the balance sheet with a lease liability and a corresponding right-of-use asset. This will result in an increase in assets and liabilities, as well as a decrease in operating expenses and an increase in financial expenses. The first-time application will not have a material impact on the Group's net profit.

The operating lease commitments disclosed in Note 30.3 to the consolidated Group Financial Statements 2017 provide an indication of the impact. However, the Group expects the impacts to be higher following the new requirements related to the treatment of extension options for real estate leases. The analysis of the impacts on the Group's financial statements is ongoing.

2.3 Changes in presentation

2.3.1 Presentation of changes in provisions

The setup and utilization of provisions is no longer reported in the line item Change in provisions of the consolidated income statement. With effect from January 1, 2018, changes in provisions are recognized in the line items that the expense relates to. Consequently, the amount used is recognized against the relevant provision. This change was made to improve the presentation of the consolidated income statement and did not have any impact on the Group's net profit.

The line items reported in the consolidated interim financial statements 2017 were adjusted as follows:

In CHF million	Change in		
	Reported presentation	Adjusted	
Personnel expenses	1 819	–2	1 817
Other operating expenses	967	19	986
Change in provisions	17	–17	–

2.3.2 Change in geographical information

The Group amended its geographical information as of January 1, 2018. Middle East and Africa, which were previously part of the Asia-Pacific, Africa region, were transferred to the Europe region, which was subsequently renamed EMEA (Europe, Middle East and Africa). The Asia-Pacific, Africa region was renamed Asia-Pacific.

3 Scope of consolidation

There were no material changes to the scope of consolidation as of June 30, 2018, compared to December 31, 2017.

4 Translation of foreign currencies

			2018		2017		
			Closing rate as of June 30	Average rate for Jan.–June	Closing rate as of December 31	Closing rate as of June 30	Average rate for Jan.–June
Eurozone	EUR	1	1.16	1.17	1.17	1.09	1.08
USA	USD	1	0.99	0.97	0.98	0.96	0.99
Brazil	BRL	100	25.74	28.23	29.43	29.11	31.04
China	CNY	100	15.00	15.14	15.00	14.13	14.43

5 Revenue

In CHF million	Jan.–June 2018	Jan.–June 2017
Billings	4 610	4 569
Change in contract assets and liabilities	628	–
Change in work in progress	–	185
Revenue from contracts with customers	5 238	4 754
Other operating income	17	15
Total revenue	5 255	4 769

The disaggregation of revenue is as follows:

In CHF million	January to June 2018			January to June 2017		
	Transferred over time	Transferred at a point in time	Total	Transferred over time	Transferred at a point in time	Total
EMEA	1 936	475	2 411	1 666	412	2 078
Americas	1 208	284	1 492	1 173	256	1 429
Asia-Pacific	1 255	97	1 352	1 175	87	1 262
Total revenue	4 399	856	5 255	4 014	755	4 769

6 Segment reporting

The Elevators & Escalators segment comprises an integrated business that specializes in the production and installation of new elevators and escalators, as well as the modernization, maintenance, and repair of existing installations. The segment is managed as a global unit.

The column Finance comprises the expenses of Schindler Holding Ltd. as well as centrally managed financial assets and financial liabilities that have been entered into for Group investing and financing purposes.

Since internal and external reporting is based on the same accounting principles, there is no need to reconcile the management reporting figures to the financial reporting figures.

In CHF million	January to June 2018			January to June 2017		
	Group	Finance	Elevators & Escalators	Group	Finance	Elevators & Escalators
Revenue from third parties	5 255	–	5 255	4 769	–	4 769
Operating profit	613	–17	630	558	–15	573
Additions of property, plant, and equipment, as well as intangible assets	128	1	127	105	–	105
Total depreciation and amortization	83	–	83	74	–	74
Result from associates	–4	–	–4	–7	–	–7

In CHF million	30.6.2018			1.1.2018 ¹		
	Group	Finance	Elevators & Escalators	Group	Finance	Elevators & Escalators
Assets	9 721	1 957	7 764	8 880	1 536	7 344
Associates	88	–	88	78	–	78
Liabilities	6 444	577	5 867	5 755	143	5 612

¹ Effect of adoption of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments

7 Finance result and income taxes

A settlement in an arbitration procedure with regards to the Group's tax position leads to a tax refund, including interests. In the second quarter 2018 a one-time positive impact of CHF 55 million (income taxes CHF 30 million, net interest income CHF 25 million) was recognized in the Group's net profit.

The amounts are based on currently known facts and circumstances taking into account the Group's interpretation of currently enacted tax laws. Actual results may differ since final tax assessments for the years covered by the arbitration procedure will only be issued at a later stage.

8 Financial debts

Issuance of bonds 2018–2020 and 2018–2023

In June 2018, the Group issued domestic bonds in two tranches: A 2-year bond tranche of CHF 100 million with a coupon of 0% and a 5-year bond tranche of CHF 400 million with a coupon of 0.25%.

Exchange of 0.375% exchangeable bond 2013–2017

In June 2013, the Group issued a 0.375% exchangeable bond that could be exchanged for registered shares of ALSO Holding AG with an initial nominal amount of CHF 218 million. It was valued at fair value. The exchange period ended on May 26, 2017. During the term of four years, 99.99% of the 0.375% exchangeable bond was exchanged and Schindler's participation in ALSO Holding AG was subsequently reduced to almost zero.

The revaluation and exchange of the 0.375% exchangeable bond as well as the available-for-sale financial asset had a positive net impact of CHF 5 million on the financial result in the previous period.

9 Financial instruments

9.1 Fair value hierarchy

In CHF million	30.6.2018				1.1.2018 ¹			
	Level 1	Level 2	Level 3	Total fair values	Level 1	Level 2	Level 3	Total fair values
Financial assets								
at fair value through profit or loss								
Current financial assets	8	–	–	8	8	–	–	8
Derivatives	–	14	–	14	–	24	–	24
Non-current financial assets	52	13	–	65	52	8	–	60
FVOCI with recycling								
Non-current financial assets	6	–	–	6	5	–	–	5
FVOCI without recycling								
Non-current financial assets	376	–	7	383	246	–	9	255
Financial liabilities								
at fair value through profit or loss								
Derivatives	–	19	–	19	–	21	–	21
Other disclosed fair values								
Financial assets								
Current financial assets	–	150	–	150	–	183	–	183
Non-current financial assets	–	349	–	349	–	313	–	313
Financial liabilities								
Financial debts	502	195	–	697	–	180	–	180

¹ Comparative figures have been adjusted following the implementation of IFRS 9 – Financial Instruments (see note 2.1.3)

The fair value of the financial instruments equals their carrying amounts.

There was no transfer between level 1 fair value and level 2 and no transfer into or out of level 3 during the reporting period (previous year: no transfer between the different levels).

9.2 Reconciliation of level 3 fair values

In CHF million	2018	2017
Non-current financial assets		
January 1	9	10
Changes in value recognized in other comprehensive income	-1	-
Disposals	-1	-1
June 30	7	9

9.3 Valuation methods

Balance sheet position	Type of financial instruments	Valuation methods
Current financial assets	- Equity instruments traded in active markets - Time deposits	- Quoted prices from active markets - Discounted cash flow method based on observable data
Prepaid expenses	- Derivatives	- Discounted cash flow method based on observable data
Non-current financial assets	- Equity instruments traded in active markets - Hedge funds and private equity investments - Time deposits	- Quoted prices from active markets - External valuations - Discounted cash flow method based on observable data
Financial debts	- Bank overdrafts - Bond traded in an active market	- Discounted cash flow method based on observable data - Quoted prices in active markets
Accrued expenses	- Derivatives	- Discounted cash flow method based on observable data

10 Treasury shares

	Registered shares			Participation certificates		
	Number	Average share price in CHF	Value in CHF million	Number	Average share price in CHF	Value in CHF million
December 31, 2017	489 174		86	211 740		21
Purchases	6 124	-	-	575	-	-
Disposals	-11 725	206.39	-3	-3 028	214.27	-
Share-based payments						
Allocation	-105 038	194.05	-20	-	-	-
Exercising of options and Performance Share Units	-104 485	101.90	-11	-34 174	107.13	-3
Difference in value due to allocation and exercise			-1			-
June 30, 2018	274 050		51	175 113		18
Reserved for share-based payment plans	274 050			175 113		

11 Dividends paid

In accordance with the decision of the General Meeting of Shareholders of Schindler Holding Ltd. of March 20, 2018, CHF 428 million in dividends were paid on March 26, 2018 (previous year: CHF 535 million). This corresponds to an ordinary dividend of CHF 4.00 per registered share and participation certificate for the financial year 2017 (previous year: ordinary dividend of CHF 3.00 per registered share and participation certificate and an additional dividend of CHF 2.00 per registered share and participation certificate).

12 Contingent liabilities

Contingent liabilities are described in the notes to the Group Financial Statements 2017. As of the balance sheet date of June 30, 2018, the total capital amount claimed jointly and severally in the civil proceedings that followed the fines under competition law and in which Group companies are involved as defendants was EUR 175 million. The Group companies in question consider the claims to be without merit.

Financial calendar

Publication of selected key figures as of September 30	October 23, 2018
Annual results media conference	February 14, 2019
Ordinary General Meeting of Schindler Holding Ltd.	March 26, 2019

The Group's Interim Report 2018 is published in English and German. The original German version is binding.

General information about the Group as well as its Annual Reports, press releases, and details of its current share price are available at: www.schindler.com.

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