



# Managing time and space

## Activity Report 2005



**Schindler**

# Milestones

Ladies and Gentlemen

We achieved a number of important milestones in the reporting year 2005. We launched seven new elevator lines in Barcelona with an audience of over 2 000 participants. The subsequent demand for these products in Europe significantly exceeded our expectations. We opened the world's largest escalator manufacturing plant in Shanghai and put a modernized production line for elevators into operation in Suzhou. Orders received developed very positively and included various major projects such as two towers in Madrid (Torre Espacio and Torre Sacyr Vallehermoso) and the modernization of the Rockefeller Plaza observation deck in New York, as well as the Dubai Mall – the largest shopping center worldwide. However, the highlight of our sales record was undoubtedly the order for the Hong Kong International Commerce Center – a tower rising to a height of 490 meters with 40 double-deck elevators serving 118 floors. With a market share of 27% in terms of value, we were able to maintain and to slightly expand our "pole position" in the global escalators business.

In summary, Schindler has established itself as a reliable partner worldwide. To visualize our strong market presence, we will introduce a new Corporate Design in 2006.

After more than 20 years of strategic planning, I would now like to take a quick look at our past performance. Since 1981, net profit has risen from CHF 30.9 million to CHF 401 million, representing a thirteen-fold increase. Over the same period, Schindler's market capitalization has grown from CHF 215 million to CHF 6 501 million (status as end December 2005), corresponding to a 30-fold increase in value.

These results are essentially based on five strategic pillars: concentration on the core business, global expansion, groundbreaking innovation, optimization and standardization of processes, and the willingness to accept long periods of modest earnings at the expense of short-term profit opportunities. We divested more than 15 divisions, including the manufacturing of rolling stock. More than 60 acquisitions form the backbone of our global presence



in the elevators business. Thanks to our network density, we were able to optimize both our response times and service productivity.

After several expansion moves, all acquired companies were fully integrated into our group and the local product portfolios were gradually replaced with group solutions. At the same time, operating processes in both, the New Installations and the "After-Sales" businesses were standardized in alignment with best demonstrated practices. The new operating processes are not only transparent but can also be compared across subsidiaries, thus leading to continuous productivity improvements.

The energy to implement our strategy is supplied by four emotional drivers: entrepreneurial independence in the definition of strategic goals, perseverance when following our own path, trust in our employees, and patience, lots of patience.

The high level of our bookings makes me confident that with the approach outlined above, we will be able to build a great future. Good results in the past are not foretelling future success – and therefore, don't expect us to rest on our laurels.

A handwritten signature in black ink, which appears to read "A. Schindler". The signature is written in a cursive, flowing style.

Alfred N. Schindler

# Managing time and space

Mobility is our product. The mobility requirements of the individual and the masses increase constantly as society grows. Around the clock, incessantly. Time is becoming ever rarer, space is becoming ever scarcer.

We respond to these challenges in the mobility business with intelligent, needs-oriented solutions. Proactively, constantly and with foresight.

People want to get from A to B safely, comfortably, rapidly, and efficiently. We meet these needs. So that you can do what is important to you. Today and in the future.



# Our values



## Reliable

We meet the expectations as manufacturer and as service provider. Quality is our key asset. We have a global presence, are optimally networked, and always available. Nonstop, around the clock. Persuasive, constant, and secure.

## Moving

We are not only manufacturers of elevators and escalators, we are mobility providers. We move ideas and plans. We move people, their emotions, and their behavior. Winning, cooperative and versatile.

## Trailblazing

We seek new approaches and explore new directions. We inspire urban developers, property owners, architects, and other decision-makers. Visionary, innovative, determined, and cultivated.



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[www.schindler.com](http://www.schindler.com)

## Group

Founded in Switzerland in 1874, the Schindler Group employs around 40 000 staff worldwide and is listed on the SWX Swiss Exchange. The Group comprises two core areas: Elevators & Escalators, which contributed 78% of sales in 2005, and ALSO, an IT distributor in Europe.

## Elevators & Escalators

As one of the leading global manufacturers of elevators, escalators and moving walks with a network of over 1 000 branches spanning every continent, Schindler plans, produces and installs mobility solutions in accordance with customer requirements. With our comprehensive range of services, we ensure the smooth functioning of these installations throughout their service life of around 30 years.

## ALSO

Schindler owns 64.5% of ALSO Holding AG, which is listed on the SWX Swiss Exchange. ALSO is a leading provider in the wholesale and logistics sector for information and communications technology and consumer electronics and has operations in Switzerland and Germany.

## Strategic direction

“Leadership through Service” is the company’s vision in the elevators and escalators business. Our mission is therefore to ensure that 30 million individuals per hour can make use of Schindler’s high-quality mobility solutions and services worldwide at all times.

Two factors are essential in order to achieve this: first, the strengthening of the company’s global presence and the related expansion of its service network in the individual markets. The company is thus able to exploit different global growth cycles, to smooth out currency risks, to reduce response times thanks to its proximity to customers and, at the same time, to increase the productivity of its services. The second prerequisite is a clear focus on its core competencies in the elevators and escalators business in order to outperform the competition in an increasingly price-sensitive market through cost leadership. The company works constantly to secure this competitive advantage. All processes are therefore continuously optimized, manufacturing depth is reduced by focusing exclusively on strategic core competencies and the range of product families is reduced to a reasonable number. At the same time, Schindler focuses continuously on developing leading products featuring the latest technology.

Examples of recent innovations include the first patent for elevators without a machine room, the Miconic 10 hall call destination system, the Schindler ID personalized access control system, the Schindler 700 global high-rise elevator, the fully synthetic aramid rope and modern traction belt technology.

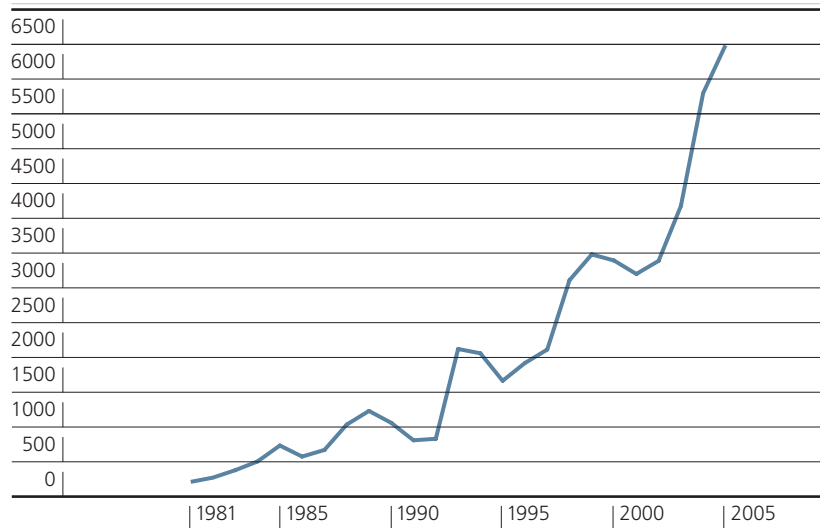
Schindler will systematically pursue the aforementioned strategy in order to further expand its leading position. This will create added value for shareholders and increase the company's market capitalization.

Further information about ALSO's strategy is available in the ALSO Annual Report.

### We create values

#### Market capitalization 1981–2005

In million CHF



#### Dividends proposed by the Board of Directors of Schindler Holding Ltd.

| In CHF                           | 2004 | 2005 |
|----------------------------------|------|------|
| Registered share                 | 7.–  | 9.–  |
| Bearer participation certificate | 7.–  | 9.–  |

Subject to approval by the General Meeting, the dividend will be paid on March 24, 2006.

### Revised IFRS standards

All changes resulting from IASB Improvements Project that are relevant to Schindler have been applied. One effect is that consolidated net profit and consolidated shareholders' equity are now reported inclusive of minority interests. Also, the restatement results in retrospective reclassifications in the balance sheet and profit and loss statement (for details see Financial Statements, page 10 et seq.)

### Key figures 2005

| <b>Group</b>                        |        |               |       |                    |
|-------------------------------------|--------|---------------|-------|--------------------|
| In million CHF                      | 2004   | <b>2005</b>   | Δ %   | Δ % local currency |
| Orders received                     | 8 428  | <b>9 445</b>  | +12.1 | +10.9              |
| Operating revenue                   | 8 254  | <b>8 870</b>  | +7.5  | +6.3               |
| Operating profit (EBIT)             | 521    | <b>634</b>    | +21.7 |                    |
| Net profit                          | 329    | <b>401</b>    | +21.9 |                    |
| Cash flow                           | 442    | <b>490</b>    |       |                    |
| Return on shareholders' equity in % | 23.6   | <b>23.7</b>   |       |                    |
| Consolidated shareholders' equity   | 1 495  | <b>1 885</b>  |       |                    |
| Order backlog                       | 3 723  | <b>5 005</b>  | +34.4 | +22.5              |
| Personnel at year-end (number)      | 39 443 | <b>40 385</b> |       |                    |

### Elevators & Escalators

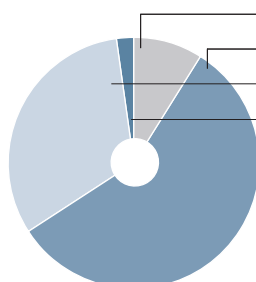
| In million CHF               | 2004  | <b>2005</b>  | Δ %   |
|------------------------------|-------|--------------|-------|
| Orders received              | 6 546 | <b>7 447</b> | +13.8 |
| Operating revenue            | 6 404 | <b>6 890</b> | +7.6  |
| Operating profit (EBIT) in % | 7.9   | <b>9.2</b>   |       |

### ALSO

| In million CHF               | 2004  | <b>2005</b>  | Δ %  |
|------------------------------|-------|--------------|------|
| Orders received              | 1 882 | <b>1 998</b> | +6.2 |
| Operating revenue            | 1 852 | <b>1 980</b> | +6.9 |
| Operating profit (EBIT) in % | 1.7   | <b>1.2</b>   |      |

### Personnel 2005 by sector

| In % |   |    |
|------|---|----|
|      | Production Elevators & Escalators                         | 9  |
|      | Installation and maintenance Elevators & Escalators       | 57 |
|      | Engineering, Sales, Administration Elevators & Escalators | 32 |
|      | ALSO  | 2  |





## Organization

### Board of Directors Schindler Holding Ltd.

Status January 1, 2006

|                           |               |  |
|---------------------------|---------------|--|
| Alfred N. Schindler       | Chairman      | Member of the Executive Committee of the Board |
| Luc Bonnard               | Vice Chairman | Member of the Executive Committee of the Board |
| Alfred Spörri             | Member        | Member of the Executive Committee of the Board |
| Prof. Dr. Pius Baschera   | Member        |  |
| Dr. Hubertus von Grünberg | Member        |  |
| Scott D. Miller           | Member        |  |
| Lord Charles Powell       | Member        |  |
| Dr. Jenö C. A. Staehelin  | Member        |  |
| Robert Studer             | Member        |  |

### Management Committees

Status January 1, 2006

#### Elevators & Escalators

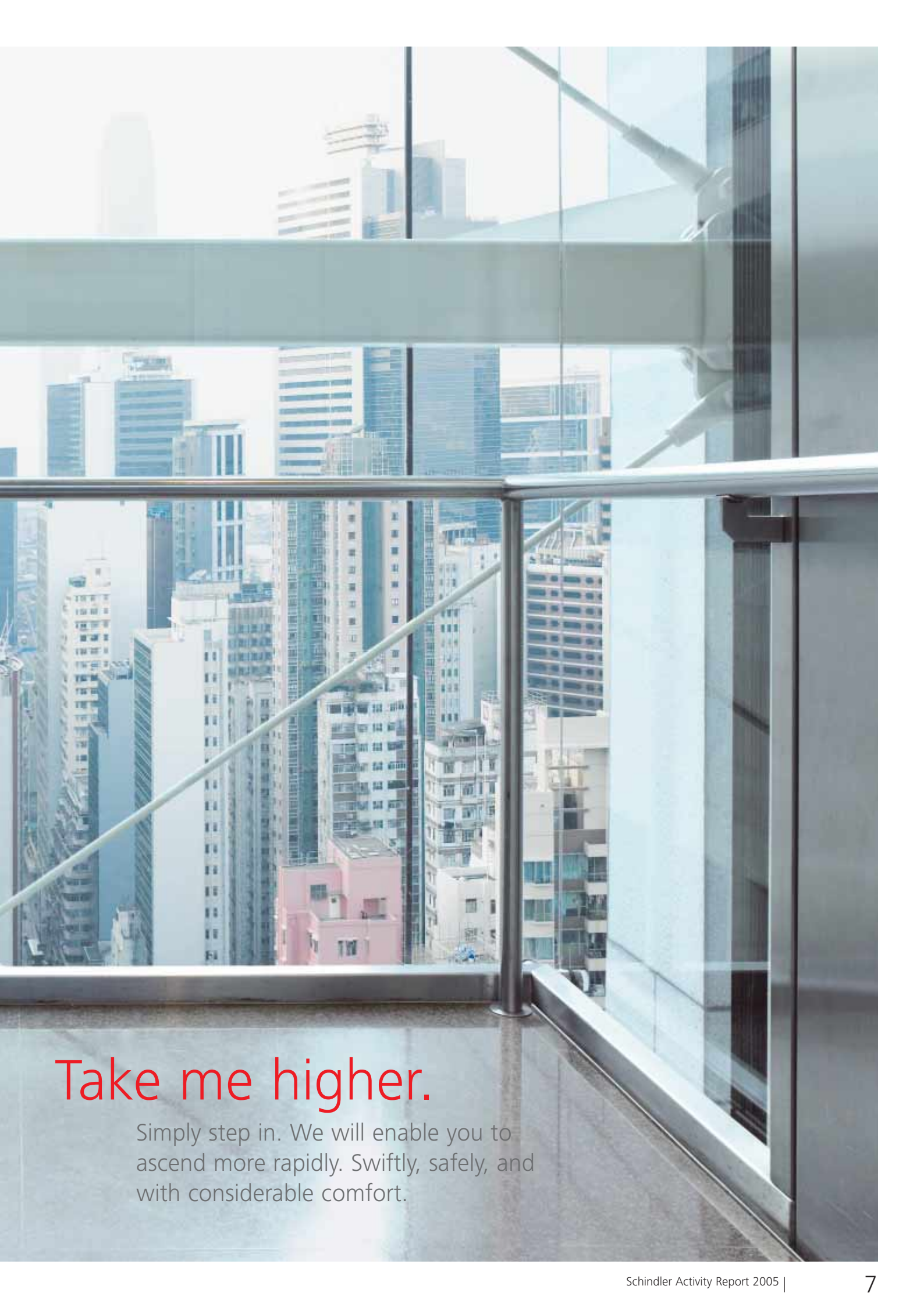
Roland W. Hess, President  
Jürgen Tinggren, Deputy of the President  
Miguel A. Rodríguez  
Emmanuel Altmayer  
Dr. Christoph Lindenmeyer  
Brent L. Glendening  
Erich Ammann  
Dr. Rudolf W. Fischer  
Prof. Dr. Karl Hofstetter

#### ALSO

Thomas C. Weissmann, President  
Michael Dressen  
Marc Schnyder  
Hans Wyss  
Peter Zurbrügg

For details see the chapter on Corporate Governance starting on page 79 of the Financial Statements





# Take me higher.

Simply step in. We will enable you to ascend more rapidly. Swiftly, safely, and with considerable comfort.



CHA  
LOU



# You'll never walk alone.

You are not alone. We transport 700 million people to their destinations every day. Each to their own.

CHAMPIONS  
LUNGE

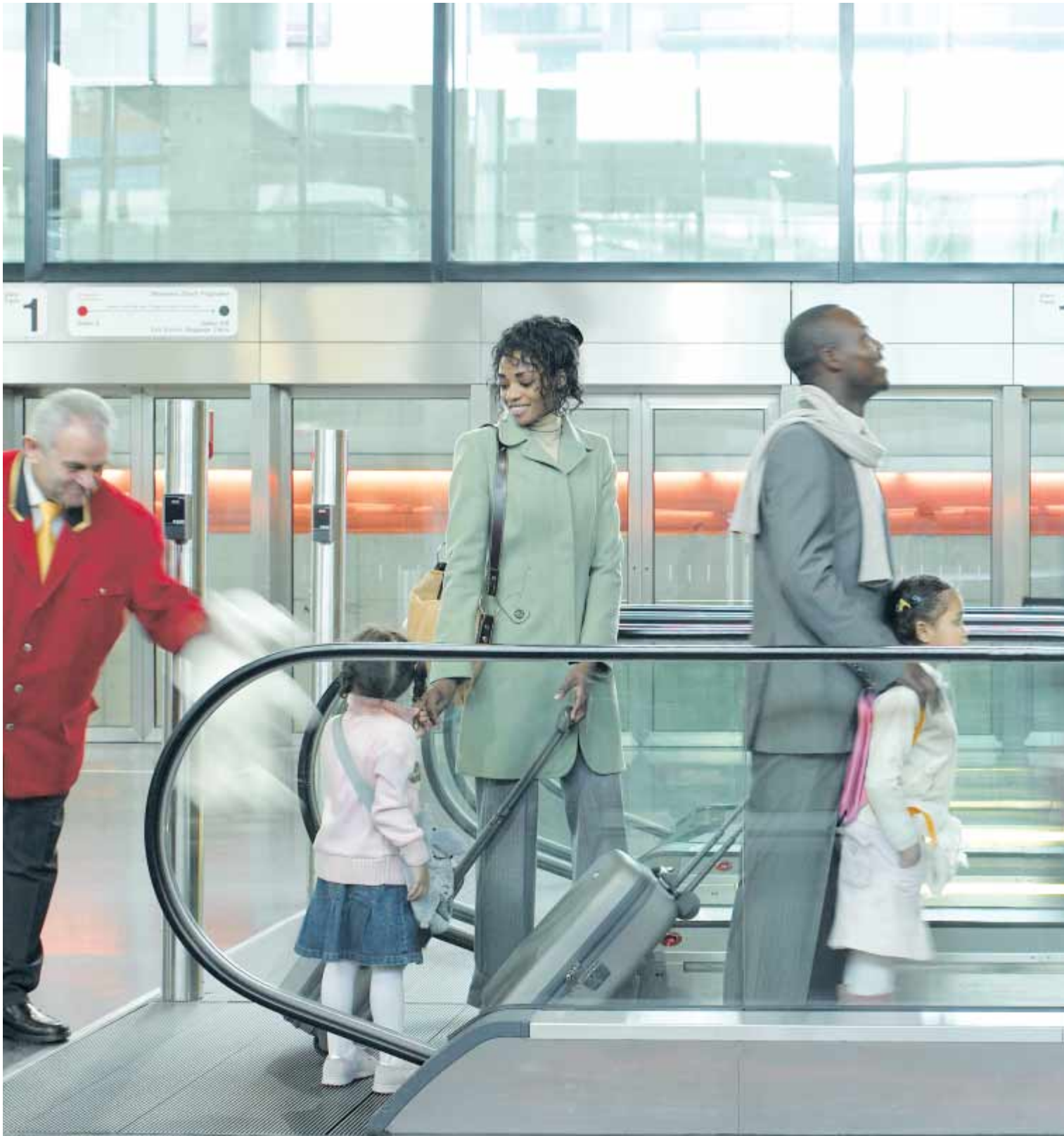




# Wherever you want to go.

You have a destination – we will take you there.  
Up and down, this way and that, back and forth.





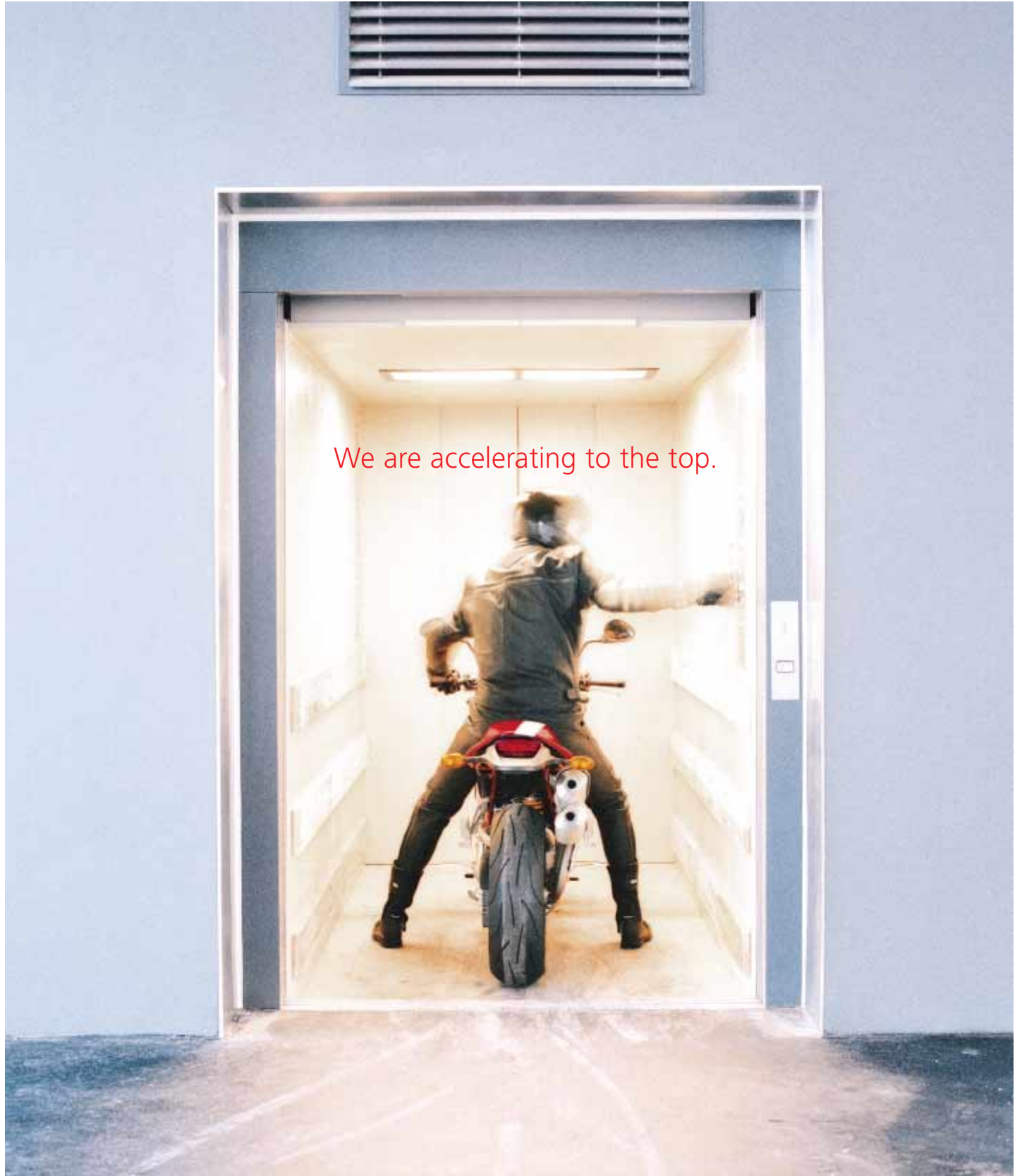
# On your way.

You can continue on your way.  
We ensure you keep moving with  
our 24-hour service.





# To the shareholders



# Statement of the Board of Directors

|   |   |          |
|---|---|----------|
| 1 | 2 | <b>3</b> |
| 4 | 5 | 6        |
| 7 | 8 | 9        |
|   | 0 |          |

To the shareholders

## A significant operational improvement

### Global economy positively impacts the construction industry

The development of the global economy was surprisingly positive in the reporting year – with economic growth led once again by China, followed by India, Eastern Europe and the Gulf region. Western Europe continued to achieve moderate growth, albeit with differences between individual countries. The US economy still proved robust. In Latin America, Brazil experienced a slight slowdown in growth, while the economies of Mexico and Chile expanded.

This economic environment underpinned demand in the construction industry and consequently had a positive impact on the elevators and escalators business worldwide. However, there has not yet been any reduction in the level of vacancies in commercial and high-rise buildings in various markets.

### Strengthening of market position

Thanks to its competitive products and global presence, Schindler was able to participate in growth in all market regions and strengthened its position across all market segments. Targeted acquisitions in Japan, the US, and Europe increased the density of its network in these markets. In the escalators business, Schindler further expanded its leading global position.

## Significant growth at Group level

### Operating revenue

Consolidated operating revenue rose 7.5% to CHF 8 870 million (previous year: CHF 8 254 million). In local currencies, an increase of 6.3% was recorded. Operating revenue benefited from positive exchange rate impacts of CHF 96 million.

The scope of consolidation was expanded to include several elevator companies in the US, Europe, and Asia. The impact of all first-time consolidations on operating revenue and operating profit was only 0.5% as the major acquisitions were effected in the second half of the year.

### **Operating profit**

Consolidated operating profit (EBIT) grew by 21.7% to CHF 634 million, reflecting continued operational improvements in the elevators and escalators business.

### **Net profit**

Net profit after taxes totaled CHF 401 million, up 21.9% versus the figure for the previous year.

### **Orders received**

Consolidated orders received totaled CHF 9 445 million, up 12.1% from CHF 8 428 million in the previous year. This corresponds to an increase of 10.9% in local currencies. The consolidated order backlog at end-2005 rose 34.4% versus the previous year to CHF 5 005 million (22.5% in local currencies) and included notable major orders.

### **Personnel numbers**

Personnel increased by 942 employees or 2.4% to 40 385 employees compared to end-2004. The number of personnel in the elevators and escalators business rose by 921, due primarily to acquisitions. Personnel at ALSO increased by a total of 21 employees.

### **Strong growth in the elevators and escalators business**

Orders received rose by 13.8% to CHF 7 447 million, compared to CHF 6 546 million in the previous year. In local currencies, an increase of 12.2% was recorded. All regions contributed to the strong level of orders received. The new installations business generated above-average growth of 21.3%.

Operating revenue grew from CHF 6 404 million to CHF 6 890 million. This corresponds to an increase of 7.6%, or 6.1% in local currencies. Operating profit (EBIT) rose by 24.4% to CHF 632 million. The EBIT margin improved by 1.3 percentage points to 9.2%.

This considerable improvement in results was achieved through pleasing growth and good advances in productivity, although business was negatively affected by various factors.

As a result of fierce competition in both the new installations business and the service segment, it was not possible to adequately offset increased energy and raw materials costs via price rises. Moreover, personnel costs in many countries were impacted once again by salary adjustments exceeding the rate of inflation, which had to be granted due to automatic increases in the standard wage in connection with collective labor agreements.

In addition, unexpected costs were incurred as a result of a 14-week labor dispute involving practically all of the major elevator companies in New York.

On the other hand, the new IFRS rule under which goodwill from acquisitions is no longer amortized had a positive impact of CHF 31 million on operating profit compared to the previous year.

In Europe, Schindler implemented its new IT platform and standardized business processes with which almost 70% of its business volume in Europe is now executed. The remaining companies will change over to the new platform and processes in the course of 2006.

Overall, the elevators and escalators business reported the best ever operating result in the history of the company.

### **Successful launch of innovative elevator systems**

In June, Schindler unveiled seven new elevator systems in Barcelona. The products were launched first in Europe and will be rolled out in other market regions from 2006 onwards. The new offering comprises an entire product portfolio for residential properties and smaller commercial buildings as well as the first standardized line of freight and special elevators. An elevator modernization and replacement program providing customized solutions was introduced at the same time. These new products underscore Schindler's powerful innovative capacity, which it systematically exploits in order to generate increased benefits for clients.

### **Opening of the world's largest escalator manufacturing plant**

In May, Schindler opened the world's largest escalator manufacturing plant, which has an annual production capacity of over 6 000 units, in Shanghai. Escalators are manufactured here using the very latest production method referred to as the Synchronous Production System. The new Schindler 9300 Advanced Edition escalator, which was unveiled in 2004, gained global recognition in the market during the reporting year. This success contributed significantly to the further expansion of Schindler's leadership position in the escalators business.

Schindler modified its Suzhou plant, which is now focused exclusively on the production of elevator systems. The new production line entered into operation during the reporting year and will supply the entire Asia region.

### **EU antitrust investigations**

As already communicated on several occasions over the last two years, the European Commission launched proceedings against various companies in the European elevator industry – including individual subsidiaries of the Schindler Group – in January 2004. On October 11, 2005, the companies concerned were presented with the Statements of Objections, which contain the findings of the investigations by the European Commission and state that infringements had occurred in a small number of EU countries in the past. However, no indications of pan-European collusion were found. The proceedings will continue after the companies have provided their response to the Statements of Objectives in the first quarter of 2006, as required. No specific sanctions have been imposed by the European Commission to date. The Commission will decide on this matter when it reaches its final judgment. As it is not possible to produce a reliable estimate of the financial implications of the proceedings at this point in time, no provisions were recorded in the reporting year. Schindler is continuing to cooperate fully with the European Commission and will provide the public with further information once a decision has been reached.

### **ALSO – difficult market environment**

Against the backdrop of a difficult market environment, the ALSO Group – which is active in the IT distribution and logistics services business – succeeded in consolidating its leading market position in Switzerland and gained further market share in Germany. ALSO increased its net sales by 6.9% to CHF 1 980 million (2004: CHF 1 852 million). Operating profit declined by 25.8% to CHF 23 million (2004: CHF 31 million). The decrease was primarily attributable to the strong erosion of prices and fiercer competition, as well as one-time exceptional costs of CHF 3 million. At CHF 17 million, net profit was also down from CHF 21 million in the previous year.

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

### **Changes in top management**

Emmanuel Altmayer, who was formerly responsible for Schindler France, was appointed to the Management Committee and assigned responsibility for the Asia/Pacific region by the Board of Directors. Effective January 1, 2006, he took over from Jürgen Tinggren, who – in his role as a member and Deputy to the President of the Management Committee – will focus on technology and supply management.

The Board of Directors and Dr. Clemens Kolbe, who joined the Group as a member of the Management Committee on January 1, 2005, decided to terminate the employment relationship by mutual consent as of October 18, 2005.

### **Schindler Holding Ltd.**

#### **Dividend**

Schindler Holding Ltd. closed the financial year 2005 with a net profit of CHF 177 million (previous year: CHF 133 million). The payment of a dividend of CHF 9.– per registered share and per bearer participation certificate will be proposed to the General Meeting on March 21, 2006.

#### **Repurchase program**

The program to repurchase a maximum of 10% of outstanding registered shares and bearer participation certificates, which was announced on February 28, 2002, has been extended to December 31, 2006. No registered shares or bearer participation certificates were repurchased during the reporting year.

### **Changes in the Board of Directors**

Prof. Dr. Dr. h.c. mult. Rolf Dubs, who had been a member of the Board of Directors since 1989, retired from the Board at the General Meeting 2005 upon reaching the statutory age limit. The Board of Directors would like to thank him for his many years of support in the management of the company. He made a significant contribution to the formulation and implementation of strategy through his powers of judgment and insight.

Prof. Dr. Pius Baschera was appointed a new member of the Board of Directors for a term of three years. Prof. Dr. Pius Baschera is president of the Management Committee of Hilti Corporation, Schaan, Principality of Liechtenstein.

### **Outlook**

#### **Elevators and escalators**

Global economic growth is likely to continue in 2006. There is uncertainty regarding the development of interest rates. A sharp rise in interest rates could lead to a price correction in the overheated real estate markets. In view of the ongoing fierce competition, it may remain difficult to offset inflation-related cost increases through price rises.

Continued and intensive measures to enhance productivity and reduce prices will therefore be essential. Schindler will further advance its efforts to reduce manufacturing depth by expanding its cooperation with strategic partners for the development and production of high-quality and cost-efficient components. In addition to these measures, the new product lines that will be launched in further markets in 2006, as well as the large order backlog, should lead to a further improvement in results.

#### **ALSO**

The IT market in Switzerland and Germany will not achieve any significant growth in value in the coming years. Both the erosion of prices and the difficult competitive situation are likely to continue in 2006. Thanks to the newly developed consumer electronics, high-end storage, IT consumables and logistics services businesses, ALSO has considerable growth potential in the field of distribution. It is therefore confident that it will be able to increase its sales and improve its result.



**Group**

Based on this assessment, and excluding any unforeseeable events, it is anticipated that Schindler will report significantly better net profit for the financial year 2006.

**Thank you**

Schindler's workforce of approximately 40 000 employees delivered an excellent performance last year. The Group's achievements in 2005 would not have been possible without the considerable commitment of its staff in all areas and at all levels of the company. The Board of Directors and the Management Committee would like to express their thanks to all employees for their efforts, as well as to all of Schindler's clients for their long-standing loyalty.



Alfred N. Schindler  
 Chairman of the Board  
 of Directors

Luc Bonnard  
 Vice Chairman of the Board  
 of Directors

# Elevators & Escalators

We will take you in all directions.



## General market trends

### Europe

The majority of countries in Western Europe displayed positive economic growth. The residential construction segment experienced volume growth while, at the same time, encountering severe pricing pressure. The over-capacities of office space were still not absorbed by the market, and the high-rise segment suffered from a lack of large-scale projects.

### North, Central, and South America

Broad-based economic growth in the US fuelled an increase in commercial construction, while vacancy rates for office space declined. In Brazil, high interest rates dampened growth in the elevator segment, while the already strong markets in Mexico and Chile continued to expand.

### Asia/Pacific

The countries in this region continued to achieve good growth, led by China. This rapid economic development resulted in increased levels of construction activity in most Asian countries. The exceptional growth in China was driven by large commercial construction projects and by residential construction, as well as by government-led infrastructure projects such as airports and subways.

### Eastern Europe, Middle East, India, and Africa (EMIA)

Countries in Eastern Europe benefited from strong foreign investment, which resulted in sustained growth in the residential and commercial segments. Russia, India and the Gulf region grew at a fast pace, while markets such as Israel, Egypt and Morocco stagnated. In South Africa, good growth was supported primarily by the residential segment and the modernization business.

## **Strong sales fuelled by sustained economic growth**

### **Europe**

#### **Innovative new product lines**

The highlight of the reporting year was the renewal of the entire product portfolio. In June 2005, Schindler launched not only the new passenger elevators Schindler 3300 and Schindler 5300 for residential and smaller commercial buildings but also the Schindler 6200 elevator modernization and replacement program. At the same time, Schindler unveiled the first standardized line of freight and special elevators, Schindler 2400, Schindler 2500, and Schindler 2600. These innovative products will provide Schindler with new competitive advantages.

Schindler participated successfully in the expansion of the residential segment with the Schindler Smart elevator and the new Schindler 3300 – thus maintaining its market position and consolidating its cost leadership.

In the fiercely competitive commercial segment, Schindler defended its good position in the high-end business in particular with the Schindler EuroLift.

The increased levels of demand in the elevator modernization business are driven mainly by the new EU Safety Norm for Existing Lifts (SNEL). Once this directive is incorporated into local legislation in the individual member states, all elevators that do not fulfill these standards will have to be upgraded. Although the member states are taking longer to implement the legislation than expected, the demand for elevator modernization solutions is growing rapidly. The new Schindler 6200 modernization program is targeted specifically at the needs of this market and allows for the customized modernization of elevators without cost-intensive modifications to the buildings concerned.

#### **Standardized business processes**

The transition to a standardized IT platform and the implementation of standardized business processes based on best demonstrated practices was successfully completed in the larger European subsidiaries. They have thus made a positive contribution to the enhancement of productivity.

### **North, Central, and South America**

In North America, Schindler increased its market share in the hydraulic elevator business – the largest segment of the elevator market – in terms of both volume and value and maintained its position as market leader in the escalator business. Moreover, as a result of the increased market penetration of the hall call destination system Miconic 10, Schindler advanced its position in the modernization business.

To support its growth in the service segment, Schindler also acquired four medium-sized service companies.

### **Modernized escalator production in Clinton**

Schindler celebrated the 15th anniversary of its escalator manufacturing plant in Clinton, North Carolina, USA, in 2005. The Synchronous Production System was recently implemented at the plant to optimize the escalator assembly process. This groundbreaking technology, as well as the launch of the new Schindler 9300 Advanced Edition, strengthened Schindler's leadership position in the escalator business.

### **Commitment to the environment**

All manufacturing plants in the US, the Center for Modernization and Logistics in Ohio and the R&D facilities and headquarters in New Jersey obtained ISO 14001 certification for their environmental management systems, reflecting Schindler's commitment to conducting its operations in an environmentally friendly manner. Schindler also received recognition from Lloyd's Register for 15 years of continuous ISO 9001 certification.

### **Leadership in Latin America**

Schindler maintained its good position in the residential segment and strengthened its position in the commercial segment with the highly functional and competitive Schindler 300 L elevator. The hall call destination system Miconic 10 became the benchmark for sophisticated vertical transportation systems, while Schindler's strong position in the escalator segment was enhanced by the launch of the Schindler 9300 Advanced Edition. Moreover, its new products for the highly competitive service segment helped Schindler to grow its customer base and enhance customer satisfaction.

## Asia/Pacific

### Gains in market share

Schindler achieved another excellent reporting year in Asia/Pacific, reflecting the favorable market environment. Sales grew more rapidly than the market, thus strengthening Schindler's position in the region. Its success was particularly evident in China, Hong Kong, Malaysia, Vietnam, and Indonesia. Moreover, Schindler secured several large projects in Macau, thus creating a good basis for its future growth. In South Korea, sales of high-rise elevators and escalators grew markedly despite the general market slowdown.

### Competitive products and services

The new products for residential and commercial buildings introduced over recent years made a significant contribution to Schindler's success.

In response to increased business volumes, a new production line for elevators was put into operation in Suzhou, China, at the end of 2005. This manufacturing plant, which is equipped with state-of-the-art technology, will supply the Asia region with high-quality products at competitive prices.

Schindler succeeded in further expanding its strong position in the high-rise segment as a result of a large number of landmark projects involving the Schindler 700 high-rise elevator in combination with the Miconic 10 hall call destination system and the Schindler ID access control system. Schindler's competitiveness in this segment was also further enhanced by the optimization of sourcing and logistics processes.

Schindler consolidated its leading position in the escalator industry through the launch of the new Schindler 9300 Advanced Edition and the opening of the world's largest escalator manufacturing plant in Shanghai, China, with an annual production capacity of over 6 000 units. The new product offers greater choice in terms of its design and features and can also be installed more rapidly.

### Expansion in Japan

Schindler acquired the Japanese elevator company Mercury Ascensore, a leading independent elevator and escalator maintenance provider. This acquisition will enable Schindler to substantially increase the network density of its maintenance portfolio.

### **Eastern Europe, Middle East, India, and Africa (EMIA)**

Against a backdrop of strong growth and sustained pricing pressure, Schindler strengthened its position in these markets in the reporting year and expanded its business through organic growth as well as acquisitions. The new logistics and service concept also contributed to its success.

#### **Expansion in new growth markets**

In Eastern Europe, Schindler successfully launched the new Schindler 3300 and Schindler 5300 passenger elevators for residential and smaller commercial buildings as well as the new Schindler 6200 modernization program. Overall, orders for new installations rose substantially. Schindler also expanded its leading position in the Czech market through the acquisition of the largest local provider, Eletec.

In Russia, the launch of the Schindler 700 high-rise elevator in Moscow represented an important milestone. Moreover, Schindler underlined its commitment to Russia by donating all of the elevators for Prof. Roshal's new pediatric hospital in Moscow. Schindler also introduced a scholarship program for students at the Bauman Moscow State Technical University.

In India, the increase in sales in the residential and commercial segments exceeded the already considerable level of market growth. Overall, Schindler strengthened its position in the elevator and escalator business.

In the Gulf region, Schindler secured a whole series of major orders for high-rise elevators. In particular, this included an order for 88 elevators and 148 escalators for the Dubai Mall – a new shopping center in Dubai. To further strengthen its market position in the Gulf, Schindler entered into a joint venture in Bahrain and also opened its own representative office in Dubai to service the entire region.

## **Outlook – Schindler is well positioned for future growth**

### **Europe**

In some countries within Western Europe, there are signs of a slowdown in the residential segment, while the commercial segment is expected to recover slowly. Strong pricing pressure is likely to continue or even increase. As a result of improved business and logistics processes, as well as the roll-out of new products, Schindler is well positioned to offer competitive solutions to customers.

### **North, Central, and South America**

The North American economy is expected to continue on its growth path – albeit at a slightly reduced level – thus allowing for the stable development of the construction industry, with variations between individual building segments. Latin America should achieve sustained growth. There is a clear trend in this region towards high-rise construction to meet demand in the residential segment. Schindler is confident that with its needs-oriented products and services, it will succeed in further strengthening and expanding its position in these markets.

### **Asia/Pacific**

With new production lines at its plants in Shanghai and Suzhou, as well as improved processes and new offerings, Schindler is well positioned to achieve strong growth in the coming years. The introduction of the new passenger elevators Schindler 3300 and Schindler 5300 in 2006 – combined with favorable market conditions in most countries – should allow Schindler to further expand its position in the Asia/Pacific region.

### **Eastern Europe, Middle East, India, and Africa (EMIA)**

Schindler expects to see excellent growth opportunities in the EMIA region going forward. With its own subsidiaries in the principal markets, its state-of-the-art products and its increased presence, Schindler is well positioned to capture the growth opportunities that arise.



## A quantum leap with innovative new elevator systems

Schindler launched a larger number of innovative solutions in the reporting year than ever before. In addition to renewing its entire product portfolio for residential and smaller commercial buildings, Schindler simultaneously launched the first standardized line of freight and special elevators, as well as an elevator modernization and replacement program.

These new products – which combine a high degree of reliability and tasteful design – underscore Schindler's powerful innovative capacity and its ability to develop mobility solutions that are both affordable and of high quality. They were launched first in Europe and will be rolled out in other markets in the coming years. These new elevator systems will provide Schindler with a key advantage in the fiercely competitive elevator industry.

## New and spacious passenger elevators

The newly launched passenger elevators – the Schindler 3100, Schindler 3300, and Schindler 5300 – have particularly spacious cars, offer virtual silence when moving and stopping, and feature an automatic evacuation system. In addition, customers can choose between various attractive modern designs.

## Increased customer benefits: more space, more comfort

Thanks to the innovative traction belts that replace the conventional steel cables, a smaller, space-saving drive can be used. This enables the dimensions of the elevator shaft to be used more effectively, thus allowing for a larger car that can transport up to five extra passengers. In addition, the compact control unit is installed directly in the standard elevator doorframes rather than in a control cabinet that would require additional space.

## Increased safety

Reflecting Schindler's commitment to high standards of safety and comfort, an automatic evacuation system has been included as a standard feature in the new elevators for the first time. In the event of a power failure, the elevator transports passengers safely to the next floor and the elevator doors open.

## New freight and special elevators: flexible, reliable, and durable

Schindler has launched the first standardized line of elevators in the freight and special elevators market segment that can also operate without a machine room: Schindler 2400, Schindler 2500, and Schindler 2600. This range replaces local product lines in Europe. The Schindler 2400 is designed as a service elevator for the transportation of people and goods in public and private buildings. The Schindler 2500 is geared specifically towards the transportation of beds and patients in hospitals and nursing homes. Meanwhile, the extremely robust Schindler 2600 freight elevator is capable of moving goods weighing up to 6.3 tons in warehouses and industrial premises.

The Group's Research & Development unit has a global network of research and development centers which are able to combine the economies of scale and volume of global products with the optimal fulfillment of regional requirements. As a result of this approach, it has been possible to achieve better market coverage while reducing the number of product lines in use worldwide – thus bringing the Group closer to its objective of cost leadership.

In addition, the use of multi-functional, global development teams enables the development costs themselves to be reduced. Development activities also focus on exhausting innovation potential since market-relevant innovations ensure the long-term competitiveness of the Group.

Research and development expenses of CHF 110 million (previous year: CHF 114 million) were reported in the Group financial statements.

### **Access control and traffic management**

The elevators can be fitted with the hall call destination system Miconic 10 if required by the customer. In combination with the Schindler ID access control system, customers can define access authorizations for each floor, specify trip priorities and optimize traffic management.

### **Environmentally friendly**

Customers are able to choose between two different systems: the traction elevator and the hydraulic elevator. Both systems display very good energy consumption values. Hydraulic elevators feature a unique drive system that drastically reduces energy consumption in comparison with a conventional hydraulic aggregate.

### **A new modernization and replacement program for customized solutions**

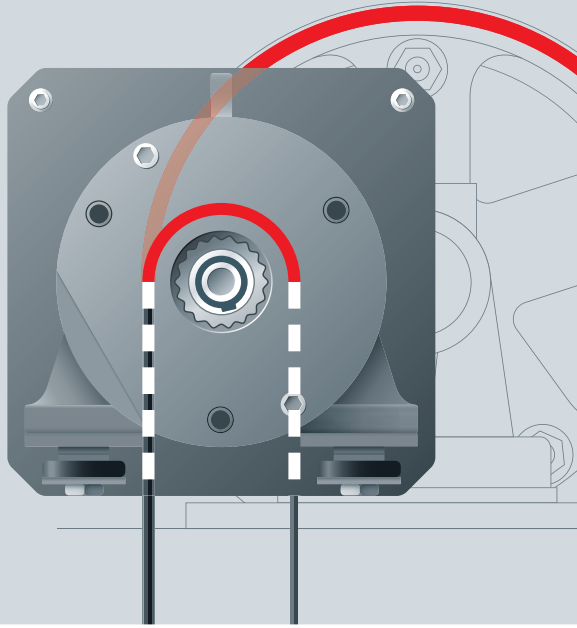
The EU has introduced a new safety directive for existing elevator installations (SNEL). Once this directive is incorporated into local legislation in the individual member states, any elevators that do not fulfill these standards will have to be upgraded. This is leading to a rapid increase in the demand for elevator modernization solutions. With the new Schindler 6200 product line, customers have the option of renewing individual components or replacing the entire installation. This technical solution ensures that the elevator system with the largest possible car can be adapted to the existing interfaces in the building to the nearest millimeter.

As a result, modifications to the existing elevator shaft are not usually necessary, thus saving the customer expensive reconstruction costs. Moreover, the program enables the modernization of the elevator to be completed more rapidly, while going almost unnoticed by residents.

### **Flexible technology**

Due to its gearless technology, the small and lightweight high-performance drive is more efficient than conventional drives. Moreover, the drive can be used in an installation with or without a machine room. It is constructed in a way that allows it to be positioned with maximum flexibility and adjusted in accordance with the dimensions of the elevator shaft. It is also more environmentally friendly due to the fact that no oil is required for the transmission.

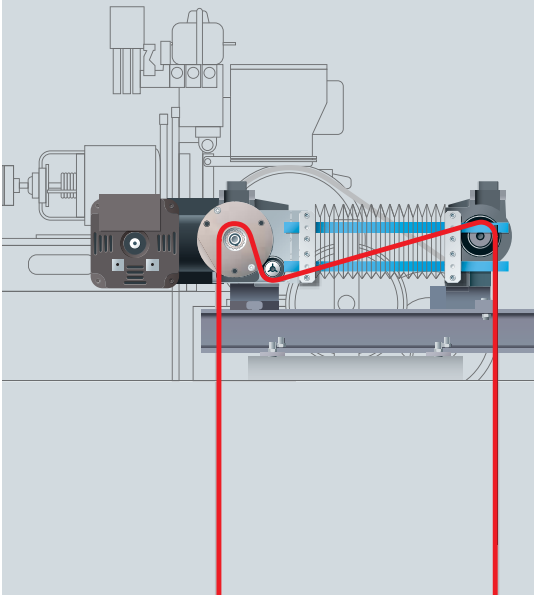
Use of a smaller, space-saving drive thanks to flexible traction belts



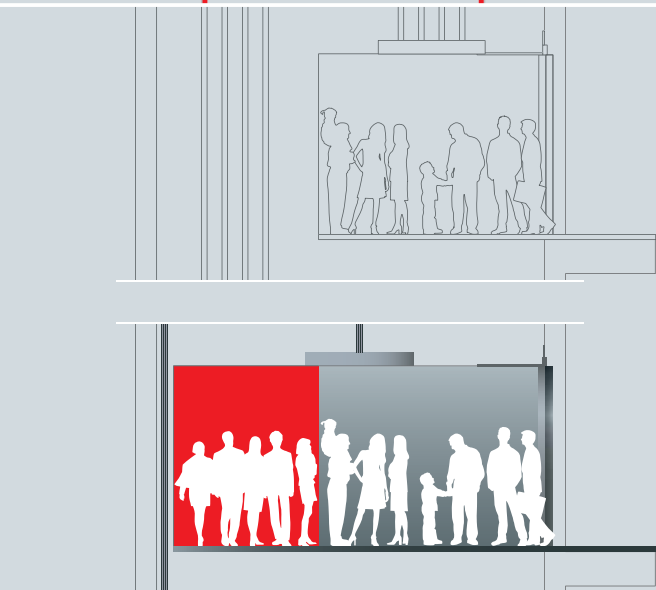
"Advanced mobility" was the motto of the launch event in Barcelona



Adaptations to the nearest millimeter in line with the dimensions of the existing shaft



The guests experienced the seven new elevator systems live



Better use of the shaft, thus increasing the transportation capacity



Exhibit from the new product line of standardized freight and special elevators

# Important orders

## Elevators & Escalators

### Europe

|                |  |  |
|----------------|--|--|
| <b>Austria</b> | City Center Stadion shopping mall, Vienna                        | 7 Schindler 5400 elevators, 8 Schindler 2600 elevators, 10 Schindler 9300 escalators, and 2 Schindler 9500 moving walks  |
|                | Leiner Mariahilf shopping mall, Vienna                           | 11 Schindler 9300 escalators   |
|                | Mirimi health center, St. Pölten                                 | 11 Schindler 5400 elevators  |
|                | Wiener Wohnen residential buildings, Vienna                      | Modernization of 103 elevators, including 7 Schindler 6200   |
| <b>Belgium</b> | Finance Tower office building, Brussels                          | 24 elevators, including 15 Schindler 700, 5 Schindler EuroLift, and 2 Schindler 2600, as well as 3 Schindler 9300 AE escalators                                  |
|                | U.Z. Gasthuisberg hospital, Leuven                               | 47 elevators   |
|                | AXA office building, Brussels                                    | 18 Schindler EuroLift elevators with Miconic 10  |
| <b>France</b>  | Toulouse metro system (line B)                                   | 73 elevators, including 63 Schindler 5400  |
|                | Cambon Capucine office building, Paris                           | 31 elevators, including 24 Schindler 5400, partly with Miconic 10  |
|                | Vesoul hospital, Vesoul  | 19 elevators, including 12 Schindler 5400/3400 and 5 Schindler 2500  |
|                | Vista Tower office building, Paris                               | Modernization of 9 elevators, including 6 Schindler 700 and 2 Schindler 5400   |
| <b>Germany</b> | Deutsche Bahn in various cities                                  | 55 Schindler 9700 escalators   |
|                | Siemens Wohnungsbaugesellschaft residential buildings, Erlangen  | 63 Schindler 3300 elevators  |
|                | Mövenpick Hotel Wasserturm Sternschanze, Hamburg                 | 8 elevators, including 3 Schindler 5400, 2 Schindler 5300, and 1 Schindler 2600, as well as 2 Schindler 9500 moving walks  |
|                | Südermarkt Passage shopping mall, Flensburg                      | 11 elevators, including 3 Schindler 2400, 5 Schindler 2600, and 3 Schindler 5400, as well as 14 escalators   |
|                | Hypovereinsbank office building, Munich                          | Modernization of 8 Schindler 700 elevators   |
| <b>Greece</b>  | Ethniki Asfalistikí (National Insurance) office building, Athens | 17 Schindler EuroLift elevators and 4 hydraulic elevators with Miconic 10 and Lobby Vision   |
|                | Yen (Ministry of Commercial Shipping) office building, Athens    | 10 elevators, including 7 Schindler EuroLift   |
|                | Aktor (construction company) office building, Athens             | 6 Schindler EuroLift elevators   |
| <b>Iceland</b> | IKEA store, Gardabaer  | 2 Schindler 2400 elevators, 2 Schindler 2600 elevators, and 1 Schindler 9300 escalator   |
|                | Dalshraun 1 office building, Hafnarfjörður                       | 2 Schindler EuroLift elevators   |
| <b>Ireland</b> | Allied Irish Bank, Dublin  | 9 elevators  |
|                | Riverside IV office development, Dublin                          | 14 Schindler EuroLift elevators  |
| <b>Italy</b>   | 5 cruise ships built by Fincantieri                              | 152 elevators and 26 Schindler 9300 escalators   |
|                | Latina Towers residential buildings, Latina-Rome                 | 9 Schindler 700 elevators  |
|                | Airone shopping mall, Alexandria-Turin                           | 12 elevators, including 9 Schindler EuroLift, 1 Schindler 2600 and 1 Schindler 5300, as well as 4 Schindler 9500 moving walks and 4 Schindler 9300 AE escalators |
|                | Grand Hotel Molino Stucky, Isola della Giudecca-Venice           | 20 Schindler EuroLift elevators and 1 Schindler 5300 elevator  |
|                | Hachette Rusconi Spa office building, Milan                      | Modernization of 7 elevators with Miconic TX   |

**Europe**

|                       |   |  |
|-----------------------|---|--|
| <b>Malta</b>          | Cruise liner terminal, Valletta waterfront  | 3 Schindler 9300 escalators and 2 Schindler 3300 elevators   |
| <b>Netherlands</b>    | Vivaldi office building, Amsterdam  | 10 elevators, including 3 Schindler 500, 3 Schindler 700, and 4 Schindler EuroLift                           |
|                       | Spuimarkt complex, cinema and restaurants, The Hague                                  | 17 Schindler 9300 escalators and 6 elevators   |
|                       | De Meent shopping mall, Papendrecht   | 12 Schindler EuroLift elevators, 4 Schindler 9300 escalators, and 2 Schindler 9500 moving walks              |
|                       | Piet van Dommelenhuis office building, Utrecht  | Modernization of 6 elevators with Miconic 10   |
| <b>Norway</b>         | St. Olav hospital, Trondheim  | 18 Schindler 2500 elevators  |
| <b>Portugal</b>       | Funchal Centrum shopping mall and residential building, Madeira                       | 23 Schindler EuroLift elevators, 6 Schindler 9500 moving walks and 4 Schindler 9300 escalators               |
|                       | Jardins do Mondego residential buildings, Coimbra                                     | 45 Schindler 3300 elevators  |
| <b>Spain</b>          | Torre Sacyr Vallehermoso, office building and hotel, Madrid                           | 25 elevators, including 19 Schindler 700 and 6 Schindler EuroLift, as well as 6 Schindler 9300 AE escalators |
|                       | Hotel Habitat Sky, Barcelona  | 13 elevators, including 6 Schindler 700, 6 Schindler EuroLift, and 1 hydraulic platform                      |
|                       | Ramón y Cajal hospital, Madrid  | Modernization of 3 elevators   |
| <b>Sweden</b>         | Vällingby Centrum shopping mall, Stockholm  | 10 Schindler 9300 escalators   |
|                       | KV Kryssningen residential building, Stockholm  | 8 Schindler EuroLift elevators   |
| <b>Switzerland</b>    | Philip Morris International office building, Lausanne                                 | 15 elevators, including 12 Schindler EuroLift and 1 Schindler 3300, as well as 14 Schindler 9300 escalators  |
|                       | La Maladière shopping mall, Neuchâtel   | 9 elevators, including 5 Schindler EuroLift, as well as 4 Schindler 9300 escalators                          |
|                       | Migros Limmatplatz shopping mall, Zurich  | Modernization of 10 elevators with Schindler ID  |
|                       | Kantonsspital hospital, Aarau   | Modernization of 8 elevators   |
|                       | Les Retraites Populaires (CPEV, CIP, PR Vie), various residential buildings, Lausanne | Modernization of 75 elevators  |
| <b>United Kingdom</b> | High Wycombe Town Center Redevelopment, shopping mall, High Wycombe                   | 23 elevators and 4 Schindler 9300 escalators   |
|                       | Hardman Square office development, Manchester   | 14 elevators   |
|                       | Sheraton Park Hotel, London   | Modernization of 3 elevators with Schindler ID   |
|                       | Adelaide House office building, London  | Modernization of 4 elevators with Schindler ID   |

UNA Hotel Malpensa; Cerro Maggiore, Italy



BI Campus, School of Management; Oslo, Norway



Mondrian office building; Brussels, Belgium

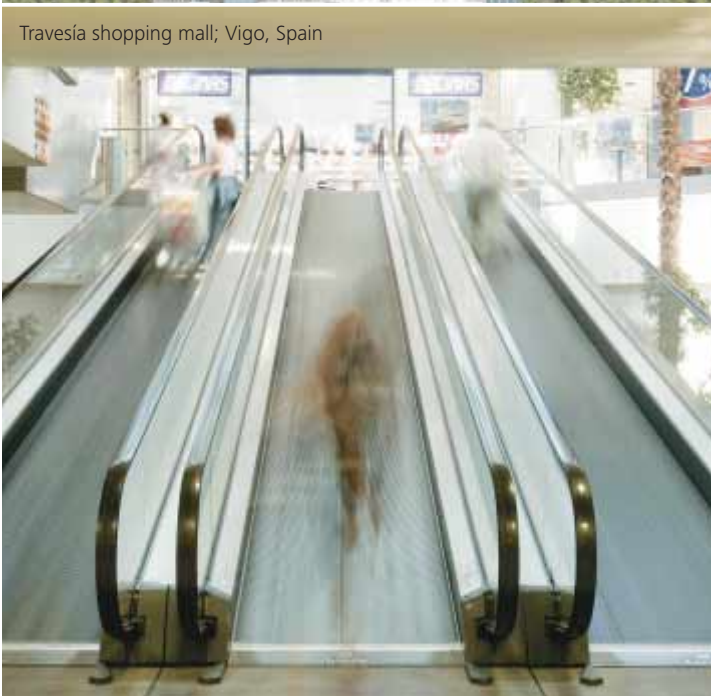
Torre Espacio; Madrid, Spain



Business School; Copenhagen, Denmark



Travesía shopping mall; Vigo, Spain



Ethniki Asfalistikí office building; Athens, Greece



**North, Central, and South America**

|                       |  |   |
|-----------------------|--|---|
| <b>USA</b>            | Macy's department stores at various locations  | Maintenance contract for 267 elevators  |
| <b>California</b>     | 333 Market Street office building, San Francisco   | Modernization of 15 elevators with Miconic TX, including<br>12 elevators with Schindler ID and 1 elevator with Miconic HXpress  |
|                       | 101 West Broadway office building, San Diego   | Modernization of 8 elevators with Miconic TX  |
| <b>Florida</b>        | Bellago Condominium Complex residential building, Cape Coral   | 48 Schindler 330 A elevators  |
| <b>Georgia</b>        | Turner Properties buildings, including a hotel, stadium,<br>television studio, and office buildings, Atlanta | Maintenance contract for 67 elevators and 17 escalators   |
| <b>Illinois</b>       | Chicago Board of Trade office building, Chicago  | Modernization of 23 elevators with Miconic TX   |
|                       | Hollywood Towers office building, Chicago  | Modernization of 8 elevators  |
|                       | Leo Burnett office building, Chicago   | Maintenance contract for 28 elevators   |
| <b>Michigan</b>       | Guardian office building, Detroit  | Modernization of 6 elevators  |
|                       | Hurley Hospital, Flint   | Maintenance contract for 30 elevators   |
| <b>Minnesota</b>      | 3M office building, St. Paul   | Maintenance contract for 99 elevators and 30 escalators   |
| <b>Nevada</b>         | World Market Center shopping mall, Las Vegas   | 9 Schindler 500 A elevators and 32 Schindler 9300 AE escalators   |
|                       | Clark County office building and other county facilities, Las Vegas  | Maintenance contract for 44 elevators and 4 escalators  |
| <b>New York</b>       | Bank of America Tower at One Bryant Park<br>office building, New York  | 52 elevators, including 35 Schindler 700 elevators with Schindler ID and<br>6 Schindler 500 A elevators with Schindler ID, 3 geared service elevators,<br>8 hydraulic elevators, and 3 Schindler 9300 AE escalators |
|                       | Citicorp office building, New York   | Modernization of 28 elevators with Miconic TX   |
|                       | 315 Park Avenue South office building, New York  | Modernization of 10 elevators with Miconic 10   |
|                       | Lefrak Organization office building, Queens  | Modernization of 12 elevators with Miconic TX   |
|                       | Associated Press office building, 50 Rockefeller Plaza, New York   | Modernization of 8 elevators with Miconic TX  |
|                       | Eastman Kodak office building, Rochester   | Maintenance contract for 260 elevators  |
|                       | Times Square Tower office building, New York   | Maintenance contract for 26 Schindler 500 A elevators with Miconic 10   |
| <b>North Carolina</b> | Progress Energy office building, Raleigh   | Modernization of 10 elevators with Miconic TX   |
| <b>Ohio</b>           | Kettering Tower office building, Dayton  | Maintenance contract for 15 elevators   |
| <b>Pennsylvania</b>   | USX Tower office building, Pittsburgh  | Maintenance contract for 54 elevators and 11 escalators   |
| <b>Virginia</b>       | 7799 Leesburg Pike office building, Falls Church   | Modernization of 10 elevators with Miconic TX   |
|                       | International Place office building, Arlington   | Modernization of 6 elevators with Miconic TX  |
| <b>Washington</b>     | JW Marriott Hotel, Washington DC   | Modernization of 6 elevators with Miconic 10  |
|                       | 1800 M Street office building, Washington DC   | Modernization of 12 elevators with Miconic TX   |
|                       | Judiciary Plaza office building, Washington DC   | Modernization of 10 elevators with Miconic TX   |



## North, Central, and South America

|                  |  |   |
|------------------|--|---|
| <b>Canada</b>    | Canadian Tire/Best Buy shopping mall, Vancouver                        | 5 Schindler 330 A elevators, 2 Schindler 9300 escalators, and 2 Schindler 9500 moving walks |
|                  | Eaton Center shopping mall, Toronto                                    | 11 Schindler 9300 escalators  |
|                  | Rideau Center shopping mall, Ottawa                                    | 11 Schindler 9300 escalators  |
|                  | Village by the Grange residential buildings, Toronto                   | Modernization of 16 elevators   |
|                  | O.I.S.E./University of Toronto   | Modernization of 6 elevators  |
| <b>Argentina</b> | Torres Mirabilia residential building, Palermo Hollywood, Buenos Aires | 10 Schindler 700 elevators  |
|                  | Torres del Mirador residential building, Puerto Madero, Buenos Aires   | 10 elevators, including 8 Schindler 310 L elevators   |
|                  | Swiss Medical hospital, Palermo Hollywood, Buenos Aires                | 11 elevators  |
|                  |  |   |
| <b>Brazil</b>    | Le Parc and Le Monde office and residential buildings, Rio de Janeiro  | 67 Schindler Smart MRL 002 L elevators and 30 Schindler 300 L elevators                     |
|                  | Instituto Luso Brasileiro de Educação e Cultura, São Paulo             | 27 Schindler 9300 escalators and 5 Schindler 300 L elevators                                |
|                  | Companhia Paulista de Obras e Serviços government building, São Paulo  | Modernization of 21 elevators   |
|                  | Tribunal Regional Federal government building, São Paulo               | Modernization of 8 Schindler 500 L elevators  |
| <b>Chile</b>     | Corpgroup office building, Las Condes                                  | 6 elevators with Miconic 10   |
|                  | CCU office building, Las Condes  | 8 elevators with Miconic 10   |
|                  | Mistral office building, Las Condes                                    | 6 elevators with Miconic 10   |
|                  | Codelco Chile office building, Santiago                                | Modernization of 4 elevators with Miconic 10  |
|                  | Araucano office building, Las Condes                                   | 8 elevators with Miconic 10   |
| <b>Mexico</b>    | Parque Lindavista shopping mall, Mexico City                           | 8 Schindler EuroLift elevators and 22 Schindler 9300 escalators                             |
|                  | Sunrise Hotel, Riviera Maya  | 14 Schindler Smart MRL 002 elevators and 4 Schindler 330 A elevators                        |
|                  | Palacio de Justicia office building, Puebla                            | 11 Schindler 700 elevators with Miconic 10 and 1 Schindler EuroLift elevator                |
|                  | Woolworth Stores shopping malls in several cities                      | 21 Schindler 9300 escalators  |
|                  | Wal-Mart shopping malls in several cities                              | 8 Schindler 9500 moving walks   |
| <b>Venezuela</b> | Tren a Los Valles del Tuy railroad, Caracas                            | 17 Schindler EuroLift elevators and 10 Schindler 9700 escalators                            |
|                  | Caracas Modernization project, Caracas                                 | 52 Schindler 9700 escalators  |
|                  | Orinokia Mall shopping mall, Puerto Ordaz                              | 4 Schindler 510 L elevators and 4 Schindler 9300 escalators                                 |
|                  | Maracaibo metro system, Maracaibo                                      | 12 Schindler 9300 escalators  |
|                  | Cardiológico Infantil hospital, Caracas                                | 8 Schindler 510 L elevators   |



HSBC Tower office building;  
Mexico City, Mexico



Alta Vila Center Class shopping mall;  
Belo Horizonte/MG, Brazil



Reliant football stadium; Houston, Texas, USA



**Asia/Pacific**

|                  |   |   |
|------------------|---|---|
| <b>Australia</b> | Parramatta Rail Link railroad infrastructure, Sydney                                | 37 Schindler 9300 escalators and 5 Schindler 9700 escalators  |
|                  | Perth Law Courts, Perth   | 14 elevators, including 10 Schindler 300 P and 4 hydraulic elevators  |
|                  | Waterpoint, Stages 4&5, residential building, Sydney                                | 9 Schindler 300 P MRL elevators and 2 hydraulic elevators   |
| <b>China</b>     | Xiamen MingFa commercial building, Xiamen   | 83 Schindler 9300 escalators  |
|                  | Pazhou Shangri-La Hotel, Guangzhou  | 19 elevators, including 12 Schindler 700, 5 Schindler 300 PCL, 1 Schindler 300 P MRL, and 1 Schindler 80 L, as well as 4 Schindler 9300 escalators  |
|                  | Nanjing International Plaza office building and shopping mall, Nanjing              | 14 Schindler 700 elevators  |
|                  | Plaza 66, Phase 2, shopping mall and office building, Shanghai                      | 23 Schindler 700 elevators  |
|                  | Chemsunny Plaza office building, Beijing  | 36 elevators, including 26 Schindler 700, 4 Schindler 300 P MRL, and 6 Schindler 300 PGL, as well as 4 Schindler 9300 AE escalators   |
|                  | Danang business center and shopping mall, Shanghai                                  | 50 elevators, including 28 Schindler 300 P MRL, 7 Schindler 300 PCL, 12 Schindler 300 P MMR, and 3 Schindler 80 L, as well as 46 Schindler 9300 escalators and 12 Schindler 9500 moving walks |
|                  | Laiyang Sunshine City residential buildings, Shandong                               | 64 Schindler Elegant MRL elevators  |
| <b>Hong Kong</b> | Union Square, International Commerce Center   | 83 elevators, including 53 Schindler 700 elevators with Miconic 10, of which 40 are double-deck elevators, as well as 41 Schindler 9300 escalators  |
|                  | Enterprise Square Five office building  | 48 Schindler 9300 escalators, 4 Schindler 9700 escalators, 2 Schindler 9500 moving walks, and 2 elevators   |
|                  | Tiu Keng Leng Station Development residential buildings                             | 25 elevators, including 8 Schindler 700 and 12 Schindler 500 P  |
|                  | NKIL Wang Tai Road office building  | 4 Schindler 9300 escalators and 16 elevators, including 12 Schindler 700, 2 Schindler 500 P, and 2 Schindler 300  |
|                  | Ocean Centre retail area  | 18 Schindler 9300 escalators  |
| <b>Indonesia</b> | Senayan City shopping mall, hotel, office and residential building, Jakarta         | 69 Schindler 9300 escalators and 28 elevators, including 8 Schindler 500 P, 19 Schindler 300 P, and 1 Schindler 300 P MRL   |
|                  | Grand Indonesia shopping mall, Jakarta  | 156 Schindler 9300 escalators   |
|                  | BSD Junction – Serpong shopping mall, Tangerang                                     | 26 Schindler 9300 escalators and 1 Schindler 80 elevator  |
|                  | Plaza Ambarrukmo shopping mall, Yogyakarta  | 20 Schindler 9300 escalators, 6 Schindler 9500 moving walks, and 7 Schindler 300 P elevators  |
|                  | Serpong Town Square shopping mall, residential buildings and office park, Tangerang | 14 elevators, including 4 Schindler Elegant MRL, 8 Schindler 300 P, and 2 Schindler 800, as well as 20 Schindler 9300 escalators, and 4 Schindler 9500 moving walks                           |
| <b>Japan</b>     | 13 stations on the Nippori Toneri line, Tokyo                                       | 65 Schindler 9300 escalators  |
|                  | Kumamoto University Hospital, Kumamoto  | 8 elevators, including 6 Schindler 300 J MRL, as well as 2 Schindler 9300 escalators  |
|                  | Midori Higashi-Osaka shopping mall, Osaka   | 9 Schindler 9500 moving walks   |
| <b>Korea</b>     | Korea National Housing Corporation APT residential buildings, Euiwang               | 179 Schindler 250 K elevators   |
|                  | Various Lotte Mart hypermarkets, nationwide   | 83 Schindler 9500 moving walks, 2 Schindler 9300 escalators, and 25 Schindler 250 K elevators   |
|                  | Homeplus shopping mall, Kimje   | 30 Schindler 9500 moving walks and 9 Schindler 250 K elevators  |
|                  | Daewoo Construction high-rise commercial building, Seoul                            | 10 Schindler 700 elevators and 2 Schindler 9300 escalators  |
|                  | Hanil Uni residential buildings, Busan  | 9 Schindler 700 elevators and 11 Schindler 250 K elevators  |

**Asia/Pacific**

|                    |   |   |
|--------------------|---|---|
| <b>Macau</b>       | Venetian Hotel  | 74 elevators, including 35 Schindler 300 P, as well as 42 Schindler 9300 escalators   |
|                    | Grand Lisboa Hotel and Casino   | 44 Schindler 9300 escalators and 41 elevators, including 20 Schindler 300 P MRL, 6 Schindler 500 P and 6 Schindler 700  |
|                    | Nova Taipa Gardens residential buildings, Phase II  | 22 Schindler 300 P elevators  |
| <b>Malaysia</b>    | KL Pavilion complex including a hotel, offices, and apartments, Kuala Lumpur, Peninsular Malaysia | 102 Schindler 9300 escalators and 72 elevators, including 47 Schindler 300 P, 2 Schindler 300 P MRL, and 23 Schindler 500 P   |
|                    | Shin Yang shopping mall, Kuching, East Malaysia   | 18 Schindler 9300 escalators and 3 elevators  |
|                    | M Resources office building, Kuala Lumpur, Peninsular Malaysia                                    | 15 elevators, including 5 Schindler 500 P and 3 Schindler 300 P MRL   |
|                    | Capital Retail office building, Kuala Lumpur, Peninsular Malaysia                                 | 12 Schindler 300 P MRL elevators and 12 Schindler 9300 escalators   |
|                    | Bank Negara office building, Kuala Lumpur, Peninsular Malaysia                                    | 23 elevators, including 20 Schindler 300 P MRL and 3 Schindler 9300   |
| <b>New Zealand</b> | Maritime Office Tower office building, Wellington   | 4 Schindler 500 P elevators with Miconic 10 and Schindler ID  |
|                    | Precinct Apartments residential building, Auckland  | 5 elevators, including 3 Schindler 300 P elevators  |
|                    | Auckland School of Business, Auckland University  | 8 Schindler 300 P MRL elevators   |
| <b>Philippines</b> | Marquinton Residences residential building, Manila  | 8 Schindler 300 P MRL elevators   |
| <b>Singapore</b>   | Fusionpolis complex including offices, a shopping mall and apartments                             | 38 elevators, including 4 Schindler 300 P, 2 Schindler 300 P MRL, 17 Schindler 500 P, 13 Schindler 700, and 2 Schindler 80, as well as 12 Schindler 9300 escalators and 2 Schindler 9500 moving walks |
|                    | Robertson Quay condominium  | 19 Schindler 300 P MRL elevators  |
|                    | Bukit Batok Crescent office building  | 11 elevators, including 5 Schindler 300 P, 2 Schindler 300 P MRL, and 4 Schindler 80  |
| <b>Taiwan</b>      | IKEA store, Hsin Chuang   | 8 Schindler 9300 escalators, 7 Schindler 9500 moving walks, and 14 elevators  |
|                    | Shi-Pai Motel, Taipei   | 24 elevators  |
|                    | Tesco retail store, Taichung  | 8 elevators and 11 Schindler 9500 moving walks  |
|                    | IKEA store, Kaohsiung   | 12 elevators, 6 Schindler 9300 escalators, and 4 Schindler 9500 moving walks  |
| <b>Thailand</b>    | IMPACT Challenger exhibition and convention center, Bangkok                                       | 11 elevators, including 5 Schindler Elegant MRL, and 2 Schindler 300 P MRL, as well as 14 Schindler 9300 escalators and 2 Schindler 9500 moving walks   |
|                    | Bank of Thailand office building, Bangkok   | 16 Schindler 300 P MRL elevators and 2 Schindler 9300 escalators  |
|                    | HomePro retail store, Hua Hin, Prachuap Khiri Khan  | 8 elevators, including 5 Schindler Elegant MRL, as well as 14 Schindler 9300 escalators and 4 Schindler 9500 moving walks   |
| <b>Vietnam</b>     | Viet Hung Residential & Management Office, office and residential buildings, Hanoi                | 27 Schindler 300 P MRL elevators  |
|                    | Ciputra Apartment residential building, Hanoi   | 19 elevators, including 11 Schindler 300 P and 8 Schindler 300 P MRL  |
|                    | Sky Garden residential buildings, Ho Chi Minh City  | 18 Schindler Elegant MRL elevators  |
|                    | Grand View residential buildings, Ho Chi Minh City  | 11 Schindler 300 P MRL elevators  |
|                    | My Duc Apartment residential building, Ho Chi Minh City   | 30 Schindler 300 P MRL elevators  |

Aurora office building; Taipei, Taiwan



Central World Tower; Bangkok, Thailand



National Pension Corporation office building;  
Busan, South Korea



Poly International Plaza office building;  
Guangzhou, China



International Center, side towers;  
Nanjing, China



**Eastern Europe, Middle East, India, and Africa (EMIA)**

|                       |   |   |
|-----------------------|---|---|
| <b>Algeria</b>        | CNEP Immob residential buildings, Constantine                   | 6 Schindler EuroLift elevators  |
| <b>Croatia</b>        | Antunovic shopping mall, Zagreb                                 | 6 Schindler EuroLift elevators and 4 Schindler 9300 AE escalators                                 |
| <b>Czech Republic</b> | Novà Liboc residential buildings, Prague                        | 17 Schindler 3300 elevators   |
|                       | Several stations in the Prague metro system                     | 12 Schindler 9300 escalators  |
|                       | Court House Na Micánkách office building, Prague                | 24 Schindler EuroLift elevators   |
|                       | Galerie Nové Butovice shopping mall, Prague                     | 7 elevators and 8 Schindler 9500 moving walks   |
| <b>Egypt</b>          | American University, Cairo                                      | 27 Schindler 300 P MRL elevators  |
|                       | Borg El Arab football stadium, Alexandria                       | 8 Schindler EuroLift elevators  |
|                       | Semiramis Hotel, Cairo  | 2 Schindler 9300 escalators   |
|                       | Al Ahram Canadian University, Cairo                             | 4 elevators, including 1 Schindler EuroLift   |
| <b>Gulf region</b>    | Al Bassam Tower residential building, Dubai                     | 4 Schindler 500 P elevators and 1 Schindler 700 elevator  |
|                       | Capital Tower hotel and office building, Dubai                  | 12 Schindler 700 elevators and 9 Schindler 500 elevators  |
|                       | Damas Tower office building, Dubai                              | 10 Schindler 500 P elevators  |
|                       | Bahrain Financial Harbour office building, Bahrain              | 12 Schindler 700 elevators and 10 Schindler 500 P elevators                                       |
|                       | Al Jazira Tower office building, Abu Dhabi                      | 14 elevators, including 10 Schindler 700 elevators  |
|                       | Universal Tower office building, Kuwait                         | 4 Schindler 500 P elevators   |
| <b>Hungary</b>        | Rákoskeresztúri Piac residential buildings, Budapest            | 12 Schindler Smart MRL 001 elevators  |
|                       | Cédrus Lakópark residential buildings, Veszprém                 | 10 Schindler 3300 elevators   |
|                       | Köbánya Újhegy Lakásszövetkezet residential buildings, Budapest | Modernization of 10 elevators   |
|                       | Kaposi Mór Kórház Hospital, Kaposvár                            | Modernization of 9 elevators  |
| <b>India</b>          | Delhi Metro Rail Corporation (DMRC), line 3, New Delhi          | 38 Schindler 9700 escalators  |
|                       | Patni IT Park commercial building, Mumbai                       | 28 elevators, including 25 Schindler 100 P MRL and 3 Schindler Smart MRL 002                      |
|                       | Greenwoods residential buildings, Mumbai                        | 24 Schindler Smart MRL 002 elevators  |
|                       | Hotel Sahara Star, Mumbai                                       | Replacement of 13 elevators with 2 Schindler 100 P elevators and 11 Schindler 300 P MRL elevators |
| <b>Israel</b>         | Modisoft Tower residential building, Ramat Gan                  | 4 elevators with Miconic 10   |
|                       | Tmarim Tower residential building, Ramat Gan                    | 4 elevators with Miconic 10   |
|                       | Al Towers residential buildings, Tel Aviv                       | 8 elevators with Miconic 10   |
| <b>Kenya</b>          | UAP Insurance office building, Nairobi                          | 3 Schindler 300 P MRL elevators with Miconic 10   |
|                       | Landmark Plaza office building, Nairobi                         | 3 Schindler 300 P MRL elevators with Miconic 10 and 1 Schindler 300 P elevator                    |
| <b>Lebanon</b>        | Rabah Jaber Group residential building, Beirut                  | 8 elevators, including 6 Schindler Smart MRL 002 DE   |
| <b>Libya</b>          | GCC residential buildings, Tripoli                              | 8 Schindler EuroLift elevators  |
| <b>Macedonia</b>      | Ramstore shopping mall, Skopje                                  | 3 Schindler EuroLift elevators, 6 Schindler 9300 AE escalators and 2 Schindler 9500 moving walks  |



## Eastern Europe, Middle East, India, and Africa (EMIA)

|                                |   |   |
|--------------------------------|---|---|
| <b>Morocco</b>                 | Tanger football stadium, Tanger                       | 12 Schindler EuroLift elevators and 10 Schindler 9300 escalators  |
|                                | Bank el Maghrib office building, Marrakech            | 6 Schindler EuroLift elevators  |
|                                | Résidences du Gold residential buildings, Bouznika    | 28 Schindler Smart 001 elevators  |
| <b>Poland</b>                  | Arkady Wroclawskie shopping mall, Wroclaw             | 17 elevators, including 10 Schindler 2600 and 7 Schindler EuroLift, as well as 27 Schindler 9300 escalators and 2 Schindler 9500 moving walks |
|                                | Hotel Hilton, Warsaw                                  | 11 elevators, including 5 Schindler EuroLift, as well as 2 Schindler 9300 escalators  |
|                                | Lublin Plaza shopping mall, Lublin                    | 4 Schindler 9500 moving walks, 10 Schindler 9300 escalators, and 4 Schindler EuroLift elevators   |
|                                | Wislane Ogrody residential buildings, Warsaw          | 18 Schindler EuroLift elevators   |
|                                | Cirrus office building, Warsaw                        | 6 Schindler EuroLift elevators  |
|                                | Eko Park D2 residential buildings, Warsaw             | 10 Schindler Smart 002 DE elevators   |
| <b>Russia</b>                  | Ramstore Vernadskogo commercial building, Moscow      | 20 Schindler EuroLift elevators, 20 Schindler 9300 AE escalators, and 8 Schindler 9500 moving walks   |
|                                | Strabag Starovolynskaya residential buildings, Moscow | 23 Schindler 300 MRL elevators  |
|                                | Ramstore Sevastopolsky commercial building, Moscow    | 6 Schindler EuroLift elevators, 8 Schindler 9300 AE escalators, and 4 Schindler 9500 moving walks   |
|                                | Adamant shopping mall, St. Petersburg                 | 12 Schindler EuroLift elevators   |
|                                | Opera shopping mall, St. Petersburg                   | 5 elevators, including 4 Schindler EuroLift, as well as 6 Schindler 9300 escalators   |
| <b>Senegal</b>                 | Cita 1000 office building, Dakar                      | 4 Schindler 300 P MRL elevators and 4 Schindler 9300 escalators   |
| <b>Serbia &amp; Montenegro</b> | Belgrade Airport                                      | 8 Schindler 9300 AE escalators  |
| <b>Slovakia</b>                | City Bratislava Center commercial center, Bratislava  | 13 elevators, including 6 Schindler 700 and 7 Schindler EuroLift  |
|                                | Coop Jednota shopping mall, Trnava                    | 6 Schindler 9300 escalators and 2 Schindler Smart MRL 001 elevators   |
|                                | Rieker shopping mall, Komarno                         | 4 Schindler 9300 escalators, 1 Schindler EuroLift elevator, and 1 Schindler Smart MRL 002 elevator  |
| <b>Slovenia</b>                | Ljubljana Fairground commercial building, Ljubljana   | 6 Schindler 9300 escalators and 2 Schindler Smart 002 DE elevators  |
|                                | Petrol office building, Ljubljana                     | Modernization of 4 elevators  |
| <b>South Africa</b>            | Standard Bank learning facility, Johannesburg         | 7 elevators, including 5 Schindler 100 P MRL and 2 Schindler 300 P MRL  |
|                                | Standard Bank office building, Pretoria               | 11 elevators, including 6 Schindler 100 P MRL, 4 Schindler 300 P MRL, and 1 wheelchair elevator   |
|                                | Icon Project office building, Cape Town               | 8 Schindler 300 P MRL elevators   |
|                                | Trade Route shopping mall, Johannesburg               | 4 Schindler 9300 escalators and 2 Schindler 300 P MRL elevators   |
|                                | South African Reserve Bank office building, Pretoria  | Modernization of 16 elevators with Schindler ID and Miconic 10  |
| <b>Turkey</b>                  | Sun Plaza office building, Istanbul                   | 12 elevators, including 4 Schindler EuroLift elevators with Schindler ID, Miconic 10 and Iris ID system                                       |
|                                | Ministry of Forestry office building, Ankara          | 6 Schindler 300 P elevators   |
|                                | Sütlüce Kültür Merkezi cultural center, Istanbul      | 17 elevators, including 8 Schindler 300 P, as well as 2 Schindler 9300 AE escalators  |

Sun Plaza office building;  
Istanbul, Turkey



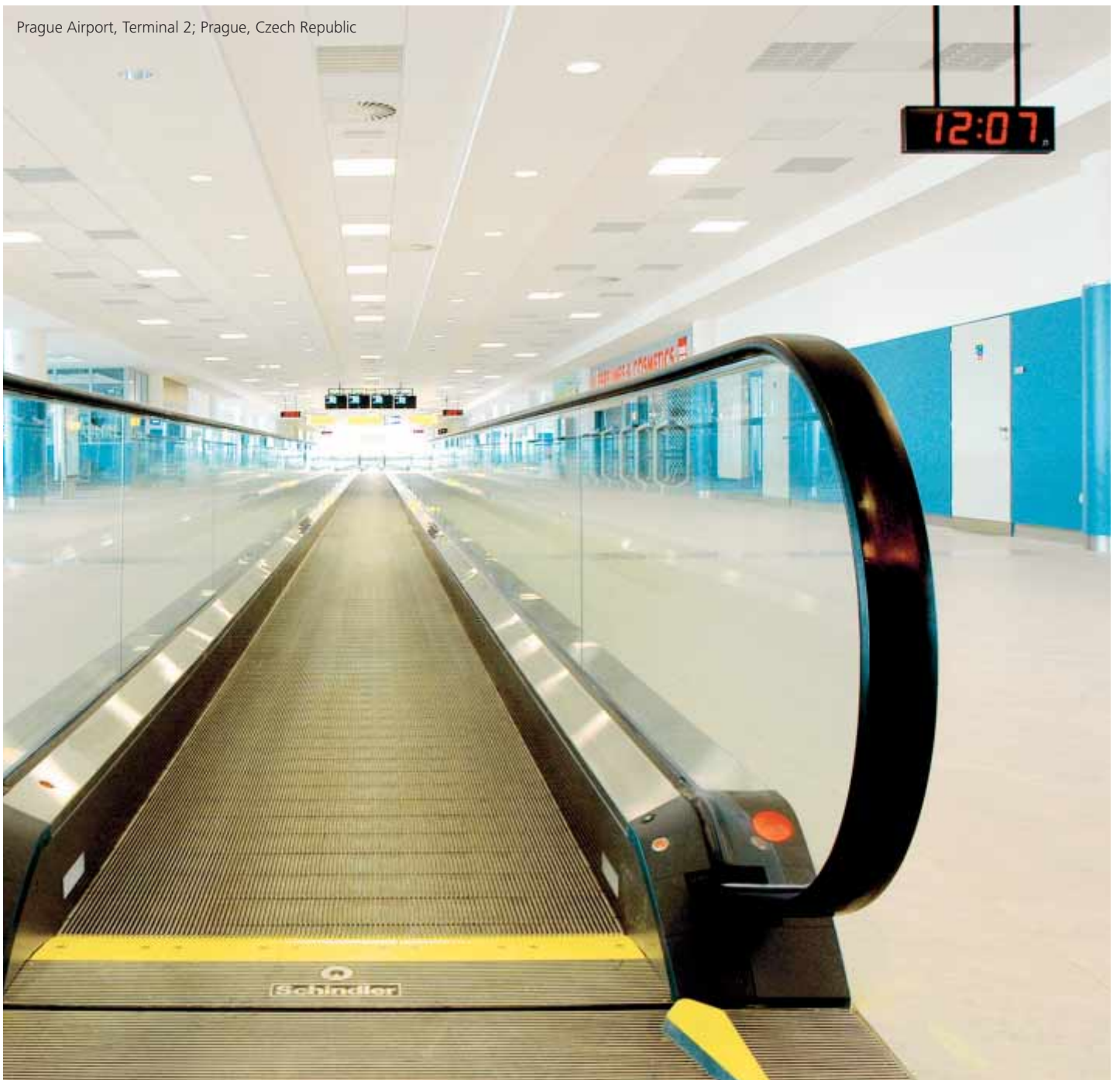
Capital Towers; Dubai, U.A.E.



Jumeirah Beach, 9 buildings in Sector 5/6; Dubai, U.A.E.



Prague Airport, Terminal 2; Prague, Czech Republic

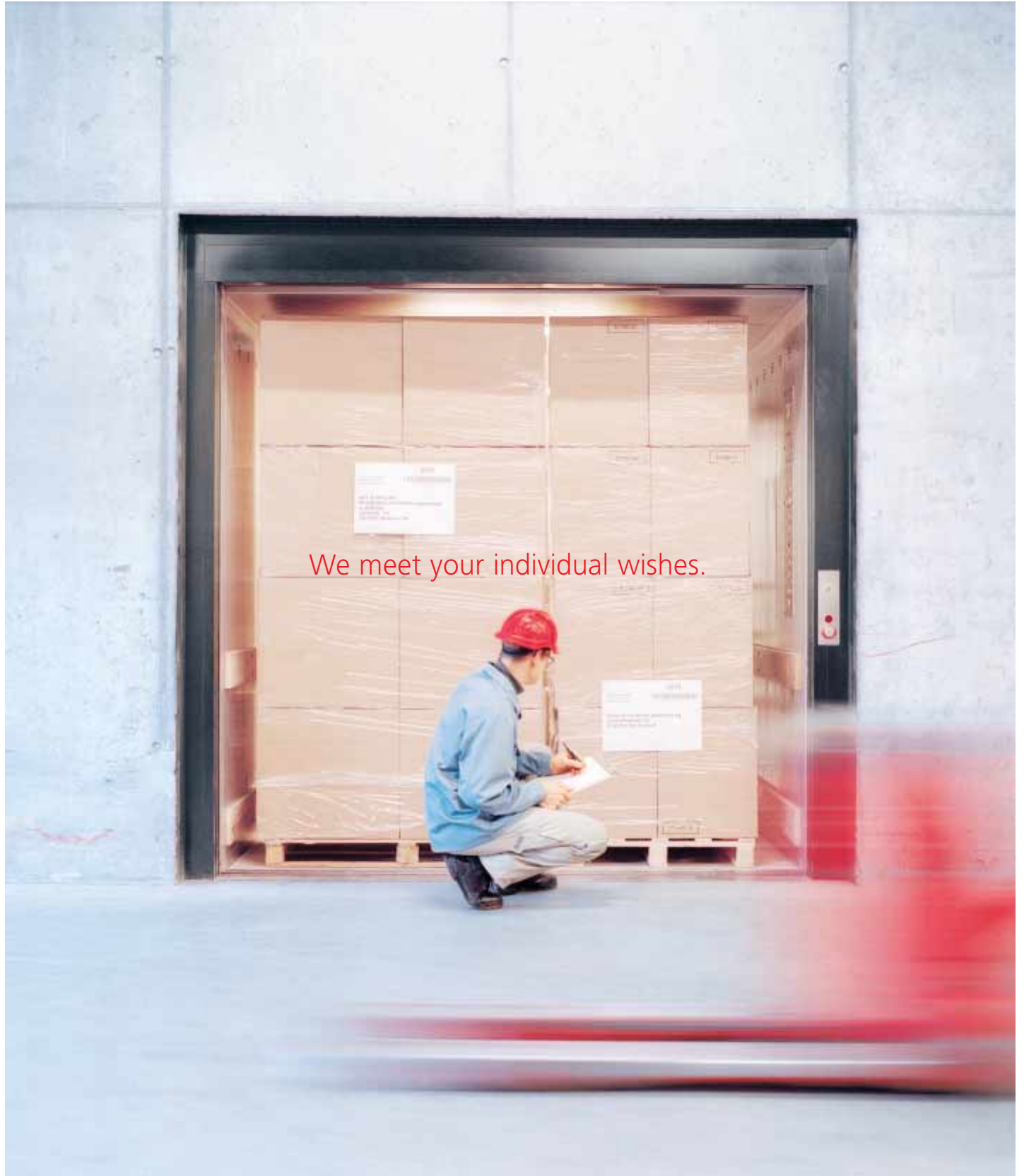


City Stars; Cairo, Egypt



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# ALSO



We meet your individual wishes.

## **ALSO strengthens its market position**

### **Difficult market environment**

The ALSO Group, which is active in the IT distribution and logistics services business, experienced a difficult year. With the IT markets in Switzerland and Germany currently facing a period of saturation, demand remained subdued throughout the entire year. Volume growth in these markets totaled around 15% in Switzerland and almost 10% in Germany, while the prices of IT products decreased by 15%–25%. This indicates that both the Swiss and the German markets may have declined slightly in terms of value. Following a moderate start in the first quarter, demand stabilized in the second quarter. A slight upturn in the market was apparent from the end of the third quarter and continued until the end of the year. Against this backdrop, ALSO consolidated its leading market position in Switzerland and expanded its market share in Germany.

### **Net profit down substantially versus the previous year**

The ALSO Group increased its unit sales by approximately 8% in the reporting year compared to 2004 and recorded a 6.9% rise in net sales to CHF 1 980 million (2004: CHF 1 852 million). However, operating profit declined 25.8% to CHF 23 million (2004: CHF 31 million). This decrease was primarily attributable to the strong erosion of prices, fiercer competition and the fall in net sales at the subsidiary in Switzerland. Net profit totaled CHF 17 million and was thus also below the figure for the previous year (2004: CHF 21 million). At 44%, the equity ratio was unchanged versus 2004 and thus remained above the target range of 25%–35%. This comfortable equity position will provide the ALSO Group with greater strategic flexibility. As at December 31, 2005, ALSO employed 623 staff (previous year: 602).

### **One-time exceptional costs**

Due to a legal dispute with a supplier, the financial results for 2005 include one-time exceptional costs that reduced operating profit by CHF 3 million and reduced net profit by CHF 2 million.

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

### **ALSO Switzerland consolidates its market position**

Despite a 6% reduction in net sales to CHF 989 million (2004: CHF 1 053 million), the subsidiary in Switzerland succeeded in consolidating its leadership position as a result of increased market share. Declining average prices, lower net sales, and tight margins resulted in a lower operating profit than in the previous year, although unit sales remained unchanged. A pleasing development was the significant increase in net sales in the promising IT consumables business. In addition, demand for customer-specific logistics solutions for the IT, consumer electronics and telecommunications industries remained at the same high level as in the previous year. The high-end storage business, which distributes higher value products, also realized several larger-scale projects.

### **ALSO Germany gains further market share**

The subsidiary in Germany achieved further growth in a receding market. In 2005, ALSO Germany reported a 31% rise in unit sales compared to the previous year and increased its net sales by 24% to CHF 991 million (2004: CHF 799 million), thus gaining further market share. This growth was primarily attributable to an increased client base. ALSO Germany further enhanced its efficiency and reported a slight increase in operating profit versus the previous year, thus contributing significantly to operating net profit.

### **ALSO receives key awards**

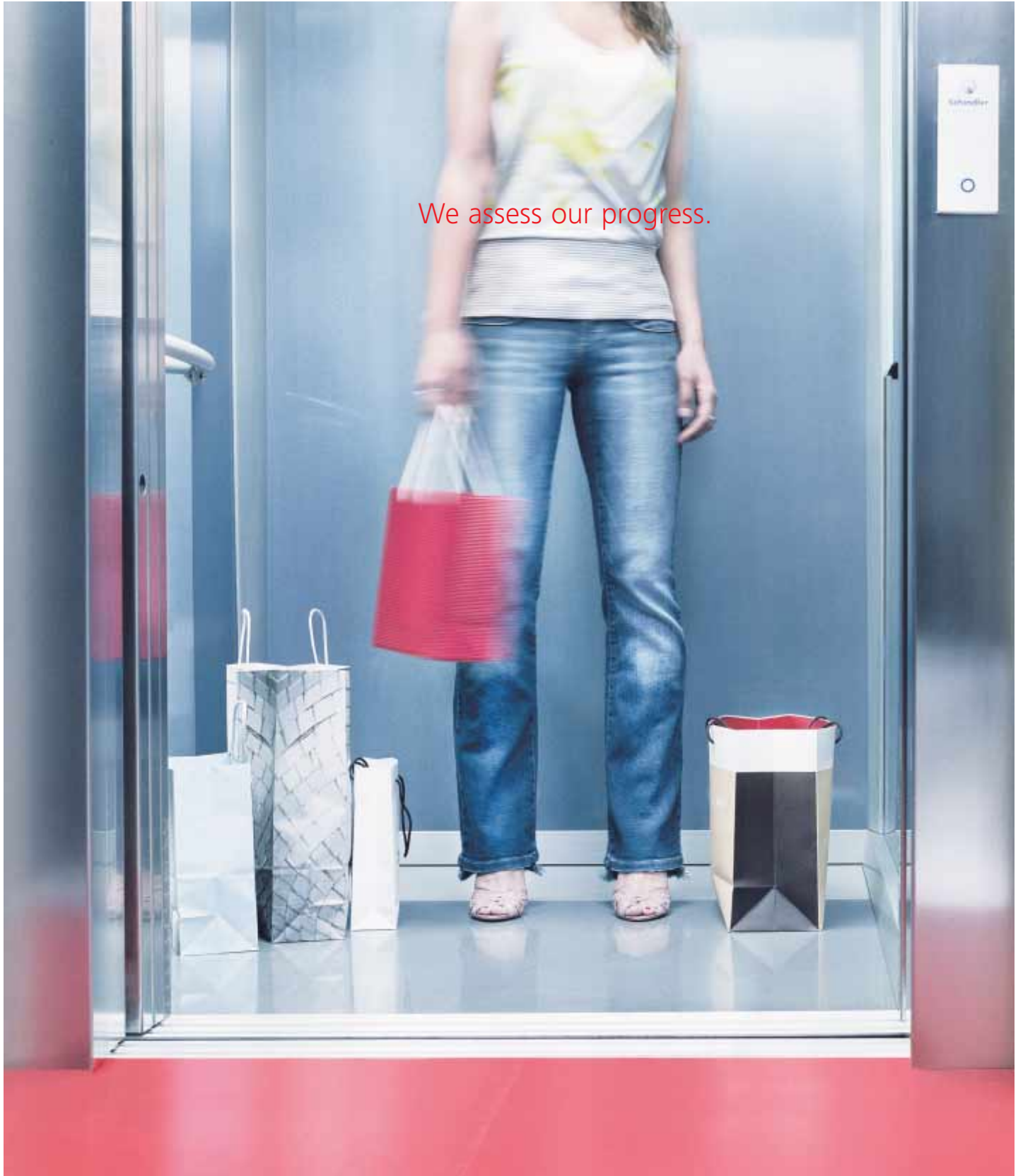
ALSO is valued equally by customers, manufacturers and employees. The results of the 2005 survey of traders confirmed once again that its focus on quality, process reliability, and service pays off. Customers voted the Swiss subsidiary "Best Distributor" for the fifth time in succession, while the German company was named "Best Distributor" for the sixth consecutive year. ALSO came second in the Swiss Logistics Award, with its Hybrid Logistics model being acclaimed as an excellent and innovative service. This model was developed in the logistics services business and enables an entire level of logistics to be saved. Finally, the Swiss subsidiary immediately took eighth place in the nominations for the best employer in Switzerland, where 76 companies were rated by their employees.

**Outlook for 2006**

The IT market in Switzerland and Germany will not achieve any significant growth in value in the coming years. ALSO therefore anticipates that market growth for 2006 will – at most – be in single figures. Given that various manufacturers have caused conditions to deteriorate for all distributors throughout Europe, it will be impossible to avoid price increases in Switzerland and Germany during 2006. However, the difficult competitive situation in the IT industry may limit the scope for price rises. ALSO has further strengthened its market position and has thus created a good basis that will enable it to profit significantly from any upturn in the economy. Thanks to the newly developed consumer electronics, high-end storage, IT consumables and logistics services businesses, ALSO has considerable growth potential in the field of distribution. It is therefore confident that it will be able to increase its sales and enhance its income in the future.

# Overview of financial results

We assess our progress.





# Summary financial statements Group

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Overview of  
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

## Profit and loss statement

| In million CHF                 | 2001  | 2002  | 2003  | 2004* | 2005         |
|--------------------------------|-------|-------|-------|-------|--------------|
| Operating revenue              | 8 327 | 7 888 | 7 725 | 8 254 | <b>8 870</b> |
| Operating expenses             | 7 843 | 7 766 | 7 319 | 7 733 | <b>8 236</b> |
| Operating profit               | 484   | 122   | 406   | 521   | <b>634</b>   |
| Financing activities           | -58   | -62   | -68   | -43   | <b>-60</b>   |
| Investing activities           | 17    | 2     | 6     | 4     | <b>-2</b>    |
| Profit before taxes            | 443   | 62    | 344   | 482   | <b>572</b>   |
| Taxes                          | 46    | 45    | 142   | 153   | <b>171</b>   |
| Net profit                     | 397   | 17    | 202   | 329   | <b>401</b>   |
| Schindler Holding shareholders | 379   | 8     | 184   | 308   | <b>377</b>   |
| Minority interests             | 18    | 9     | 18    | 21    | <b>24</b>    |

## Balance sheet December 31

| In million CHF                                    | 2001         | 2002         | 2003         | 2004*        | 2005         |
|---|--------------|--------------|--------------|--------------|--------------|
| Current assets                                    | 3 436        | 3 621        | 3 734        | 3 595        | <b>3 909</b> |
| Non-current assets                                | 2 102        | 1 524        | 1 486        | 1 741        | <b>2 140</b> |
| <b>Total assets</b>                               | <b>5 538</b> | <b>5 145</b> | <b>5 220</b> | <b>5 336</b> | <b>6 049</b> |
| Current liabilities                               | 2 313        | 2 518        | 2 433        | 2 468        | <b>3 004</b> |
| Non-current liabilities                           | 1 777        | 1 437        | 1 496        | 1 373        | <b>1 160</b> |
| Total liabilities                                 | 4 090        | 3 955        | 3 929        | 3 841        | <b>4 164</b> |
| Consolidated shareholders' equity                 | 1 448        | 1 190        | 1 291        | 1 495        | <b>1 885</b> |
| Equity of Schindler Holding shareholders          | 1 329        | 1 067        | 1 165        | 1 376        | <b>1 749</b> |
| Minority interests                                | 119          | 123          | 126          | 119          | <b>136</b>   |
| <b>Total liabilities and shareholders' equity</b> | <b>5 538</b> | <b>5 145</b> | <b>5 220</b> | <b>5 336</b> | <b>6 049</b> |

## Cash flow statement

| In million CHF                      | 2001 | 2002 | 2003 | 2004* | 2005        |
|-------------------------------------|------|------|------|-------|-------------|
| Cash flow from operating activities | 671  | 554  | 455  | 433   | <b>347</b>  |
| Cash flow from investing activities | -130 | -27  | 8    | -729  | <b>11</b>   |
| Cash flow from financing activities | -302 | -366 | -189 | -123  | <b>-296</b> |
| Translation exchange differences    | -16  | 60   | 11   | -36   | <b>35</b>   |
| Change in cash on hand              | 223  | 221  | 285  | -455  | <b>97</b>   |

\* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

# Summary financial statements Schindler Holding Ltd.

## Profit and loss statement

| In million CHF               | 2001 | 2002 | 2003 | 2004 | 2005       |
|------------------------------|------|------|------|------|------------|
| Income from subsidiaries     | 225  | 209  | 211  | 224  | <b>270</b> |
| Other revenue                | 39   | 90   | 31   | 15   | <b>30</b>  |
| Total revenue                | 264  | 299  | 242  | 239  | <b>300</b> |
| Depreciation and adjustments | 108  | 139  | 80   | 67   | <b>76</b>  |
| Other expenses               | 41   | 40   | 35   | 39   | <b>47</b>  |
| Total expenses               | 149  | 179  | 115  | 106  | <b>123</b> |
| Net profit for the year      | 115  | 120  | 127  | 133  | <b>177</b> |

## Balance sheet December 31

| In million CHF                             | 2001  | 2002  | 2003  | 2004  | 2005         |
|--|-------|-------|-------|-------|--------------|
| Current assets                             | 701   | 836   | 1 235 | 654   | <b>759</b>   |
| Non-current assets                         | 1 369 | 1 144 | 802   | 1 394 | <b>1 328</b> |
| Total assets                               | 2 070 | 1 980 | 2 037 | 2 048 | <b>2 087</b> |
| Debentures                                 | 785   | 590   | 600   | 600   | <b>600</b>   |
| Other liabilities                          | 210   | 441   | 361   | 383   | <b>332</b>   |
| Total liabilities                          | 995   | 1 031 | 961   | 983   | <b>932</b>   |
| Share capital                              | 38    | 7     | 7     | 7     | <b>7</b>     |
| Bearer participation capital               | 29    | 6     | 6     | 5     | <b>5</b>     |
| Retained earnings                          | 893   | 816   | 936   | 920   | <b>966</b>   |
| Net profit for the year                    | 115   | 120   | 127   | 133   | <b>177</b>   |
| Shareholders' equity                       | 1 075 | 949   | 1 076 | 1 065 | <b>1 155</b> |
| Total liabilities and shareholders' equity | 2 070 | 1 980 | 2 037 | 2 048 | <b>2 087</b> |

## Dividend payment

| In million CHF                    | 2001 | 2002 | 2003 | 2004 | 2005        |
|-----------------------------------|------|------|------|------|-------------|
| Registered shares                 | 38   | 0    | 44   | 51   | <b>66*</b>  |
| Bearer participation certificates | 29   | 0    | 33   | 36   | <b>46*</b>  |
| Total dividend payment            | 67   | 0    | 77   | 87   | <b>112*</b> |

\*Proposal by the Board of Directors

### Dividend policy

The dividend policy approved and communicated by the Board of Directors is earnings-related and provides for a payout ratio of 25%–35% of the share in net profit of the Schindler Holding shareholders (see also page 64).

# Key figures Group

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Overview of  
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

| <b>Group</b>                                       |        |        |        |        |               |
|--|--------|--------|--------|--------|---------------|
| In million CHF                                     | 2001   | 2002   | 2003   | 2004*  | <b>2005</b>   |
| Orders received                                    | 8 426  | 8 029  | 7 866  | 8 428  | <b>9 445</b>  |
| Operating revenue                                  | 8 327  | 7 888  | 7 725  | 8 254  | <b>8 870</b>  |
| EBITDA <sup>1</sup>                                | 680    | 349    | 566    | 669    | <b>751</b>    |
| in %   | 8.2    | 4.4    | 7.3    | 8.1    | <b>8.5</b>    |
| EBITA <sup>2</sup>                                 | 531    | 184    | 443    | 557    | <b>657</b>    |
| in %   | 6.4    | 2.3    | 5.7    | 6.7    | <b>7.4</b>    |
| EBIT <sup>3</sup>                                  | 484    | 122    | 406    | 521    | <b>634</b>    |
| in %   | 5.8    | 1.5    | 5.3    | 6.3    | <b>7.1</b>    |
| Net income from financing and investing activities | -41    | -60    | -62    | -39    | <b>-62</b>    |
| Profit before taxes                                | 443    | 62     | 344    | 482    | <b>572</b>    |
| Net profit   | 397    | 17     | 202    | 329    | <b>401</b>    |
| in %   | 4.8    | 0.2    | 2.6    | 4.0    | <b>4.5</b>    |
| Net profit of Schindler Holding shareholders       | 379    | 8      | 184    | 308    | <b>377</b>    |
| Cash flow <sup>4</sup>                             | 555    | 430    | 368    | 442    | <b>490</b>    |
| Capital expenditure                                | 122    | 105    | 81     | 82     | <b>98</b>     |
| Order backlog                                      | 4 039  | 3 486  | 3 712  | 3 723  | <b>5 005</b>  |
| Personnel at year-end (number)                     | 41 524 | 39 918 | 39 617 | 39 443 | <b>40 385</b> |
| Consolidated shareholders' equity                  | 1 448  | 1 190  | 1 291  | 1 495  | <b>1 885</b>  |
| Equity ratio in %                                  | 26.1   | 23.1   | 24.7   | 28.0   | <b>31.2</b>   |

\* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

<sup>1</sup> EBITDA: Operating profit plus depreciation/amortization

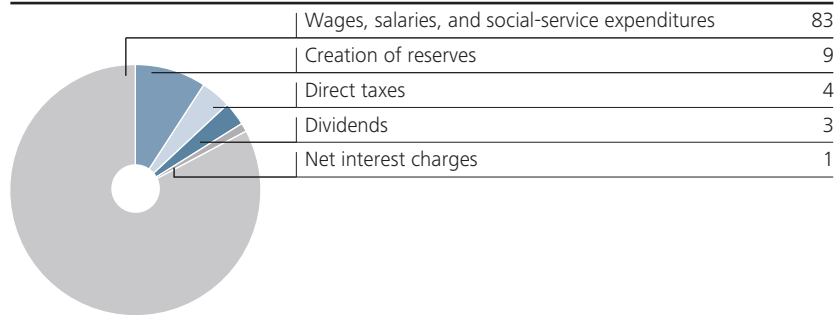
<sup>2</sup> EBITA: Operating profit plus depreciation

<sup>3</sup> EBIT: Operating profit

<sup>4</sup> Cash flow: Net profit plus depreciation/amortization +/- change in provisions

### Allocation of the Group's net value added 2005

In %



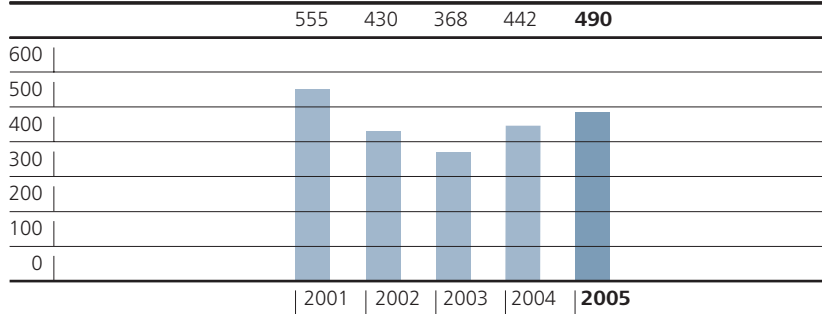
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

The net value added is calculated by subtracting the value of goods and services drawn on by other companies, as well as depreciations, from overall Group income.

The distribution of the Group's net value added shows how employees, the governments, the company itself, the shareholders, and other providers of finance participate in this economically relevant amount.

### Cash flow

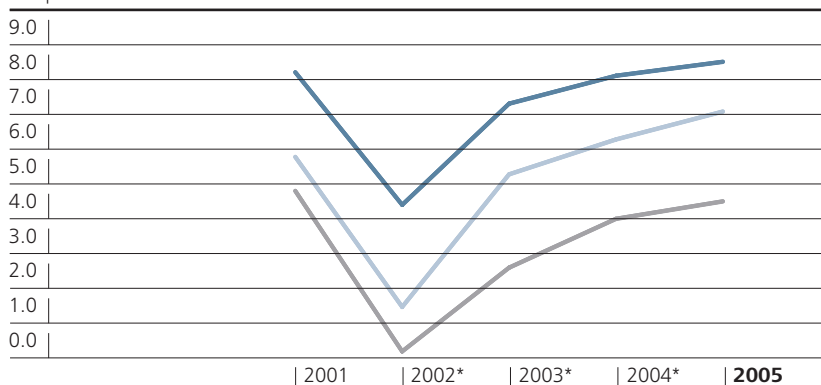
In million CHF



### EBITDA, EBIT, net profit

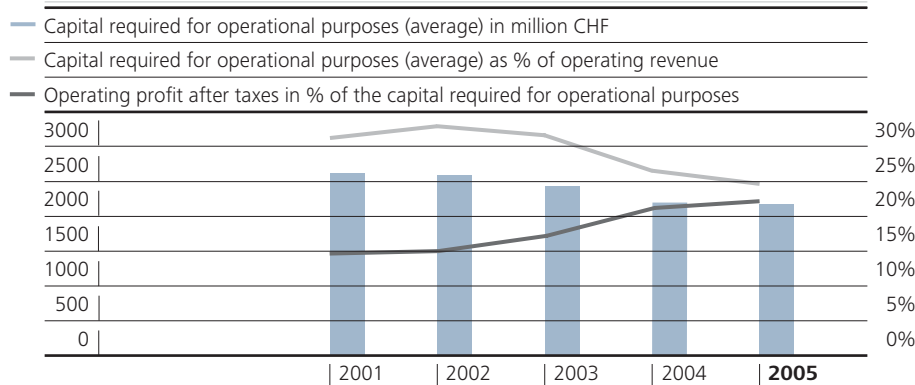
As % of operating revenue

|            | 2001 | 2002* | 2003* | 2004* | 2005       |
|------------|------|-------|-------|-------|------------|
| EBITDA     | 8.2  | 4.4   | 7.3   | 8.1   | <b>8.5</b> |
| EBIT       | 5.8  | 1.5   | 5.3   | 6.3   | <b>7.1</b> |
| Net profit | 4.8  | 0.2   | 2.6   | 4.0   | <b>4.5</b> |



\*After R03 project costs

### We create values



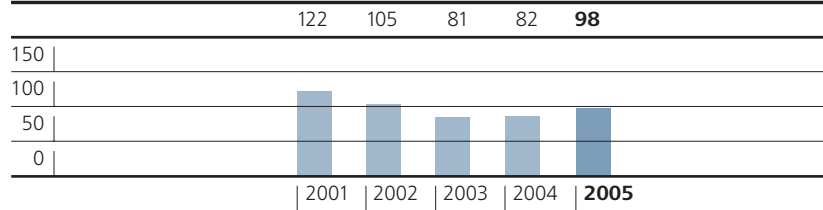
### Value Based Management

The elements of value based management are included in the operational and financial goals with the objective of sustainably creating added value for shareholders, customers, and employees. As a subgoal of this objective, in recent years the capital needed for operational purposes was successively optimized by measures that included reducing net current assets and selling real estate no longer required for operational purposes. At the same time,

various measures were implemented to increase operational efficiency and profitability. The result of these measures can be seen in the development of the capital required for operational purposes, both in absolute values and as percentages of operating revenue, as well as in an increase in the return on capital required for operational purposes.

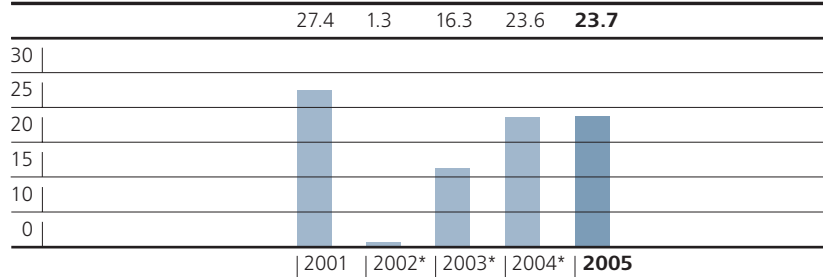
### Capital expenditure

In million CHF



### Return on equity (ROE)

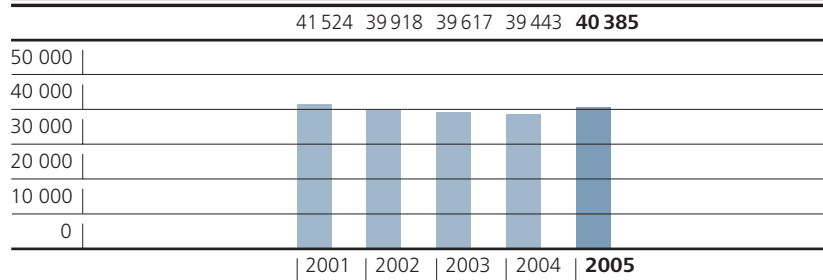
In %



\*The figures are significantly affected by costs of the R03 restructuring and efficiency improvement project.

### Personnel at the end of year

Number



# Key figures Elevators & Escalators

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7 8 9  
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Overview of  
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

## Elevators & Escalators

| In million CHF                 | 2001   | 2002   | 2003   | 2004*  | 2005          |
|--------------------------------|--------|--------|--------|--------|---------------|
| Orders received                | 6 658  | 6 344  | 6 246  | 6 546  | <b>7 447</b>  |
| Operating revenue              | 6 601  | 6 231  | 6 133  | 6 404  | <b>6 890</b>  |
| EBITDA <sup>1</sup>            | 654    | 313    | 542    | 650    | <b>745</b>    |
| in %                           | 9.9    | 5.0    | 8.8    | 10.1   | <b>10.8</b>   |
| EBITA <sup>2</sup>             | 517    | 156    | 431    | 543    | <b>654</b>    |
| in %                           | 7.8    | 2.5    | 7.0    | 8.5    | <b>9.5</b>    |
| EBIT <sup>3</sup>              | 471    | 95     | 395    | 508    | <b>632</b>    |
| in %                           | 7.1    | 1.5    | 6.4    | 7.9    | <b>9.2</b>    |
| Research and development       | 125    | 129    | 139    | 114    | <b>110</b>    |
| Personnel at year-end (number) | 40 169 | 38 806 | 38 643 | 38 841 | <b>39 762</b> |

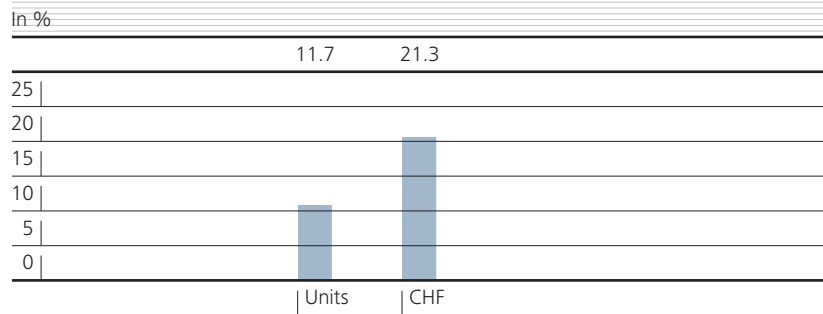
\* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

<sup>1</sup> EBITDA: Operating profit plus depreciation/amortization

<sup>2</sup> EBITA: Operating profit plus depreciation

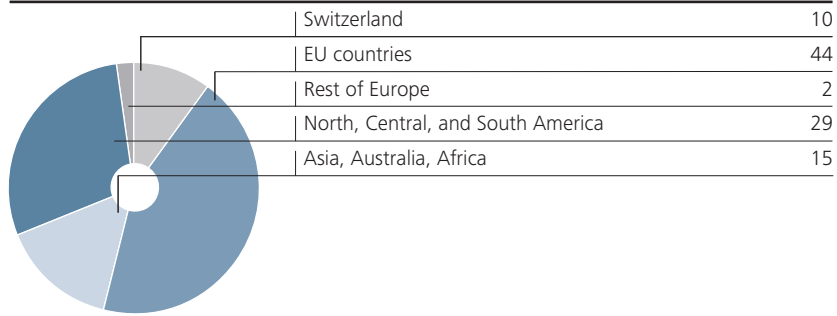
<sup>3</sup> EBIT: Operating profit

## Growth in new installations business 2005



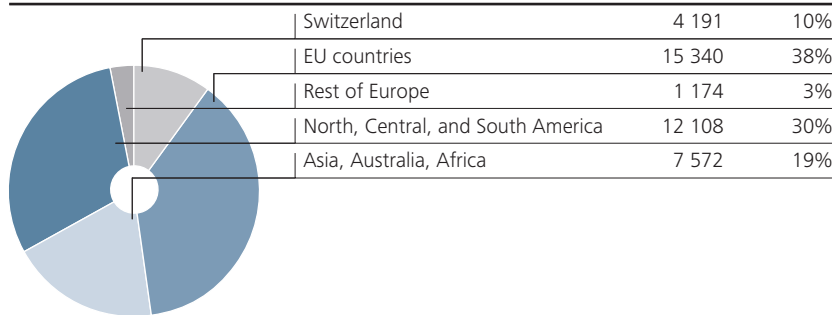
### Invoiced sales 2005 by market

In %



### Personnel 2005 by region

Total 40 385





# Key figures ALSO

1 2 3  
4 5 **6**  
7 8 9  
0

Overview of  
financial results

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

## ALSO

| In million CHF                 | 2001  | 2002  | 2003  | 2004* | 2005         |
|--------------------------------|-------|-------|-------|-------|--------------|
| Orders received                | 1 768 | 1 685 | 1 620 | 1 882 | <b>1 998</b> |
| Operating revenue              | 1 726 | 1 657 | 1 598 | 1 852 | <b>1 980</b> |
| EBITDA <sup>1</sup>            | 33    | 40    | 29    | 37    | <b>27</b>    |
| in %                           | 1.9   | 2.4   | 1.8   | 2.0   | <b>1.4</b>   |
| EBITA <sup>2</sup>             | 21    | 32    | 17    | 32    | <b>24</b>    |
| in %                           | 1.2   | 1.9   | 1.1   | 1.7   | <b>1.2</b>   |
| EBIT <sup>3</sup>              | 20    | 31    | 16    | 31    | <b>23</b>    |
| in %                           | 1.2   | 1.9   | 1.0   | 1.7   | <b>1.2</b>   |
| Personnel at year-end (number) | 1 355 | 1 112 | 974   | 602   | <b>623</b>   |

\* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statement, page 10 et seq.)

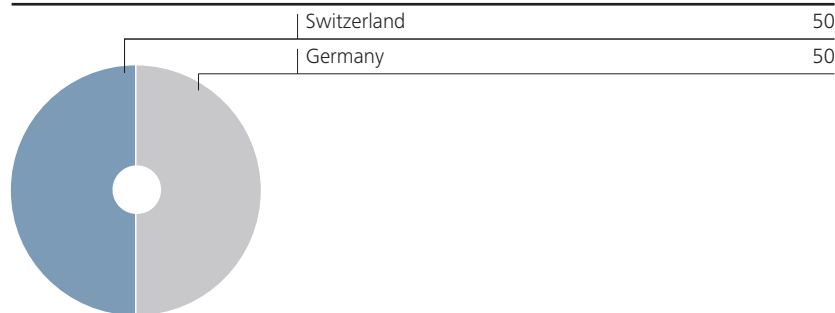
<sup>1</sup> EBITDA: Operating profit plus depreciation/amortization

<sup>2</sup> EBITA: Operating profit plus depreciation

<sup>3</sup> EBIT: Operating profit

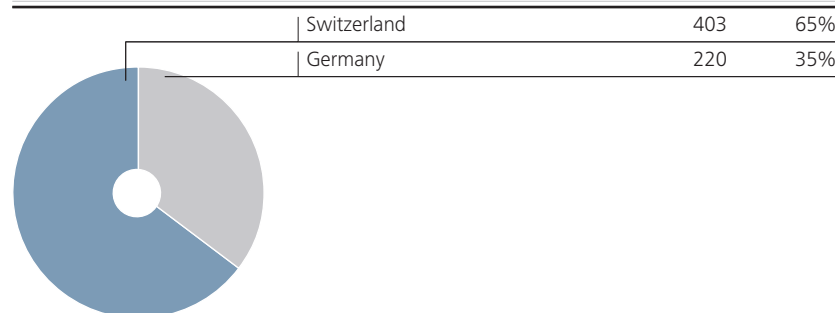
## Invoiced sales 2005 by market

In %



## Personnel 2005 by country

Total 623



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# Key figures Schindler Holding Ltd.

Overview of  
 financial results

## Schindler Holding Ltd.

| In million CHF               | 2001  | 2002 | 2003  | 2004  | <b>2005</b>  |
|------------------------------|-------|------|-------|-------|--------------|
| Share capital                | 38    | 7    | 7     | 7     | <b>7</b>     |
| Bearer participation capital | 29    | 6    | 6     | 5     | <b>5</b>     |
| Shareholders' equity         | 1 075 | 949  | 1 076 | 1 065 | <b>1 155</b> |
| Debentures                   | 785   | 590  | 600   | 600   | <b>600</b>   |
| Net profit for the year      | 115   | 120  | 127   | 133   | <b>177</b>   |
| Dividend payment             | 67    | 0    | 77    | 87    | <b>112*</b>  |

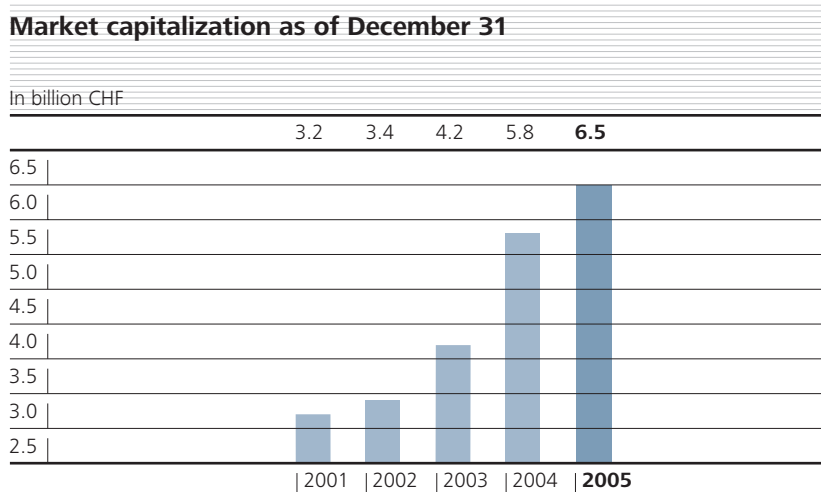
\*Proposal by the Board of Directors

# Key figures registered share/ participation certificate

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Overview of  
financial results

The figures for 2002, 2003, and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.



## Registered share

| In CHF                                  | 2001    | 2002 <sup>°</sup> | 2003      | 2004      | 2005             |
|---|---------|-------------------|-----------|-----------|------------------|
| Number of registered shares outstanding | 752 866 | 7 356 820         | 7 356 820 | 7 356 820 | <b>7 356 820</b> |
| Thereof in treasury stock               | 32 561  | 120 401           | 81 805    | 79 941    | <b>102 222</b>   |
| Nominal value                           | 50      | 1                 | 1         | 1         | <b>1</b>         |
| Price high                              | 2 801   | 320.00            | 345.00    | 475.00    | <b>530.00</b>    |
| Price low                               | 2 000   | 230.80            | 176.00    | 338.00    | <b>425.00</b>    |
| Price year-end                          | 2 380   | 260.00            | 343.00    | 475.00    | <b>519.50</b>    |
| P/E ratio December 31                   | 8.4x    | 418.1x            | 24.0x     | 19.3x     | <b>17.2x</b>     |

<sup>°</sup>After 10:1 split on June 11, 2002

## Bearer participation certificate

| In CHF                             | 2001    | 2002 <sup>°</sup> | 2003      | 2004      | 2005             |
|------------------------------------|---------|-------------------|-----------|-----------|------------------|
| Number of certificates outstanding | 592 424 | 5 506 990         | 5 506 990 | 5 141 640 | <b>5 141 640</b> |
| Thereof in treasury stock          | 42 880  | 11 550            | 441 850   | 59 108    | <b>52 956</b>    |
| Nominal value                      | 50      | 1                 | 1         | 1         | <b>1</b>         |
| Price high                         | 2 700   | 321.80            | 305.00    | 455.25    | <b>526.00</b>    |
| Price low                          | 2 050   | 225.00            | 167.25    | 298.00    | <b>423.00</b>    |
| Price year-end                     | 2 390   | 269.50            | 302.00    | 451.00    | <b>521.00</b>    |
| P/E ratio December 31              | 8.5x    | 433.3x            | 21.1x     | 18.3x     | <b>17.3x</b>     |

<sup>°</sup>After 10:1 split on June 11, 2002

### Information per registered share and bearer participation certificate

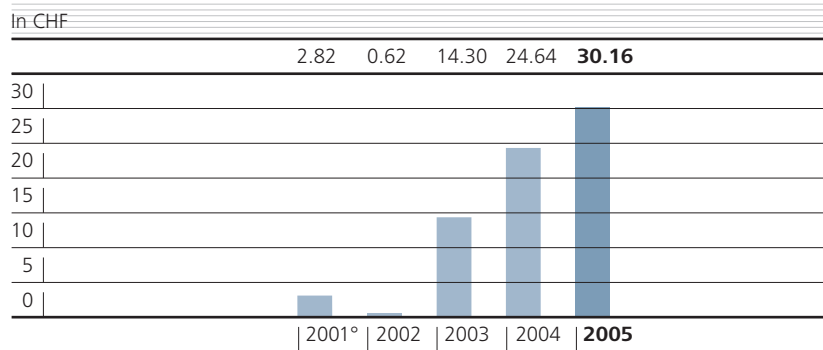
| In CHF                               | 2001   | 2002 <sup>°</sup> | 2003  | 2004   | <b>2005</b>   |
|--------------------------------------|--------|-------------------|-------|--------|---------------|
| Net profit                           | 282    | 0.62              | 14.30 | 24.64  | <b>30.16</b>  |
| Cash flow                            | 413    | 33.43             | 28.61 | 34.32  | <b>39.20</b>  |
| Shareholders' equity at year-end     | 1 047  | 83.81             | 94.41 | 111.33 | <b>152.71</b> |
| Gross dividend adjusted <sup>°</sup> | 5      | 0*                | 6     | 7      | <b>9**</b>    |
| Pay-out ratio                        | % 17.7 | –                 | 41.9  | 28.4   | <b>29.8</b>   |
| Market capitalization (in million)   | 3 208  | 3 397             | 4 187 | 5 813  | <b>6501</b>   |

<sup>°</sup>After 10:1 split on June 11, 2002

\*No dividend due to R03 project (compensated by reduction in nominal value in 2001)

\*\*Proposal by the Board of Directors

### Net profit per registered share and bearer participation certificate



<sup>°</sup>2001 adjusted for 10:1 split on June 11, 2002

| <b>Ticker and security number</b> |                  |                                  |
|-----------------------------------|------------------|----------------------------------|
|                                   | Registered share | Bearer participation certificate |
| Bloomberg                         | SCHN             | SCHP                             |
| Reuters                           | SCHZN.S          | SCHZPS                           |
| Valor                             | 1391412          | 1391410                          |
| ISIN                              | CH0013914129     | CH0013914103                     |

Both the registered shares and the bearer participation certificates are traded on the SWX Swiss Exchange. The bearer participation certificates have the same rights as the registered shares with the exception of attendance at the Annual General Meeting and voting rights.

#### **Significant shareholders**

At the end of 2005, registered shares of Schindler Holding Ltd. were held by 3 009 shareholders.

On the same date, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% of the voting rights of the share capital entered in the Register of Companies.

# Financial calendar

Overview of  
 financial results

| <b>Financial calendar</b>                       |             |             |
|---|-------------|-------------|
|   | 2006        | 2007        |
| Annual results media conference                 | February 27 | February 26 |
| Ordinary General Meeting Schindler Holding Ltd. | March 21    | March 20    |
| Date of Schindler Holding Ltd. dividend payment | March 24*   |             |
| Publication of Interim Report                   | August 17   | August 17   |

\* Subject to approval of a dividend payment by the General Meeting of Schindler Holding Ltd.

# Important addresses

1 2 3  
4 5 6  
7 8 9  
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The Annual Report of the Schindler Group for 2005 consists of the Activity Report and the Financial Statements and Corporate Governance.

The original German language version is binding. English, French, and Spanish translations of the Activity Report are also available. The Financial Statements and Corporate Governance are published in German and English only.

**Overall responsibility,  
concept, and text**

Schindler Management Ltd.  
Corporate Communications  
Ebikon, Switzerland

**Concept and graphic design**

Interbrand Zintzmeyer & Lux AG  
Zurich, Switzerland

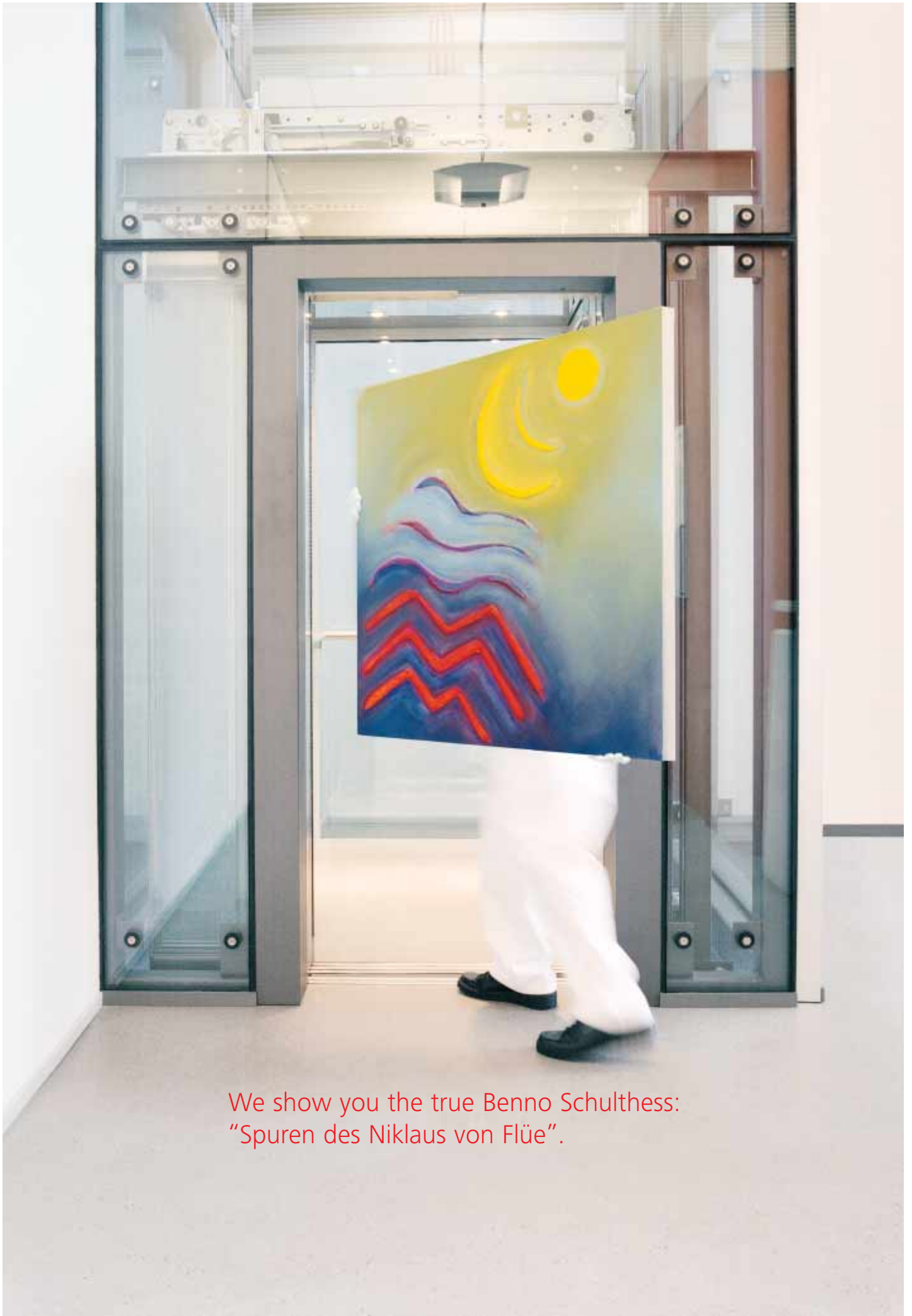
**Typesetting, prepress,  
and printing**

NZZ Fretz AG  
Schlieren, Switzerland

**Image photography**

Markus Bertschi, Switzerland  
Noë Flum, Switzerland  
Peter Granser, Germany





We show you the true Benno Schulthess:  
"Spuren des Niklaus von Flüe".





# Managing time and space

## Financial Statements and Corporate Governance 2005



**Schindler**

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**Corporate Governance**

As from page 78

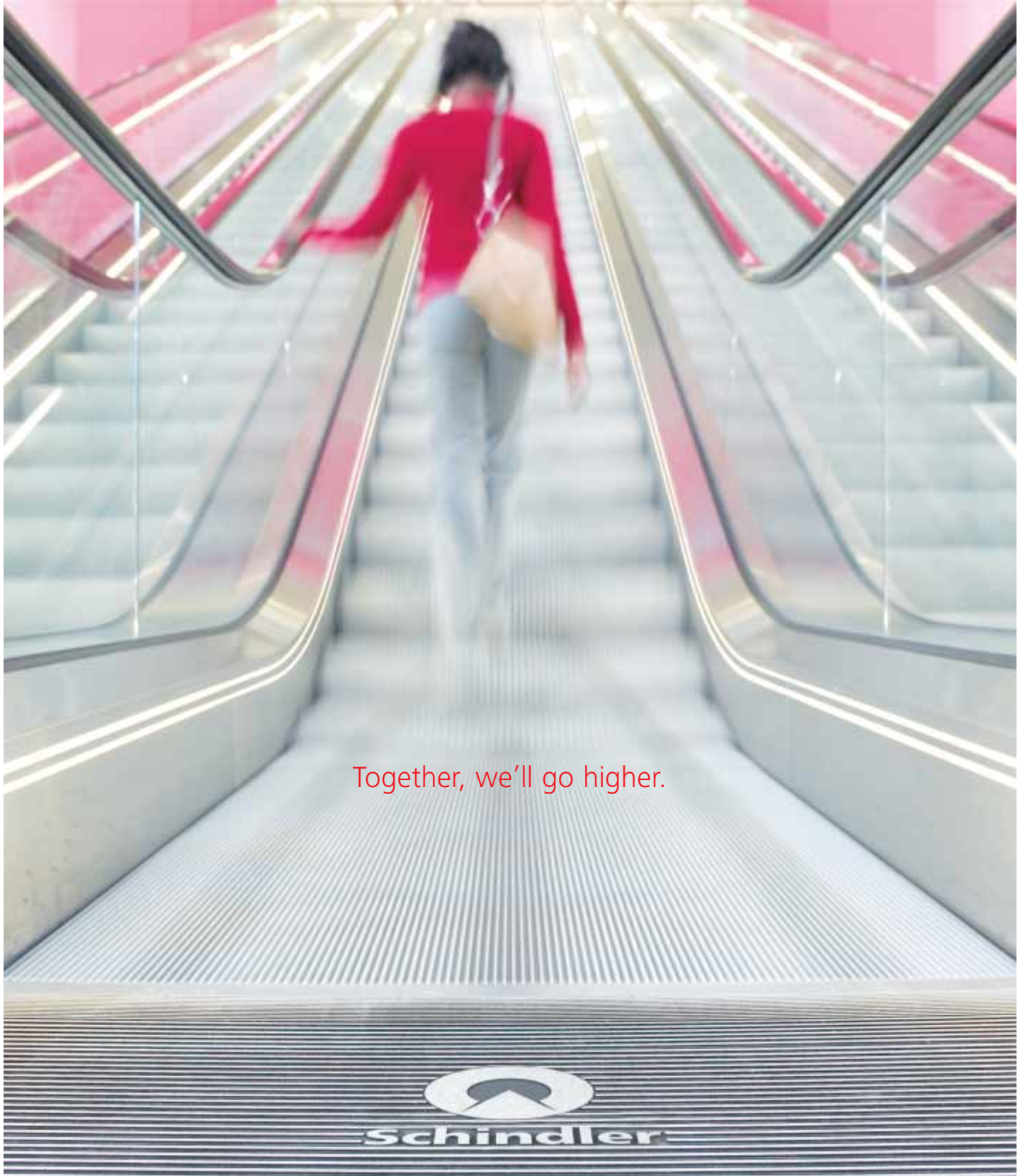
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**Corporate Citizenship  
at Schindler**

[www.schindler.com](http://www.schindler.com)

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# Financial Statements Group



Together, we'll go higher.



**Schindler**

# Consolidated profit and loss statement

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Financial Statements Group

Values in the annual financial statements of the previous year have been retrospectively adjusted to take account of revised and new IAS/IFRS standards (see Notes 2.4 and 2.5).

| In million CHF                               | Notes      | 2004      | %     | 2005             | %            |
|--|------------|-----------|-------|------------------|--------------|
| <b>Operating revenue</b>                     | 3          | 8 254     | 100.0 | <b>8 870</b>     | <b>100.0</b> |
| Material cost                                |            | 3 492     | 42.3  | <b>3 836</b>     | <b>43.3</b>  |
| Personnel cost                               | 4          | 2 814     | 34.1  | <b>2 920</b>     | <b>32.9</b>  |
| Other operating cost                         | 5          | 1 314     | 15.9  | <b>1 391</b>     | <b>15.7</b>  |
| Depreciation and amortization                | 15, 16, 17 | 148       | 1.8   | <b>117</b>       | <b>1.3</b>   |
| Change of provision                          | 25         | -35       | -0.4  | <b>-28</b>       | <b>-0.3</b>  |
| <b>Total operating cost</b>                  |            | 7 733     | 93.7  | <b>8 236</b>     | <b>92.9</b>  |
| <b>Operating profit</b>                      |            | 521       | 6.3   | <b>634</b>       | <b>7.1</b>   |
| Financial income                             | 6          | 28        | 0.4   | <b>32</b>        | <b>0.4</b>   |
| Financial expenses                           | 7          | 71        | 0.9   | <b>92</b>        | <b>1.0</b>   |
| Investing activities                         | 8          | 4         | 0.0   | <b>-2</b>        | <b>0.0</b>   |
| <b>Profit before taxes</b>                   |            | 482       | 5.8   | <b>572</b>       | <b>6.5</b>   |
| Income taxes                                 | 9          | 153       | 1.8   | <b>171</b>       | <b>2.0</b>   |
| Profit from continued business operations    |            | 329       | 4.0   | <b>401</b>       | <b>4.5</b>   |
| Profit from discontinued business operations | 14         | 0         | 0.0   | -                | -            |
| <b>Net profit</b>                            |            | 329       | 4.0   | <b>401</b>       | <b>4.5</b>   |
| Of which:                                    |            |           |       |                  |              |
| Schindler Holding shareholders               |            | 308       | 3.7   | <b>377</b>       | <b>4.2</b>   |
| Minority interests                           |            | 21        | 0.3   | <b>24</b>        | <b>0.3</b>   |
| <b>Net profit (earnings) per share</b>       |            |           |       |                  |              |
| Undiluted earnings per share and BPC         | 34         | CHF 24.94 |       | <b>CHF 30.53</b> |              |
| Diluted earnings per share and BPC           | 34         | CHF 24.84 |       | <b>CHF 30.40</b> |              |

The earnings from discontinued operations have no effect on the earnings per share.

# Consolidated balance sheet

Financial Statements Group

## Assets

| In million CHF                              | Notes | 31.12.2004 | %     | 31.12.2005 | %     |
|---|-------|------------|-------|------------|-------|
| <b>Current assets</b>                       |       |            |       |            |       |
| Cash on hand                                |       | 1 011      | 18.9  | 1 108      | 18.3  |
| Securities                                  | 10    | 339        | 6.4   | 112        | 1.8   |
| Accounts receivable                         | 11    | 1 278      | 23.9  | 1 555      | 25.7  |
| Taxes receivable                            |       | 47         | 0.9   | 65         | 1.1   |
| Net assets of production orders in progress | 12    | 435        | 8.2   | 530        | 8.8   |
| Inventories                                 | 13    | 341        | 6.4   | 435        | 7.2   |
| Prepaid expenses and accrued income         |       | 110        | 2.1   | 104        | 1.7   |
| Financial assets held for sale              | 14    | 34         | 0.6   | –          | –     |
| <b>Total current assets</b>                 |       | 3 595      | 67.4  | 3 909      | 64.6  |
| <b>Non-current assets</b>                   |       |            |       |            |       |
| Property, plant and equipment               | 15    | 417        | 7.8   | 455        | 7.5   |
| Investment properties                       | 16    | 62         | 1.2   | 53         | 0.9   |
| Intangible assets                           | 17    | 529        | 9.9   | 760        | 12.6  |
| Investments in associates                   | 18    | 64         | 1.2   | 55         | 0.9   |
| Financial assets                            | 19    | 440        | 8.2   | 533        | 8.8   |
| Deferred taxes                              | 20    | 184        | 3.5   | 200        | 3.3   |
| Employee benefits                           | 21    | 45         | 0.8   | 84         | 1.4   |
| <b>Total non-current assets</b>             |       | 1 741      | 32.6  | 2 140      | 35.4  |
| <b>Total assets</b>                         |       | 5 336      | 100.0 | 6 049      | 100.0 |

## Liabilities and shareholders' equity

| In million CHF   | Notes | 31.12.2004 | %     | 31.12.2005   | %            |
|--|-------|------------|-------|--------------|--------------|
| <b>Liabilities</b>   |       |            |       |              |              |
| Current liabilities  |       |            |       |              |              |
| Financial debts  | 24    | 224        | 4.2   | <b>360</b>   | <b>6.0</b>   |
| Accounts payable   | 22    | 738        | 13.8  | <b>911</b>   | <b>15.0</b>  |
| Taxes payable  |       | 106        | 2.0   | <b>100</b>   | <b>1.6</b>   |
| Net liabilities of production orders in progress           | 12    | 268        | 5.0   | <b>421</b>   | <b>7.0</b>   |
| Accrued expenses and deferred income                       | 23    | 909        | 17.1  | <b>983</b>   | <b>16.2</b>  |
| Provisions   | 25    | 223        | 4.2   | <b>229</b>   | <b>3.8</b>   |
| <b>Total current liabilities</b>                           |       | 2 468      | 46.3  | <b>3 004</b> | <b>49.6</b>  |
| Non-current liabilities                                    |       |            |       |              |              |
| Financial debts  | 24    | 698        | 13.1  | <b>435</b>   | <b>7.2</b>   |
| Provisions   | 25    | 216        | 4.0   | <b>217</b>   | <b>3.6</b>   |
| Deferred taxes   | 20    | 103        | 1.9   | <b>164</b>   | <b>2.7</b>   |
| Employee benefits  | 21    | 356        | 6.7   | <b>344</b>   | <b>5.7</b>   |
| <b>Total non-current liabilities</b>                       |       | 1 373      | 25.7  | <b>1 160</b> | <b>19.2</b>  |
| <b>Total liabilities</b>                                   |       | 3 841      | 72.0  | <b>4 164</b> | <b>68.8</b>  |
| <b>Shareholders' equity</b>                                |       |            |       |              |              |
| Share capital and bearer participation certificate capital | 33    | 12         | 0.2   | <b>12</b>    | <b>0.2</b>   |
| Share premiums   |       | 71         | 1.3   | <b>75</b>    | <b>1.2</b>   |
| Treasury stock   |       | -31        | -0.6  | <b>-43</b>   | <b>-0.7</b>  |
| Fluctuations in value of financial instruments             |       | 5          | 0.1   | <b>-3</b>    | <b>0.0</b>   |
| Translation exchange differences                           |       | -418       | -7.8  | <b>-319</b>  | <b>-5.3</b>  |
| Retained earnings  |       | 1 737      | 32.6  | <b>2 027</b> | <b>33.5</b>  |
| <b>Total Schindler Holding shareholders</b>                |       | 1 376      | 25.8  | <b>1 749</b> | <b>28.9</b>  |
| <b>Minority interests</b>                                  |       | 119        | 2.2   | <b>136</b>   | <b>2.3</b>   |
| <b>Consolidated shareholders' equity</b>                   |       | 1 495      | 28.0  | <b>1 885</b> | <b>31.2</b>  |
| <b>Total liabilities and shareholders' equity</b>          |       | 5 336      | 100.0 | <b>6 049</b> | <b>100.0</b> |



# Consolidated cash flow statement

Financial Statements Group

| In million CHF                                     | Notes | 2004  | 2005  |
|--|-------|-------|-------|
| Net profit   |       | 329   | 401   |
| Depreciation and amortization                      |       | 148   | 117   |
| Change of provision                                |       | -35   | -28   |
| Other positions with no effect on liquidity        |       | 52    | 43    |
| Contributions to pension funds                     |       | -20   | -71   |
| Change of remaining net working capital            |       | -41   | -115  |
| <b>Cash flow from operating activities</b>         |       | 433   | 347   |
| Additions to                                       |       |       |       |
| Property, plant and equipment                      |       | -82   | -98   |
| Investment properties                              |       | -     | -2    |
| Intangible assets                                  |       | -16   | -23   |
| Investments in associates                          |       | -35   | -7    |
| Hedging net investments                            |       | -35   | -     |
| Securities   |       | -222  | -     |
| Financial assets                                   |       | -391  | -161  |
| Disposals of                                       |       |       |       |
| Property, plant and equipment                      |       | 33    | 47    |
| Investment properties                              |       | -     | 5     |
| Securities   |       | -     | 231   |
| Financial assets                                   |       | 29    | 79    |
| Financial assets held for sale                     |       | -     | 41    |
| Additions/disposals of investments in subsidiaries | 26    | -10   | -95   |
| Additions minority interests                       |       | -     | -6    |
| <b>Cash flow from investing activities</b>         |       | -729  | 11    |
| Financial debt borrowed                            |       | 42    | 43    |
| Financial debt repaid                              |       | -82   | -228  |
| Additions treasury stock                           |       | -     | -19   |
| Disposals treasury stock                           |       | 4     | 8     |
| Payment of dividends Schindler Holding Ltd.        |       | -74   | -87   |
| Dividends paid to minority shareholders            |       | -13   | -13   |
| <b>Cash flow from financing activities</b>         |       | -123  | -296  |
| Translation exchange differences                   |       | -36   | 35    |
| <b>Change in cash on hand</b>                      |       | -455  | 97    |
| Cash on hand at start of period                    |       | 1 466 | 1 011 |
| Cash on hand at end of period                      |       | 1 011 | 1 108 |
| Income taxes paid                                  |       | 126   | 143   |
| Interests paid                                     |       | 51    | 51    |
| Interests received                                 |       | 25    | 30    |
| Dividends received from associated companies       |       | 5     | 3     |

# Statement of shareholders' equity

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Financial Statements Group

| in million CHF                                       | Share<br>and BPC<br>capital* | Share<br>premiums* | Treasury<br>stock** | Translation<br>exchange<br>differences | Fluctuations<br>in value of<br>financial<br>instruments | Retained<br>earnings | Total<br>Schindler<br>Holding<br>share-<br>holders | Minority<br>interests | Group |
|--|------------------------------|--------------------|---------------------|--|---|----------------------|--|-----------------------|-------|
| <b>December 31, 2003</b>                             | 13                           | 139                | -106                | -360                                   | -24   | 1 503                | 1 165  | 126                   | 1 291 |
| Translation exchange differences                     |                              |                    |                     | -23                                    |   |                      | -23  | -8                    | -31   |
| Hedging transactions                                 |                              |                    |                     | -35                                    | 26  |                      | -9   | -1                    | -10   |
| Financial instruments available for sale             |                              |                    |                     |  |   |                      |  |                       |       |
| – Not realized                                       |                              |                    |                     |  | 3   |                      | 3  |                       | 3     |
| Total of items recognized in shareholders' equity    |                              |                    |                     | -58                                    | 29  |                      | -29  | -9                    | -38   |
| Net profit   |                              |                    |                     |  |   | 308                  | 308  | 21                    | 329   |
| Total profit and loss                                |                              |                    |                     | -58                                    | 29  | 308                  | 279  | 12                    | 291   |
| Dividends  |                              |                    |                     |  |   | -74                  | -74  | -13                   | -87   |
| Elimination of own bearer participation certificates | -1                           | -69                | 70                  |  |   |                      | 0  | -                     | 0     |
| Additions/disposals treasury stock                   |                              | -1                 | 5                   |  |   |                      | 4  |                       | 4     |
| Options for participation plan (fair value)          |                              | 2                  |                     |  |   |                      | 2  |                       | 2     |
| Change in minority interests                         |                              |                    |                     |  |   |                      |  | -6                    | -6    |
| <b>December 31, 2004</b>                             | 12                           | 71                 | -31                 | -418                                   | 5   | 1 737                | 1 376  | 119                   | 1 495 |
| Translation exchange differences                     |                              |                    |                     | 101                                    |   |                      | 101  | 9                     | 110   |
| Hedging transactions                                 |                              |                    |                     | -2                                     | -6  |                      | -8   | -                     | -8    |
| Financial instruments available for sale             |                              |                    |                     |  |   |                      |  |                       |       |
| – Not realized                                       |                              |                    |                     |  | -1  |                      | -1   |                       | -1    |
| – Realized through the profit and loss statement     |                              |                    |                     |  | -1  |                      | -1   |                       | -1    |
| Total of items recognized in shareholders' equity    |                              |                    |                     | 99                                     | -8  |                      | 91   | 9                     | 100   |
| Net profit   |                              |                    |                     |  |   | 377                  | 377  | 24                    | 401   |
| Total profit and loss                                |                              |                    |                     | 99                                     | -8  | 377                  | 468  | 33                    | 501   |
| Dividends  |                              |                    |                     |  |   | -87                  | -87  | -13                   | -100  |
| Additions/disposals treasury stock                   |                              | 1                  | -12                 |  |   |                      | -11  |                       | -11   |
| Options for participation plan (fair value)          |                              | 3                  |                     |  |   |                      | 3  |                       | 3     |
| Change in minority interests                         |                              |                    |                     |  |   |                      |  | -3                    | -3    |
| <b>December 31, 2005</b>                             | 12                           | 75                 | -43                 | -319                                   | -3  | 2 027                | 1 749  | 136                   | 1 885 |

\* See also Note 33

\*\* The acquisition value of the shares and bearer participation certificates included in treasury stock is deducted openly from equity

# Notes to the consolidated financial statements

## 1 Activities of the company

In its core business (78% of consolidated turnover) Schindler is the world's largest supplier of escalators and second largest supplier of elevators, with local companies for production, installation, maintenance, and modernization in the most important markets worldwide. In 2005, turnover in this segment was CHF 6.9 billion. Schindler owns 64.5% of ALSO Holding Ltd., which is listed on the SWX Swiss Exchange. ALSO is a leading provider in the wholesale and logistics sector for information and communications technology and consumer electronics and has operations in Switzerland and Germany. Net sales 2005: CHF 2.0 billion.

## 2 Principles of consolidation and valuation

### 2.1 General principles

The accounting and reporting principles applied to these consolidated statements comply with Swiss Corporation Law as well as with the International Financial Reporting Standards (IFRS).

IAS standards 1 to 40, IFRS 2, 3, and 5, and the corresponding SIC and IFRIC "Interpretations," all of which are relevant to Schindler, were applied. IAS 41 Agriculture and IFRS Insurance Contracts, for instance, are not relevant to Schindler.

The financial statements based on IFRS contain assumptions and estimates that affect the figures contained in this report. The true results may differ from these estimates.

### 2.2 Most important estimates

Intangible assets/goodwill: When acquisitions take place, the fair value of the acquired intangible assets is estimated. Any residual value (difference between the purchase price and the net assets acquired) represents goodwill. The intangible assets acquired have a finite useful life and are therefore amortized. Goodwill has an infinite life and is not amortized but tested every year for possible impairment. The estimate of the separation into intangible assets and goodwill therefore has an effect on the amortization. When performing the impairment test on the goodwill, various assumptions are also made that require medium- and long-term estimates (terminal value) to be made. These relate to internal planning data (cash flow, growth rates, etc.) as well as external parameters (discount rate).

**Deferred tax assets:** Deferred tax assets are mainly created for temporary differences and in individual cases also for losses carried forward provided that their utilization appears probable. The recoverable value is therefore based on forecasts of the corresponding taxable entity over a period of several years. Should these forecasts prove to be incorrect, they can cause impairment losses.

**Provisions:** Schindler creates provisions when there is an obligation to third parties which results from an event in the past and the amount of the obligation can be reliably estimated. Provisions are created for a variety of possible events and are explained in detail in Note 25. However, by definition, provisions contain a greater degree of estimate than other balance sheet items since the estimated obligations can cause a greater or lesser cash drain depending on how the situation materializes.

**Employee benefits:** In various countries, Schindler has established defined employee benefit plans. Their status depends on actuarial assumptions some of which are of a long-term nature and may not correspond to reality. Actuarial differences which are above the so-called corridor are amortized over the average residual term of employment of the employees. Both the status used for the calculation and the amortization of any difference contain estimated values which have an effect on capital and income.

### **2.3 New issued accounting standards**

A number of new IFRS standards, not yet applicable, were issued on the balance sheet date. These set out the following changes:

- IFRS 7 “Financial Instruments: Disclosures”: This standard replaces the disclosure rules of IAS 32 and has no influence on the valuation. However, it will require additional sensitivity analyses of key financial risks. Schindler will apply IFRS 7 for the first time to the 2007 statements, with comparative figures from previous years.
- IAS 39 “Financial Instruments: Recognition and Measurement (from 2006)”: There are changes in the area of the so-called fair value option, which permits companies to value certain financial instruments voluntarily by designation at fair value, as well as in the area of cash flow hedging. As far as we can judge today, no changes are likely to result from either of the new rules. It is possible, however, that Schindler will make some prospective adjustments, though these cannot be quantified at present as decisions are still pending.

– The other changes will have no impact – or only a marginal one – on Schindler’s 2006 consolidated financial statements: IFRS 4 – Insurance Contracts, IFRS 6 – Exploration for and Evaluation of Mineral Resources, IAS 1 – Presentation of Financial Statements, IAS 16 – Property, Plant and Equipment, IAS 19 – Employee Benefits, IAS 21 – The Effects of Changes in Foreign Exchange Rates, IAS 24 – Related Party Disclosures, IAS 38 – Intangible Assets, IFRIC 4 – Determining whether an Arrangement contains a Lease, IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment, and IFRIC 7 – Applying the Restatement Approach in IAS 29 Financial Reporting in Hyperinflationary Economies.

#### **2.4 Main changes to methods of recognition and valuation**

All changes resulting from the IASB Improvements Project that are relevant to Schindler, as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were binding on December 31, 2005, have been applied since January 1, 2005.

IAS 8 “Accounting Policies, Change in Accounting Estimates and Errors.” Based on this revised standard, all changes that result from the application of new or revised standards, or from changes in estimates and correction of errors which have an influence on the presentation or content of the report, must also be adjusted retrospectively in the comparison period.

IFRS 2 “Share-based Payment” has no material effect, since the associated expenses for payments to employees were already measured in the previous periods and recognized as expenses spread over the vesting period of three years.

IFRS 3 “Business Combinations” was applied to all acquisitions with agreement date March 31, 2004, or later. According to this standard, intangible assets that result from either a contractual or a legal right, or can be separated from the business and their fair value be reliably determined, are deducted from goodwill (paid added value) and carried separately as intangible assets. The remaining goodwill is no longer amortized but subjected to an annual impairment test.

Capitalized goodwill arising from earlier business combinations has only been handled according to IFRS 3 and IAS 36 (revised) as from reporting year 2005. Consequently, there is no further scheduled amortization, which relieves the profit for the year ending December 31, 2005, by CHF 31 million relative to the previous year. In combination with IAS 38 "Intangible Assets" (Revised), these standards have the effect that, in the future, higher intangible assets and lower goodwill will result from acquisitions.

Based on IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," corresponding items relating to the sale by ALSO on February 5, 2004, of its Systems Business division have been reclassified in the profit and loss statement of the previous period. The resulting effect at the level of operating revenue is CHF 5 million. The total expenses also amount to CHF 5 million, with the consequence that at the level of "Profit from Discontinued Operations" the result is zero.

For financing purposes, the ALSO Group sells trade receivables to an independent bank. In the past, these sold receivables were directly deducted from the total outstanding receivables. Under the new regulations of IAS 39 "Financial Instruments: Recognition and Measurement" these receivables are no longer deducted from the total outstanding receivables. The pre-financing is correspondingly reported as a liability. The balance sheet of December 31, 2004, has been retroactively adjusted by CHF 50 million.

Based on IAS 1, "Presentation of Financial Statements," one effect of this is that consolidated net profit and consolidated shareholders' equity are now reported inclusive of minority interests. There were additionally reclassifications from non-current to current assets. The balance sheet and profit and loss statement were changed in form and expanded with some information that was formerly reported as notes now being presented directly in the balance sheet or profit and loss statement respectively. The statement of shareholders' equity has been expanded to show minority interests.

In the profit and loss statement, accounting gains and losses on the sale of fixed assets are no longer offset against depreciation but recognized as Other Income. Corresponding to the general trend, the "Fund" in the cash flow statement only contains the item "Cash on hand" (without exclusion of current accounts with banks). All of these changes are also made retrospectively and have no effect on consolidated shareholders' equity or net profit.

The changes and adjustments made in the balance sheet and profit and loss statement relative to the previous year are as stated below.

## 2.5 Restatement

### Restatement of consolidated balance sheet as at 31.12.2004

| In million CHF                              | 31.12.2004                         | Restatement |          |          |          | 31.12.2004           |
|---|------------------------------------|-------------|----------|----------|----------|----------------------|
|   | before<br>restatement <sup>1</sup> | IFRS 5      | IAS 1    | IAS 39   | Other    | after<br>restatement |
| <b>Assets</b>                               |                                    |             |          |          |          |                      |
| Securities                                  | 336                                |             | 3        |          |          | 339                  |
| Accounts receivable                         | 1 229                              |             |          | 50       | -1       | 1 278                |
| Financial assets available for sale         |                                    | 34          |          |          |          | 34                   |
| Property, plant and equipment               | 514                                | -34         | -62      |          | -1       | 417                  |
| Investment properties                       |                                    |             | 62       |          |          | 62                   |
| Financial assets                            | 443                                |             | -3       |          |          | 440                  |
| <b>Liabilities and shareholders' equity</b> |                                    |             |          |          |          |                      |
| Current financial debts                     | 173                                |             |          | 51       |          | 224                  |
| Short-term provisions                       | 224                                |             |          |          | -1       | 223                  |
| Non-current financial debts                 | 700                                |             |          | -1       | -1       | 698                  |
| <b>Consolidated shareholders' equity</b>    | <b>1 495</b>                       | <b>-</b>    | <b>-</b> | <b>-</b> | <b>-</b> | <b>1 495</b>         |

<sup>1</sup>As disclosed in the Annual Report for 2004

### Restatement of consolidated profit and loss statement 2004

| In million CHF                | 2004                               | Restatement |       |        |       | 2004                 |
|-------------------------------|------------------------------------|-------------|-------|--------|-------|----------------------|
|                               | before<br>restatement <sup>1</sup> | IFRS 5      | IAS 1 | IAS 39 | Other | after<br>restatement |
| Operating revenue             | 8 259                              | -5          |       |        |       | 8 254                |
| Material cost                 | 3 493                              | -1          |       |        |       | 3 492                |
| Personnel cost                | 2 818                              | -4          |       |        |       | 2 814                |
| Other operating cost          | 1 327                              |             |       |        | -13   | 1 314                |
| Depreciation and amortization | 135                                |             |       |        | 13    | 148                  |
| Investing activities          | 5                                  |             |       |        | -1    | 4                    |
| Income taxes                  | 154                                |             |       |        | -1    | 153                  |
| Net profit                    | 308                                |             |       |        |       |                      |
| Minority interests            |                                    |             | 21    |        |       |                      |
| Net profit                    |                                    |             |       |        |       | 329                  |

<sup>1</sup>As disclosed in the Annual Report for 2004

## 2.6 Scope of consolidation

The consolidated financial statements include the annual financial statements of Schindler Holding Ltd., Hergiswil, Switzerland, and all subsidiaries in which Schindler Holding Ltd. directly or indirectly holds a majority of voting rights or which Schindler Holding Ltd. otherwise controls. The essential affiliated companies and unconsolidated subsidiaries are listed on pages 74 to 76.

In the reporting year, the scope of the consolidation was expanded to include the following companies: SAS Levage Moderne, France (since January), ELETEC vytahy, Czech Republic (since July), Hontz Elevator Company, USA (since July), Mercury Ascensore Ltd., Japan (since October), and Slade Industries Inc., USA (since October). A number of other small companies in Europe and the USA were added to the scope of the consolidation and the remaining shares were purchased in the subsidiaries Ternitz Druckguss GmbH, Austria (20%) and Holake Hong Kong Lifts Limited, Hong Kong SAR (40%).

## 2.7 Method of consolidation

The consolidated accounts are based on the annual financial statements of the individual subsidiaries. All companies follow uniform valuation and reporting practices prescribed by the Group.

Applying the full consolidation method, the assets, liabilities, income, and expenses of all affiliates are included in their entirety. Minority interests in equity and profit are disclosed separately in the consolidated balance sheet and the consolidated profit and loss statement.

Intercompany revenues and expenses, as well as assets and liabilities, are eliminated in the consolidation process. Profits on intercompany inventory and supplies not yet realized through sales to third parties are eliminated within the framework of consolidation.

Investments in companies with voting rights between 20% and 50% are defined as "Investments in associates" and are accounted for according to the equity method.

The difference between the acquisition price and the net asset value of holdings in associated companies is recognized and reported as goodwill or intangible assets under "Investments in associates."



## 2.8 Acquisitions and goodwill

Companies are consolidated as from the date on which control is acquired.

The identifiable assets and liabilities of business combinations with agreement date before March 31, 2004, were revalued at fair value and included according to the purchase method. For companies acquired before this date, the difference between the acquisition price and the value of the acquired net assets was capitalized as goodwill. Until December 31, 2004, the linear amortization of these goodwill items was based on an expected useful life of maximum 20 years. As from January 1, 2005, these items are no longer amortized but subjected to an annual impairment test.

The identifiable assets and liabilities of business combinations with agreement date as from March 31, 2004, are revalued at fair value and included according to the purchase method. In addition, assets that result from either a contractual or a legal right, or can be separated from the business and their fair value reliably determined, are deducted from goodwill (paid added value) and carried separately as intangible assets. This applies mainly to maintenance contracts, licenses, patents, trade marks, and similar rights. The remaining goodwill is no longer amortized but subjected to an annual impairment test.

Existing provisions for restructuring are taken over on the date of acquisition. The acquisition balance sheet does not contain any additional creation of restructuring costs. Provisions are made in the acquisition balance sheet for contingent liabilities which are taken over with the acquisition, i.e. which are not guaranteed by the seller but whose market value can be reliably determined.

Goodwill and intangible assets are transferred by means of "push-down accounting" into those business units which are expected to benefit from the acquisition and/or generate future cash flows. Recognition is in the respective functional currency.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences is reported as operating profit in the consolidated profit and loss statement.

The goodwill and/or identifiable intangible assets of associated companies are recognized under "Investments in associates." In addition, as from March 31, 2004, the new IFRS rules for "Business Combinations" also became applicable. Amortization and any impairment adjustments are recognized in the profit and loss statement under "Investing activities."

## 2.9 Translation of foreign currency

Foreign currency transactions are recorded at the spot rate as of the transaction date. Gains and losses resulting from foreign currency transactions and from the adjustment of foreign currency assets and liabilities at the balance sheet date are recognized in the profit and loss statement.

The annual financial statements of the foreign subsidiaries in foreign currencies are translated into Swiss francs as follows:

- Balance sheet at year-end exchange rates
- Income statement at the annual average exchange rates
- Cash flow statement at the annual average exchange rates

Currency translation differences which arise when calculating the consolidated net profit at average and year-end exchange rates, or from transactions in shareholders' equity, are offset against consolidated shareholders' equity, and recognized in the profit and loss account should the company be sold. Foreign currency gains on certain loans having the nature of equity which form part of the net investment in a company are also recognized directly in shareholders' equity if no provision for such a loan is planned or foreseen in the near future. These differences are recognized in the profit and loss statement at the time of repayment.

The following exchange rates have been applied for the most significant foreign currencies concerned:

|                |     |     | 2004     | <b>2005</b>     | 2004     | <b>2005</b>     |
|----------------|-----|-----|----------|-----------------|----------|-----------------|
|                |     |     | Year-end | <b>Year-end</b> | Average  | <b>Average</b>  |
|                |     |     | exchange | <b>exchange</b> | exchange | <b>exchange</b> |
|                |     |     | rates    | <b>rates</b>    | rates    | <b>rates</b>    |
| Euro countries | EUR | 1   | 1.54     | <b>1.56</b>     | 1.55     | <b>1.55</b>     |
| USA            | USD | 1   | 1.13     | <b>1.32</b>     | 1.24     | <b>1.24</b>     |
| Great Britain  | GBP | 1   | 2.18     | <b>2.27</b>     | 2.27     | <b>2.26</b>     |
| Brazil         | BRL | 100 | 42.64    | <b>56.61</b>    | 42.47    | <b>51.46</b>    |
| China          | CNY | 100 | 13.67    | <b>16.30</b>    | 14.96    | <b>15.17</b>    |

## 2.10 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

- Financial assets “at fair value through profit and loss” are carried in the balance sheet at fair value. These are acquired principally for the purpose of generating a profit from short-term fluctuations in price. In addition, certain financial instruments can be assigned voluntarily by designation.
- Financial investments held to maturity. These are investments with a fixed term which the company has the positive intent and ability to hold to maturity.
- Financial instruments originated by the company. These comprise loans and receivables created by the company.
- Financial instruments available for sale, which include all financial instruments not assignable to one of the above-mentioned categories.

Except for financial assets “at fair value through profit and loss”, the first-time measurement of financial assets is at purchase cost including transaction costs. All purchases and sales are recognized on the date of the transaction. Financial assets “at fair value through profit and loss” are carried in the balance sheet at fair value. Changes in value are reported as Financing Activities (Financial Income or Expense) for the respective reporting period. Financial investments held to maturity as well as financial instruments originated by the company are valued by the effective interest method. Financial investments which are available for sale are carried at market value, changes in market value (after tax) being recognized in shareholders’ equity. At the time of sale, impairment, or other disposal, the accumulated gains and losses recorded in shareholders’ equity are reported in financial income/-expense for the current period.

- Financial liabilities mainly comprise financial debts, which are valued at their (discounted) costs. Liabilities arising from trading activities “at fair value through profit and loss” are valued at market values.

Financial assets are derecognized when Schindler gives up its control over them, i.e. when the rights associated with them are sold or expired. Financial liabilities are derecognized when they are repaid.

– Long-term financial liabilities are valued by the effective interest method. The interest expense therefore includes not only the actual interest payments, but also the annual discounted amounts and pro rata transaction costs.

Derivative financial instruments are initially recognized at their purchase price. Sales and purchases are recorded on the date of trading and subsequently carried at market value. Schindler only uses hedge accounting selectively for individual transactions.

Fluctuations in value of items held for the purpose of hedging future cash flows are recorded in shareholders' equity if the requirements regarding documentation, probability, effectiveness, and reliability of measurement are fulfilled. When the hedged asset or liability is recorded for the first time, the fluctuations in value recorded in shareholders' equity are included in the underlying transactions or, if expense or income is involved, taken out of equity and included in the profit and loss statement at the time of recognition. Fluctuations in value of items which do not fulfill the requirements for hedging transactions are recorded in the financial result directly.

If the hedging relates to investments in subsidiaries, the fluctuations in value of the hedging transaction which are recorded in shareholders' equity are only included in the result if the subsidiary is sold.

Financial instruments are selectively hedged against fluctuations in market value by so-called fair value hedges. In such cases, within the scope of the hedged risk a market valuation is made of both the underlying and the hedging transactions.

## 2.11 Segment reporting

The segment reporting reflects the structure of the Schindler Group.

The primary segmentation covers the business units Elevators & Escalators (E&E) and ALSO as well as central financing activities which are included in "Finance/Eliminations." The unit Elevators & Escalators includes production and installations of new equipment as well as modernization, maintenance, and repairs of existing installations. ALSO is operating in the IT industry as a logistics and service company.

The secondary segmentation represents geographical areas (continents). Because the area comprising Eastern Europe, Middle East, India, and Africa (EMIA) represents only a relatively low portion of the Group, it is consolidated in the segments Europe and Asia/Australia/Africa, respectively. The ALSO Group is only active in Europe; thus, this unit is excluded from the geographical segmentation.

The assets and liabilities include all items of the balance sheet which can be directly identified, or reasonably allocated, to a segment.

### **2.12 Cash on hand**

Cash on hand includes cash, bank deposits and time deposits with an original maturity of maximum three months.

### **2.13 Securities**

Marketable securities in current assets comprise readily saleable titles including time deposits with a term of three to twelve months or a residual term of up to twelve months.

Securities in non-current assets comprise company shares held long term and time deposits with a term of more than twelve months.

Time deposits in Swiss francs are recorded at original cost. Time deposits in foreign currencies are translated at the exchange rate on the date of the balance sheet.

Marketable securities are carried at market value. Fluctuations in value are recognized in the profit and loss statement (items "at fair value") or in shareholders' equity (items "available for sale").

On sale, impairment, or other derecognition, the accumulated gains or losses recognized in shareholders' equity since the date of purchase are reported under "Financing activities" for the current period.

### **2.14 Accounts receivable**

Trade accounts receivable, as well as other receivables, do not bear interest and are reported at nominal values less adjustments necessary for commercial reasons.

Adjustments are based on Group-internal guidelines according to which revaluation of individual values must be undertaken first. Systematic additional adjustments of between 10% and 100% are made on the residual balances according to the age of the receivable.

### 2.15 Inventories

Inventories are valued at the lower of purchase or manufacturing cost and net realizable value.

Costs are evaluated according to the weighted average cost method. Pro rata direct overheads are included in inventories. Slow-moving items are partially amortized. Obsolete articles are fully written off.

### 2.16 Non-current assets held for sale and associated liabilities

The item "Non-current Assets Held for Sale and Discontinued operations" comprises assets held long term until sold and liabilities from business operations that have been discontinued. These are all those assets of a business segment that are associated with discontinuation of a major line of business or balance sheet items or disposal groups that comprise at least one non-current asset plus any associated liabilities that will be realized by a sales transaction and no longer by continued use. The reclassification only takes place when management has decided on the sale and begun seeking purchasers. In addition, the object or disposable group must be saleable, and it must be highly probable that sale will take place within one year. Long-term assets or disposal groups that are classified as "for sale" are no longer systematically amortized. Should their value need to be adjusted, this takes place by means of impairment.

In the profit and loss statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the profit and loss statement.

### **2.17 Uncompleted contracts, revenue and profit recognition**

Both in-plant and on-site production orders are accounted for according to the percentage of completion method. The respective stage of completion is evaluated via individual progress calculations.

Accordingly, the pro rata revenue is recognized in the profit and loss statement. In the balance sheet, work in progress offset by customers' down payments is recognized as net assets or net liabilities of production orders in progress.

Proceeds from other customer orders, especially services, are recognized as billings or operating revenue on the date when they are performed. Discounts, sales taxes, and other reductions in the proceeds from the sale are deducted.

Provisions are made immediately for foreseeable losses on customer orders (see also Note 25).

Interest income is accrued to the respective period taking into account the outstanding amount and the applicable rate of interest. The applicable rate of interest is that rate of interest that discounts the estimated future cash flows over the life of the financial asset to exactly the net carrying amount of the asset.

### **2.18 Property, plant and equipment/Investment properties**

Property, plant and equipment and investment properties are valued at purchase value less cumulative depreciation. Third-party capacities are not capitalized.

Depreciation takes place according to the linear method in systematically planned manner over the useful life of the property. Land is not depreciated. Impairments (Notes 15 and 16) are recognized as amortization and reported separately.

Real estate not used for operational purposes is recognized as investment property and carried in the balance sheet and depreciated according to the same criteria as real estate used for operational purposes. Investment property includes real estate (land and/or buildings or parts thereof) that is held for the purpose of generating rental income and/or for a future still undefined purpose.

The market value of the investment properties reported separately in Note 16 is based on estimates or assumptions (external valuations, discounted cash flow calculations, comparison with values of similar properties, etc.).

Maintenance costs are recognized in the balance sheet if they increase the useful life or production capacity.

Non-value-adding costs of maintenance and repairs are recognized immediately as expenses in the profit and loss statement.

The estimated useful lives in years of the major classes of fixed assets are as follows:

|                    | Years |
|--------------------|-------|
| Buildings          | 20–40 |
| Machines and tools | 5–10  |
| Furniture          | 10    |
| EDP                | 3–5   |
| Vehicles           | 5–10  |

### 2.19 Intangible assets

Items carried as intangible assets are goodwill, maintenance contracts acquired from third parties, licenses, patents, trademarks and similar rights, and software.

Intangible assets are amortized linearly over their expected useful life, which is normally no longer than five to ten years.

Except for goodwill, no intangible assets with an unlimited useful life are capitalized.

Impairments (Note 17) are recognized as amortization and reported separately.

### 2.20 Provisions

Provisions for commitments and contingencies are recognized if the Group has a present obligation to a third party, which has arisen from a past event, and if a reasonable estimate of that obligation can be made. Possible losses from future events are not recognized in the balance sheet.



Restructuring provisions are only recognized if the respective costs can be reliably determined by reference to a plan, and there is a corresponding obligation resulting from a contract or communication.

Except for "Provisions for product liability," provisions are not discounted, since the main part of the payments usually falls due within the next 24 months or the interest component of the individual provisions is immaterial.

### **2.21 Employee benefits**

There are various employee benefit plans in existence within the Group, which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension/insurance funds, or by recognition as employee benefit liabilities in the balance sheets of the respective Group companies.

For defined contribution plans as well as for multiemployer plans for which the costs associated with the defined benefit plan are not known, the net periodic cost to be recognized in the profit and loss statement equals the contributions made by the employer.

In the case of defined benefit plans the net periodic cost is determined by an actuarial valuation by external experts, performed at a minimum every three years, using the projected unit credit method. Obligations under defined benefit plans are covered either by plans with separate capital (funded), in which the assets are managed separately from those of the Group by autonomous benefit funds, or by plans without capital (unfunded) but with corresponding liabilities in the balance sheet.

For defined benefit plans with separate capital (funded), the under- or over-coverage of the cash value of the rights by the capital at market values is reported in the balance sheet as a liability or asset, taking into account any unrecorded actuarial gains or losses or outstanding rights. Any assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions or repayments; liabilities, on the other hand, are included at their full value.

Actuarial gains and losses result mainly from changes in actuarial assumptions or from differences between actuarial assumptions and effective values. Actuarial adjustments or effects resulting from changes to plans which exceed the so-called corridor of 10% are debited or – provided that the criteria for capitalization are fulfilled – credited to employee benefit costs over the average remaining working life of the insured employees.

Other employee benefits (e.g. service anniversary awards) are valued by the same method and included in the balance sheet under employee benefits, with any actuarial gains in this case being recognized immediately.

## **2.22 Capital participation plans**

A capital participation plan for the top management employees of the Group has been in existence since 2000.

The present capital participation plan was originally limited to about 50 persons. Starting with the allocations made in April 2004 for the reporting year 2003, the plan was extended for the first time to a further level of management and now applies to about 350 employees in the Group.

The plan has a lifetime of six years and provides for entitled employees to receive a predefined proportion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined valuation. These shares and bearer participation certificates pass into the ownership of the employees and carry all associated rights, but are subject to the restriction that for a period of three years they may not be sold.

There is also a share purchase program for the employees of the ALSO Group. The program allows all employees of the ALSO Group to purchase shares of ALSO Holding AG at preferential conditions of 50% of the market price.

In addition, the Board of Directors can decide on an annual basis whether, and to what extent, the group of employees mentioned above shall be awarded additional option rights for the purchase of shares or bearer participation certificates of Schindler Holding Ltd. or ALSO Holding AG at a predetermined price. This plan, which will be renewed each year, has a lifetime of six years, and the option rights can only be exercised after a waiting period of three years. In readiness for these obligations, the Group holds most of the necessary number of shares or bearer participation certificates in treasury until the options are exercised or expire. This capital participation plan does not require the issue of any additional shares or bearer participation certificates. All options allow only the purchase of shares or bearer participation certificates and cannot result in direct receipt of cash or cash equivalents.

The fair value of the option premium from the capital participation plan as calculated by the Hull-White method (see Note 32) is recognized in the profit and loss statement and charged to personnel cost for the vesting period of three years.

### **2.23 Deferred taxes**

Deferred taxes are recognized in accordance with the liability method. Thus, the impact on income taxes from temporary differences arising from differences between Group values and the corresponding tax basis is recorded as either non-current liability or non-current asset, using the effective or the expected local tax rates. The change in deferred tax assets and liabilities is recognized as income tax.

Passive deferred taxes are calculated on all taxable temporary differences.

Deferred tax assets including assets for unused tax loss carryforwards and expected tax credits are only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

## 2.24 Shareholders' equity

The capital reserves consist of amounts paid in by shareholders and holders of bearer participation certificates in excess of the nominal value. They therefore comprise the share premium account of Schindler Holding Ltd., reduced by the amount greater than the nominal value resulting from the elimination of own shares and bearer participation certificates. Also recognized in the capital reserves are realized gains and losses on the sale of own shares and participation certificates, as well as the fair value at the time they are allocated of options from the participation plans over the vesting period of three years.

Retained earnings consist of accumulated profits of the Group which are for the most part freely available.

Minority interests comprise shares held by third-party shareholders in the shareholders' equity (incl. net profit for the year) of subsidiaries.

Dividends are charged to shareholders' equity in the period in which they are determined.

## 2.25 Leases

Property, plant and equipment acquired under leasing contracts which in relation to use and risk treat subsidiaries as the owner, are classified as finance leases. Such assets are recorded at the lower of the estimated net present value of future minimum lease payments and the estimated fair value of the asset at the inception of the lease. Investments in finance lease are amortized over the shorter of their expected economic service life or contract duration. Unrealized gains on sale and leaseback transactions resulting in finance leases are deferred and amortized over the term of the lease.

Payments resulting from "Operating Leasing" are recognized linearly as operating expenses and correspondingly charged directly to the income statement.

## 2.26 Impairment

Goodwill amounts are subjected to an annual impairment test in the third quarter.

The discounted cash flow model that is used to calculate the fair value for the impairment test depends on several factors. These include estimates of future cash flows, discount rates, and other variable parameters. The basis for the test is the forecast for the reporting year and the medium-term plan for the following two years. To make these estimates, significant assumptions and valuations are necessary. The factors such as volumes, selling prices, sales growth, material costs, personnel costs, and operating costs, as well as capital expenditure, market conditions, and other economic factors, are based on assumptions that management regards as reasonable.

Impairments of the goodwill are recognized immediately as amortization in the profit and loss statement and not reversed in subsequent periods.

The recoverable value of property, plant and equipment and other assets, including intangible assets, is always tested if events or changed circumstances indicate that their carrying amounts may be overvalued. If the carrying amount exceeds the recoverable value, exceptional depreciation is applied to reduce the value to the amount that appears recoverable based on the discounted expected future revenues.

## 2.27 Research and development costs

Contract-related engineering costs are capitalized in work in progress. Other research and development expenses are immediately recognized in the profit and loss statement. Development costs for new products are not capitalized, since a future economic benefit can only be proven after successful market introduction.

### 3 Operating revenue

| In million CHF  | 2004         | 2005         |
|---|--------------|--------------|
| Billings  | 8 220        | <b>8 658</b> |
| Sundry operating revenue                                    | 45           | <b>36</b>    |
| Change in balance of work in progress                       | -14          | <b>173</b>   |
| Capitalized own production of property, plant and equipment | 3            | <b>3</b>     |
| <b>Total operating revenue</b>                              | <b>8 254</b> | <b>8 870</b> |

CHF 3 338 million (previous year CHF 3 078 million) of the operating revenue were calculated according to the percentage of completion method.

### 4 Personnel cost and headcount

#### 4.1 Personnel cost

| In million CHF              | 2004         | 2005         |
|-----------------------------|--------------|--------------|
| Salaries and wages          | 2 211        | <b>2 294</b> |
| Social charges              | 603          | <b>626</b>   |
| <b>Total personnel cost</b> | <b>2 814</b> | <b>2 920</b> |

Depending on the function, the procedure usually includes the base salary, variable salary components, social benefits, and other payments. All Schindler companies follow the compensation policy of the Group, according to which the income situation, individual performance, and market practices are taken into account.

Schindler pursues a policy of performance premiums and bonus payments wherever these are justifiable. For managerial employees, the variable components play an important role in the total compensation.

#### 4.2 Headcount

|                       | 2004   | 2005          |
|-----------------------|--------|---------------|
| Average headcount     | 39 269 | <b>39 651</b> |
| Headcount at year-end | 39 443 | <b>40 385</b> |

| <b>5 Other operating cost</b>                   |              |              |
|---|--------------|--------------|
| In million CHF                                  | 2004         | 2005         |
| Special cost                                    | 392          | <b>422</b>   |
| Employee-related expenses                       | 209          | <b>238</b>   |
| Rent, leasing                                   | 133          | <b>141</b>   |
| Maintenance and repairs                         | 70           | <b>73</b>    |
| Energy supply, consumables and packing material | 114          | <b>117</b>   |
| Insurance, fees and capital taxes               | 100          | <b>92</b>    |
| General administration and advertising          | 208          | <b>231</b>   |
| Losses on receivables                           | 8            | <b>23</b>    |
| Other operating expenses                        | 100          | <b>104</b>   |
| Other income                                    | -20          | <b>-50</b>   |
| <b>Total other operating cost</b>               | <b>1 314</b> | <b>1 391</b> |

Research and development costs of CHF 110 million (previous year CHF 114 million) have been charged to the profit and loss statement.

“Other income” includes contributions to advertising expenses by suppliers, income from other periods, and accounting gains from the sale of fixed assets and investment properties. Accounting gains are reported gross before deduction of taxes, reserves, and contractually agreed expenses, etc. The annual financial statements for 2005 contain the proceeds from the sale of the Industrial and Trading Park at Altenrhein, Switzerland, and the land at Saragossa, Spain.

| <b>6 Financial income</b>                     |           |           |
|---|-----------|-----------|
| In million CHF                                | 2004      | 2005      |
| Interests                                     | 25        | <b>32</b> |
| Value adjustments on available-for-sale items | 3         | -         |
| <b>Total financial income</b>                 | <b>28</b> | <b>32</b> |

| <b>7 Financial expense</b>     |      |             |
|--------------------------------|------|-------------|
| In million CHF                 | 2004 | <b>2005</b> |
| Interests                      | 52   | <b>52</b>   |
| Foreign currency transactions  | 5    | <b>27</b>   |
| Other financial expense        | 14   | <b>13</b>   |
| <b>Total financial expense</b> | 71   | <b>92</b>   |

The foreign currency result mainly comprises valuation differences on operational hedging transactions. "Other financial expense" mainly comprises bank charges and country-specific financial transaction costs.

| <b>8 Investing activities</b>         |      |             |
|---------------------------------------|------|-------------|
| In million CHF                        | 2004 | <b>2005</b> |
| Income from investments in associates | 4    | <b>-1</b>   |
| Amortization of intangible assets     | -    | <b>-1</b>   |
| <b>Total investing activities</b>     | 4    | <b>-2</b>   |

| <b>9 Income taxes</b>                        |      |             |
|--|------|-------------|
| In million CHF                               | 2004 | <b>2005</b> |
| Current income taxes of the reporting period | 127  | <b>137</b>  |
| Current income taxes of previous period      | -    | <b>1</b>    |
| Deferred income taxes                        | 26   | <b>33</b>   |
| <b>Total income taxes</b>                    | 153  | <b>171</b>  |

### **9.1 Reconciliation of income taxes**

| In million CHF                                   | 2004 | %  | <b>2005</b> | %         |
|--|------|----|-------------|-----------|
| Net profit before taxes                          | 482  |    | <b>572</b>  |           |
| Weighted average income tax rate                 |      | 33 |             | <b>32</b> |
| Expected income tax expense                      | 158  |    | <b>184</b>  |           |
| Setup/use of unrecognized tax loss carryforwards | -3   |    | <b>-9</b>   |           |
| New inclusion of deferred taxes                  | 2    |    | <b>-3</b>   |           |
| Other  | -4   |    | <b>-1</b>   |           |
| Effective income taxes                           | 153  |    | <b>171</b>  |           |
| Effective income taxes and profit before taxes   |      | 32 |             | <b>30</b> |

The weighted average tax rate is calculated using expected income tax rates of the individual Group companies in each jurisdiction.



## 10 Securities

| In million CHF          | 2004       | 2005       |
|-------------------------|------------|------------|
| Investment funds        | 184        | –          |
| Other securities        | 24         | <b>88</b>  |
| Time deposits           | 131        | <b>24</b>  |
| <b>Total securities</b> | <b>339</b> | <b>112</b> |

“Investment funds” and “Other securities” are classified as “held for trading.”

## 11 Accounts receivable

| In million CHF                       | 2004         | 2005         |
|--------------------------------------|--------------|--------------|
| Supplies and services, gross         | 1 307        | <b>1 559</b> |
| Allowance for doubtful accounts      | –103         | <b>–121</b>  |
| Supplies and services, net           | 1 204        | <b>1 438</b> |
| Associates and other related parties | 4            | <b>11</b>    |
| Other accounts receivable            | 70           | <b>106</b>   |
| <b>Total accounts receivable</b>     | <b>1 278</b> | <b>1 555</b> |

Sold accounts receivable of CHF 17 million (previous year CHF 50 million) have not been derecognized because the collection risk remains within the Group.

## 12 Production orders in progress

| In million CHF  | 2004        | 2005        |
|---|-------------|-------------|
| Work in progress  | 748         | <b>918</b>  |
| Down payments from customers                            | –313        | <b>–388</b> |
| <b>Net assets of production orders in progress</b>      | <b>435</b>  | <b>530</b>  |
| Work in progress  | 430         | <b>577</b>  |
| Down payments from customers                            | –698        | <b>–998</b> |
| <b>Net liabilities of production orders in progress</b> | <b>–268</b> | <b>–421</b> |

| <b>13 Inventories</b>             |      |             |
|-----------------------------------|------|-------------|
| In million CHF                    | 2004 | <b>2005</b> |
| Raw material and trading material | 249  | <b>327</b>  |
| Semifinished and finished goods   | 85   | <b>103</b>  |
| Down payments to suppliers        | 7    | <b>5</b>    |
| <b>Total inventories</b>          | 341  | <b>435</b>  |

Write-downs totaling CHF 113 million (previous year CHF 95 million) were recognized for slow-moving and obsolete items.

#### **14 Assets and liabilities held for sale**

##### **Discontinued business operations**

On February 5, 2004, the ALSO Group divested the systems business. The values included in the profit and loss statement of the consolidated financial statements are as follows:

| In million CHF                                      | 2004 | <b>2005</b> |
|---|------|-------------|
| Operating revenue                                   | 5    | -           |
| Material cost                                       | 1    | -           |
| Personnel cost                                      | 4    | -           |
| Operating profit                                    | 0    | -           |
| <b>Profit from discontinued business operations</b> | 0    | -           |

The effect of the discontinued business operations on the individual items of the balance sheet and cash flow statement is less than one million CHF and therefore not reported separately.

The amount of CHF 34 million reported in the balance sheet of the previous year under "Financial assets held for sale" is the carrying amount of the Industrial and Trading Park at Altenrhein, Switzerland, which was sold on January 1, 2005.

1 2 3  
 4 5 6  
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 0

Financial Statements Group

**15 Property, plant and equipment (PPE)**

| In million CHF                                 | Operational<br>land | Operational<br>buildings | Equipment<br>and<br>machines | Other<br>PPE | Total      |
|--|---------------------|--------------------------|------------------------------|--------------|------------|
| <b>Net book values 2004</b>                    |                     |                          |                              |              |            |
| December 31, 2003                              | 37                  | 157                      | 151                          | 106          | 451        |
| Additions                                      | –                   | 6                        | 31                           | 45           | 82*        |
| Disposals                                      | –                   | –2                       | –8                           | –7           | –17        |
| Reclassifications                              | –                   | –                        | 2                            | –3           | –1         |
| Amortization                                   | –                   | –12                      | –37                          | –43          | –92        |
| Change scope of consolidation                  | –                   | 3                        | 1                            | –            | 4          |
| Translation exchange differences               | –1                  | –3                       | –5                           | –1           | –10        |
| <b>December 31, 2004</b>                       | <b>36</b>           | <b>149</b>               | <b>135</b>                   | <b>97</b>    | <b>417</b> |
| Of which lease                                 | 1                   | 6                        | –                            | 3            | 10         |
| Fire insurance value                           |                     |                          |                              |              | 1 840      |
| <b>Overview as of January 1, 2004</b>          |                     |                          |                              |              |            |
| Acquisition costs                              | 51                  | 429                      | 592                          | 491          | 1 563      |
| Accumulated amortization and impairment losses | –14                 | –272                     | –441                         | –385         | –1 112     |
| <b>Net book values</b>                         | <b>37</b>           | <b>157</b>               | <b>151</b>                   | <b>106</b>   | <b>451</b> |
| <b>Overview as of December 31, 2004</b>        |                     |                          |                              |              |            |
| Acquisition costs                              | 49                  | 414                      | 560                          | 439          | 1 462      |
| Accumulated amortization and impairment losses | –13                 | –265                     | –425                         | –342         | –1 045     |
| <b>Net book values</b>                         | <b>36</b>           | <b>149</b>               | <b>135</b>                   | <b>97</b>    | <b>417</b> |

\*Of which finance lease

1

| In million CHF                                 | Operational<br>land | Operational<br>buildings | Equipment<br>and<br>machines | Other<br>PPE | Total      |
|--|---------------------|--------------------------|------------------------------|--------------|------------|
| <b>Net book values 2005</b>                    |                     |                          |                              |              |            |
| December 31, 2004                              | 36                  | 149                      | 135                          | 97           | 417        |
| Additions                                      | 6                   | 13                       | 32                           | 49           | 100*       |
| Disposals                                      | -1                  | -5                       | -6                           | -2           | -14        |
| Reclassifications                              | 3                   | 1                        | 4                            | -6           | 2          |
| Amortization                                   | -1                  | -11                      | -37                          | -37          | -86        |
| Impairment                                     | -                   | -                        | -3                           | -            | -3         |
| Change scope of consolidation                  | 2                   | 2                        | 1                            | 3            | 8          |
| Translation exchange differences               | -5                  | 17                       | 11                           | 8            | 31         |
| <b>December 31, 2005</b>                       | <b>40</b>           | <b>166</b>               | <b>137</b>                   | <b>112</b>   | <b>455</b> |
| Of which lease                                 | 1                   | 7                        | -                            | 5            | 13         |
| Fire insurance value                           |                     |                          |                              |              | 1 834      |
| <b>Overview as of January 1, 2005</b>          |                     |                          |                              |              |            |
| Acquisition costs                              | 49                  | 414                      | 560                          | 439          | 1 462      |
| Accumulated amortization and impairment losses | -13                 | -265                     | -425                         | -342         | -1 045     |
| <b>Net book values</b>                         | <b>36</b>           | <b>149</b>               | <b>135</b>                   | <b>97</b>    | <b>417</b> |
| <b>Overview as of December 31, 2005</b>        |                     |                          |                              |              |            |
| Acquisition costs                              | 53                  | 415                      | 597                          | 480          | 1 545      |
| Accumulated amortization and impairment losses | -13                 | -249                     | -460                         | -368         | -1 090     |
| <b>Net book values</b>                         | <b>40</b>           | <b>166</b>               | <b>137</b>                   | <b>112</b>   | <b>455</b> |

\*Of which finance lease

2

Other PPE include EDP equipment, furniture, vehicles, and assets currently under construction. Assets under construction amounted to CHF 18 million in the year under review (previous year CHF 8 million).

Gains and losses from the sale of assets are recognized as "other income." In the reporting year, a gain of CHF 33 million (previous year CHF 13 million) was realized.

| <b>16 Investment properties</b>                                     |            |             |
|---|------------|-------------|
| In million CHF  | 2004       | 2005        |
| <b>Net book values</b>  |            |             |
| Net book values January 1   | 104        | <b>62</b>   |
| Additions   | 1          | <b>2</b>    |
| Disposals   | -3         | <b>-4</b>   |
| Amortization  | -7         | <b>-4</b>   |
| Impairment  | -          | <b>-1</b>   |
| Transfers to "Financial assets held for sale"                       | -34        | -           |
| Other reclassifications   | 1          | <b>-3</b>   |
| Translation exchange differences                                    | -          | <b>1</b>    |
| <b>Net book values December 31</b>                                  | <b>62</b>  | <b>53</b>   |
| <b>Overview as of January 1</b>                                     |            |             |
| Acquisition costs   | 196        | <b>155</b>  |
| Accumulated amortization and impairment losses                      | -92        | <b>-93</b>  |
| <b>Net book values</b>  | <b>104</b> | <b>62</b>   |
| <b>Overview as of Dezember 31</b>                                   |            |             |
| Acquisition costs   | 155        | <b>181</b>  |
| Accumulated amortization and impairment losses                      | -93        | <b>-128</b> |
| <b>Net book values</b>  | <b>62</b>  | <b>53</b>   |
| Fire insurance value  | 290        | <b>249</b>  |
| Net book value of property, plant and equipment under finance lease | -          | -           |
| Market value  | 144        | <b>166</b>  |
| Rental income   | 15         | <b>10</b>   |
| Operating expenses:   |            |             |
| Real estate with rental income                                      | 9          | <b>6</b>    |
| Real estate without rental income                                   | 3          | <b>1</b>    |

There are no restrictions on the saleability of the investment properties carried in the balance sheet. There are also no significant contractual obligations to sell, construct, repair, maintain, or improve investment properties.

| <b>17 Intangible assets</b>                    |            |                         |            |
|--|------------|-------------------------|------------|
| In million CHF                                 | Goodwill   | Other intangible assets | Total      |
| <b>Net book values 2004</b>                    |            |                         |            |
| December 31, 2003                              | 457        | 105                     | 562        |
| Additions                                      | –          | 22                      | 22         |
| Amortization                                   | –31        | –17                     | –48        |
| Translation exchange differences               | –6         | –1                      | –7         |
| <b>December 31, 2004</b>                       | <b>420</b> | <b>109</b>              | <b>529</b> |
| <b>Overview as of January 1, 2004</b>          |            |                         |            |
| Gross carrying amount                          | 658        | 233                     | 891        |
| Accumulated amortization and impairment losses | 201        | 128                     | 329        |
| <b>Net book values</b>                         | <b>457</b> | <b>105</b>              | <b>562</b> |
| <b>Overview as of December 31, 2004</b>        |            |                         |            |
| Gross carrying amount                          | 652        | 254                     | 906        |
| Accumulated amortization and impairment losses | 232        | 145                     | 377        |
| <b>Net book values</b>                         | <b>420</b> | <b>109</b>              | <b>529</b> |
| <b>Net book values 2005</b>                    |            |                         |            |
| December 31, 2004                              | 420        | 109                     | 529        |
| Additions                                      | –          | 26                      | 26         |
| Amortization                                   | –          | –23                     | –23        |
| Change scope of consolidation                  | 46         | 81                      | 127        |
| Reclassifications                              | –2         | 12                      | 10         |
| Translation exchange differences               | 82         | 9                       | 91         |
| <b>December 31, 2005</b>                       | <b>546</b> | <b>214</b>              | <b>760</b> |
| <b>Overview as of January 1, 2005</b>          |            |                         |            |
| Gross carrying amount                          | 420        | 254                     | 674        |
| Accumulated amortization and impairment losses | –          | 145                     | 145        |
| <b>Net book values</b>                         | <b>420</b> | <b>109</b>              | <b>529</b> |
| <b>Overview as of December 31, 2005</b>        |            |                         |            |
| Gross carrying amount                          | 546        | 382                     | 928        |
| Accumulated amortization and impairment losses | –          | 168                     | 168        |
| <b>Net book values</b>                         | <b>546</b> | <b>214</b>              | <b>760</b> |

In the previous year, according to the standards then in force, goodwill amortization of CHF 31 million was charged to the profit and loss statement. According to new IFRS rules, as from January 1, 2005, these items are no longer amortized but subjected to an annual impairment test.

The impairment test was performed in the third quarter of the reporting year on the basis of the figures forecast by the cash-generating units for 2005 and their plan data for 2006 and 2007. Starting from historical values, the valuations are based on forecast growth rates for items including sales and operating profit. The growth strategy in the respective markets is also taken into account. The value of the perpetual annuity at the end of the planning period is discounted to the date of the valuation (terminal value). Based on the enterprise values calculated by the DCF method, no value adjustments are required.

The following assumptions were used in the calculations:

| Goodwill                            | Book value at                | Base data used   |                       |                   |
|-------------------------------------|------------------------------|------------------|-----------------------|-------------------|
|                                     | 31.12.2005<br>in CHF million | Interest<br>rate | Growth<br>rate (real) | Inflation<br>rate |
| C. Haushahn Aufzüge GmbH & Co.      | 169                          | 15.2%            | 0.8%                  | 2.0%              |
| Elevadores Atlas Schindler S.A.     | 313                          | 22.9%            | 0.5%                  | 7.5%              |
| Schindler (China) Elevator Co. Ltd. | 12                           | 14.9%            | 7.0%                  | 5.0%              |
| ELETEC Vytahy s.r.o.                | 13                           |                  |                       |                   |
| Mercury Ascensore Ltd.              | 26                           |                  |                       |                   |
| Miscellaneous                       | 13                           |                  |                       |                   |
| <b>Total</b>                        | <b>546</b>                   |                  |                       |                   |

## 18 Investments in associates

| In million CHF                   | Share in equity of associated companies | Intangible assets in investments in associated companies | Total investments |
|----------------------------------|---|--|-------------------|
| <b>Net book values</b>           |   |  |                   |
| December 31, 2003                | 36                                      | –  | 36                |
| Additions                        | 14                                      | 21   | 35                |
| Share of net profit              | 4                                       | –  | 4                 |
| Dividends received               | –5                                      | –  | –5                |
| Reclassifications                | –5                                      | –  | –5                |
| Translation exchange differences | –1                                      | –  | –1                |
| <b>December 31, 2004</b>         | <b>43</b>                               | <b>21</b>  | <b>64</b>         |
| Additions                        | 2                                       | 5  | 7                 |
| Amortization                     | –                                       | –1   | –1                |
| Share of net profit              | –1                                      | –  | –1                |
| Dividends received               | –3                                      | –  | –3                |
| Reclassifications                | –3                                      | –10  | –13               |
| Translation exchange differences | 2                                       | –  | 2                 |
| <b>December 31, 2005</b>         | <b>40</b>                               | <b>15</b>  | <b>55</b>         |

## Cumulative values of the associated companies

| In million CHF             | 2004 | 2005      |
|----------------------------|------|-----------|
| Share of operating revenue | 95   | <b>88</b> |
| Share of net profit        | 4    | <b>–1</b> |
| Balance sheet values       |      |           |
| Current assets             | 66   | <b>50</b> |
| Non-current assets         | 22   | <b>30</b> |
| Current liabilities        | 38   | <b>31</b> |
| Non-current liabilities    | 7    | <b>9</b>  |
| Shareholders' equity       | 43   | <b>40</b> |

The values of the associated companies are based on the financial statements of those companies or their latest available forecasts for the reporting year. In all companies the closing date is December 31. Wherever possible, the values in the local financial statements are adapted to the measurement rules of the Group.



## 19 Financial assets

| In million CHF                                | 2004       | 2005       |
|---|------------|------------|
| Loans to associates and other related parties | 2          | 1          |
| Securities                                    | 385        | 469        |
| Other financial assets                        | 53         | 63         |
| <b>Total financial assets</b>                 | <b>440</b> | <b>533</b> |

The securities consisted mainly of bonds. These are classified as "available for sale" and at December 31, 2005, comprised the following:

| Currency     | Effective interest rate | 2007 to 2010 | Maturity 2011 and after | Total in CHF |
|--------------|-------------------------|--------------|-------------------------|--------------|
| EUR          | up to 3,5%              | 231          | –                       | 231          |
| EUR          | up to 4,0%              | 9            | –                       | 9            |
| GBP          | up to 5,0%              | 159          | –                       | 159          |
| GBP          | up to 6,0%              | 45           | –                       | 45           |
| <b>Total</b> |                         | <b>444</b>   |                         | <b>444</b>   |

## 20 Deferred taxes

### 20.1 Net book values

| In million CHF  | 2004      | 2005      |
|---|-----------|-----------|
| Deferred taxes on account of temporary differences                  |           |           |
| Current assets  | 42        | 43        |
| Property, plant and equipment                                       | –10       | 3         |
| Provisions  | 36        | 57        |
| Employee benefits   | 32        | 25        |
| Tax loss carryforwards  | 14        | 9         |
| Other temporary differences   | –33       | –101      |
| <b>Total net book value</b>   | <b>81</b> | <b>36</b> |
| Thereof recognized in the balance sheet as deferred tax liabilities | –103      | –164      |
| Thereof recognized in the balance sheet as deferred tax assets      | 184       | 200       |

No material additional tax liabilities due to dividend payments from subsidiaries and associates are expected.

The consolidated financial statements include deferred tax assets of CHF 121 million whose recoverability depends partly on tax-planning measures of the Group.

## 20.2 Statement of changes in net deferred tax assets and liabilities

| In million CHF                              | 2004 | 2005 |
|---|------|------|
| January 1                                   | 118  | 81   |
| Setup and reversal of temporary differences | -26  | -33  |
| Change scope of consolidation               | -    | -26  |
| Translation exchange differences            | -11  | 14   |
| <b>December 31</b>                          | 81   | 36   |

## 20.3 Unrecognized deferred tax assets

Deferred tax assets including assets for unused tax loss carryforwards and expected tax credits are only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Timing differences (temporary differences between balance sheet values according to IFRS and taxable balance sheet values) for which no deferred tax assets have been capitalized amount to CHF 73 million (previous year CHF 64 million).

## 20.4 Tax loss carryforwards

| In million CHF                                       | 2004 | 2005 |
|--|------|------|
| <b>Total tax loss carryforwards</b>                  | 386  | 379  |
| Includes tax loss carryforwards in deferred taxes of | 33   | 22   |
| <b>Total unused tax loss carryforwards</b>           | 353  | 357  |
| Of which expiring:                                   |      |      |
| Within one year                                      | -    | -    |
| In two to five years                                 | 90   | 26   |
| In more than five years                              | 263  | 331  |
| <b>Tax effect of unused tax loss carryforwards</b>   | 114  | 116  |

An analysis of income taxes and the effective income tax rate are contained in Note 9.

## 21 Employee benefit plans

### 21.1 Defined benefit plans 2004

| In million CHF                              | Funded    | Unfunded    | Others      | Total       |
|---|-----------|-------------|-------------|-------------|
| Net assets at market value                  | 1 687     |             |             | 1 687       |
| Present value of defined benefit obligation | -1 724    | -210        | -123        | -2 057      |
| Financial surplus/shortfall                 | -37       | -210        | -123        | -370        |
| Unrecognized actuarial loss                 | 74        |             | 3           | 77          |
| Assets not shown in the balance sheet       | -18       |             |             | -18         |
| <b>Total net book value 2004</b>            | <b>19</b> | <b>-210</b> | <b>-120</b> | <b>-311</b> |
| Amount reported as employee benefits        |           |             |             |             |
| under assets                                |           |             |             | 45          |
| under liabilities                           |           |             |             | -356        |

### 21.2 Defined benefit plans 2005

| In million CHF                              | Funded    | Unfunded    | Others      | Total         |
|---|-----------|-------------|-------------|---------------|
| Net assets at market value                  | 1 846     |             |             | <b>1 846</b>  |
| Present value of defined benefit obligation | -1 970    | -198        | -124        | <b>-2 292</b> |
| Financial surplus/shortfall                 | -124      | -198        | -124        | <b>-446</b>   |
| Unrecognized actuarial loss                 | 198       | 1           | 5           | <b>204</b>    |
| Assets not shown in the balance sheet       | -18       |             |             | <b>-18</b>    |
| <b>Total net book value 2005</b>            | <b>56</b> | <b>-197</b> | <b>-119</b> | <b>-260</b>   |
| Amount reported as employee benefits        |           |             |             |               |
| under assets                                |           |             |             | <b>84</b>     |
| under liabilities                           |           |             |             | <b>-344</b>   |

Some surpluses have not been capitalized because the criteria for capitalization are not fulfilled.

There are no shares or bearer participation certificates of Schindler Holding Ltd. included in net plan assets. The Group does not utilize any (fixed) assets of the benefit plans.

### 21.3 Periodic pension cost for defined benefit plans

| In million CHF   | 2004 | 2005         |
|--|------|--------------|
| Current service cost   | 97   | <b>63</b>    |
| Interest cost on present value of defined benefit obligation | 80   | <b>83</b>    |
| Expected return on plans assets                              | -87  | <b>-86</b>   |
| Amortization of actuarial gains/losses                       | 5    | <b>13</b>    |
| Less employee contributions                                  | -24  | <b>-23</b>   |
| Change in assets not shown in the balance sheet              | 15   | -            |
| <b>Periodic pension cost</b>                                 | 86   | <b>50</b>    |
| Actual return on plan assets                                 | 7.7% | <b>10.5%</b> |

### 21.4 Change of net assets at market values

| In million CHF                   | 2004  | Funded<br>2005 |
|----------------------------------|-------|----------------|
| January 1                        | 1 665 | <b>1 687</b>   |
| Expected return                  | 87    | <b>86</b>      |
| Actuarial gains/losses           | 7     | <b>23</b>      |
| Employee contributions           | 24    | <b>23</b>      |
| Employer contributions           | 61    | <b>88</b>      |
| Benefits paid                    | -98   | <b>-94</b>     |
| Change scope of consolidation    | -34   | -              |
| Translation exchange differences | -25   | <b>33</b>      |
| <b>December 31</b>               | 1 687 | <b>1 846</b>   |

### 21.5 Change in present value of defined benefit obligation

| In million CHF                   | Funded |               | Unfunded |             | Other |             | Total  |               |
|----------------------------------|--------|---------------|----------|-------------|-------|-------------|--------|---------------|
|                                  | 2004   | 2005          | 2004     | 2005        | 2004  | 2005        | 2004   | 2005          |
| January 1                        | -1 696 | <b>-1 724</b> | -213     | <b>-210</b> | -121  | <b>-123</b> | -2 030 | <b>-2 057</b> |
| Service cost                     | -81    | <b>-68</b>    | -10      | <b>-10</b>  | -6    | <b>15</b>   | -97    | <b>-63</b>    |
| Interest cost                    | -74    | <b>-77</b>    | -1       | <b>-1</b>   | -5    | <b>-5</b>   | -80    | <b>-83</b>    |
| Actuarial gains/losses           | -3     | <b>-142</b>   | 1        | <b>-2</b>   | -14   | <b>-3</b>   | -16    | <b>-147</b>   |
| Employee contributions           | -23    | <b>-23</b>    | -1       | -           | -     | -           | -24    | <b>-23</b>    |
| Benefits paid                    | 94     | <b>94</b>     | 11       | <b>16</b>   | 17    | <b>16</b>   | 122    | <b>126</b>    |
| Change scope of consolidation    | 35     | -             | 1        | <b>13</b>   | -     | <b>-16</b>  | 36     | <b>-3</b>     |
| Translation exchange differences | 24     | <b>-30</b>    | 2        | <b>-4</b>   | 6     | <b>-8</b>   | 32     | <b>-42</b>    |
| <b>December 31</b>               | -1 724 | <b>-1 970</b> | -210     | <b>-198</b> | -123  | <b>-124</b> | -2 057 | <b>-2 292</b> |

## 21.6 Asset allocation of investments as per December 31

| In %         | 2004  | 2005         |
|--------------|-------|--------------|
| Equity       | 35.1  | <b>37.7</b>  |
| Bonds        | 44.0  | <b>41.4</b>  |
| Real Estate  | 17.5  | <b>18.6</b>  |
| Other        | 3.4   | <b>2.3</b>   |
| <b>Total</b> | 100.0 | <b>100.0</b> |

## 21.7 Basis of actuarial calculations

| Weighted averages in %     | 2004 | 2005       |
|----------------------------|------|------------|
| Technical interest rate    | 4.5  | <b>4.1</b> |
| Expected return on assets  | 5.4  | <b>5.0</b> |
| Increase in salaries/wages | 2.9  | <b>2.4</b> |
| Increase in pensions       | 1.4  | <b>1.4</b> |
| Fluctuation rate           | 3.9  | <b>5.5</b> |

## 22 Accounts payable

| In million CHF                       | 2004 | 2005       |
|--------------------------------------|------|------------|
| Supplies and services                | 483  | <b>634</b> |
| Associates and other related parties | 23   | <b>24</b>  |
| Social security institutions         | 53   | <b>56</b>  |
| Indirect taxes and capital taxes     | 77   | <b>129</b> |
| Other accounts payable               | 102  | <b>68</b>  |
| <b>Total accounts payable</b>        | 738  | <b>911</b> |

## 23 Accrued expenses and deferred income

| In million CHF                                    | 2004 | 2005       |
|---|------|------------|
| Personnel cost                                    | 294  | <b>339</b> |
| Late cost   | 62   | <b>58</b>  |
| Invoiced service contracts                        | 286  | <b>267</b> |
| Other accrued expenses and deferred income        | 267  | <b>319</b> |
| <b>Total accrued expenses and deferred income</b> | 909  | <b>983</b> |

## 24 Financial debts

### 24.1 Current financial debts

| In million CHF   | 2004       | 2005       |
|--|------------|------------|
| Bank overdrafts  | 35         | <b>35</b>  |
| Current portion of non-current financial debts of bank loans       | 186        | <b>22</b>  |
| Current portion of non-current financial debts of financial leases | 3          | <b>4</b>   |
| 4½% debenture 1999–2006, nominal value CHF 300 million             | –          | <b>299</b> |
| Total current portion of non-current financial debts               | 189        | <b>325</b> |
| <b>Total current financial debts</b>                               | <b>224</b> | <b>360</b> |

### 24.2 Non-current financial debts

| In million CHF   | 2004       | 2005         |
|--|------------|--------------|
| 3½% debenture 1999–2009, nominal value CHF 300 million | 297        | <b>298</b>   |
| 4½% debenture 1999–2006, nominal value CHF 300 million | 298        | –            |
| Total outstanding debentures and bonds                 | 595        | <b>298</b>   |
| Bank loans and private placements                      | 57         | <b>61</b>    |
| Finance leases   | 15         | <b>15</b>    |
| Other non-current financial debts                      | 31         | <b>61</b>    |
| <b>Total non-current financial debts</b>               | <b>698</b> | <b>435</b>   |
| Thereof CHF portion                                    | 86.0%      | <b>78.0%</b> |

The 4½% debenture with nominal value CHF 300 million was converted into a variable obligation by means of an interest rate swap (IRS). The market value of the IRS of CHF 1 million (previous year CHF 1 million) compensated the fluctuation in value of the discounted debenture (see Note 29.6).

The individual Group companies are in compliance with all “debt covenants.”

### 24.3 Synopsis of maturity and average interest rate on financial debt

| In million CHF               | 2004<br>Book value | 2005<br>Book<br>value | 2004                               | 2005                               |
|------------------------------|--------------------|-----------------------|------------------------------------|------------------------------------|
|                              |                    |                       | Effective<br>interest<br>rate in % | Effective<br>interest<br>rate in % |
| Within one year              | 222                | <b>361</b>            | 4.6                                | <b>3.9</b>                         |
| Within two to five years     | 650                | <b>353</b>            | 4.1                                | <b>4.1</b>                         |
| Greater than five years      | 50                 | <b>81</b>             | 16.2                               | <b>18.9</b>                        |
| <b>Total financial debts</b> | <b>922</b>         | <b>795</b>            | <b>4.8</b>                         | <b>5.4</b>                         |

## 25 Provisions

| In million CHF          | Loss jobs | Guarantees | Structure adaptation cost | Product liabilities | Other provisions | Total      |
|-------------------------|-----------|------------|---------------------------|---------------------|------------------|------------|
| Current provisions      | 44        | 39         | 59                        | 43                  | 44               | 229        |
| Non-current provisions  | 19        | 23         | 7                         | 114                 | 54               | 217        |
| <b>Total provisions</b> | <b>63</b> | <b>62</b>  | <b>66</b>                 | <b>157</b>          | <b>98</b>        | <b>446</b> |

### Statement of changes

|                                  |           |           |           |            |           |            |
|----------------------------------|-----------|-----------|-----------|------------|-----------|------------|
| December 31, 2004                | 56        | 75        | 74        | 145        | 89        | 439        |
| Statement of profit and loss     |           |           |           |            |           |            |
| Setup                            | 45        | 5         | 8         | 41         | 35        | 134        |
| Usage                            | -41       | -11       | -18       | -45        | -32       | -147       |
| Reversal                         | -2        | -9        | -1        | -          | -3        | -15        |
| Change scope of consolidation    | -         | 1         | -         | -          | -         | 1          |
| Translation exchange differences | 5         | 1         | 3         | 16         | 9         | 34         |
| <b>December 31, 2005</b>         | <b>63</b> | <b>62</b> | <b>66</b> | <b>157</b> | <b>98</b> | <b>446</b> |

The provision for "loss jobs" is created to cover losses contained in the order backlog. Reversal takes place in relation to the progress of project execution. Projects are usually completed within 9 to 24 months of order receipt.

Warranty provisions cover the non-estimatable risk for expenses which have not yet occurred but which could occur before expiry of the granted warranty period.

Provisions for restructuring expenses also include termination payments and are only recognized in the balance sheet if a social plan exists which has been communicated to the affected parties. Reversal takes place in parallel with the payments for corresponding expenses which, except for the termination payments, are normally incurred within one year.

Provisions for product liability are based on actuarial calculations made by independent assessors relating to cases which have arisen, or are expected, and are not yet closed. Reversal takes place parallel to the payments, which may extend over a period of up to ten years following the occurrence of damage.

"Other provisions" mainly cover country-specific risks of individual subsidiaries. These obligations are only recognized if they relate to events in the past and their amount can be reliably estimated. Reversal normally takes place within five years.

## 26 Additional information concerning the consolidated cash flow statement

### Acquisition of subsidiaries

In the reporting year, the companies stated in Note 2.6 were acquired. The following assets and liabilities were consolidated at their fair values as of the date of the acquisition.

| In million CHF                                       | Carrying amount | Fair value |
|--|-----------------|------------|
| Cash on hand and securities                          | 9               | 9          |
| Accounts receivable and prepaid expenses             | 13              | 12         |
| Net balance of uncompleted contracts and inventories | 10              | 7          |
| Fixed assets   | 5               | 8          |
| Intangible assets (excluding goodwill)               | –               | 81         |
| Other non-current assets                             | 3               | 3          |
| Current liabilities                                  | –22             | –25        |
| Non-current liabilities                              | –9              | –38        |
| Net assets   | 9               | 57         |
| Goodwill   |                 | 46         |
| Total acquisition                                    |                 | 103        |
| Cash acquired  |                 | –8         |
| Cash used  |                 | 95         |

When calculating the cash flow from additions of subsidiaries and affiliated companies, the value of the cash acquired resulting from a new consolidation is deducted from the respective purchase price.

The residual added value (goodwill) from these acquisitions mainly reflects the potential for synergy and increased efficiency in the markets of these companies. The operating revenue and operating profit of the newly acquired companies since the date of the acquisition amount to CHF 46 million and CHF 5 million respectively.

If the acquisition of these companies had already been completed on January 1, 2005, this would have resulted in additional operating revenue of CHF 37 million and additional operating profit of CHF 3 million.



## 27 Off-balance sheet transactions

| <b>27.1 Contingent liabilities/claims</b>   |      |      |
|---|------|------|
| In million CHF  | 2004 | 2005 |
| Total value of guarantees,<br>pledges and guarantee obligations in favor of third parties | 7    | 25   |

Contingent liabilities which will probably result in an obligation are included in the balance sheet under provisions.

- As an internationally active company, Schindler is exposed to a multitude of legal risks. These relate particularly to risks associated with product liability, patent law, taxation, antitrust law, and other laws relating to competition. Some subsidiaries are involved in legal proceedings. The results of currently pending or future proceedings cannot be predicted with certainty, which means that decisions of courts or other authorities can cause expenses that are not fully covered, or covered at all, by insurances and can therefore have significant consequences for our business and on future results. Wherever a reliable assessment of a past event is possible and can be confirmed by independent experts, a corresponding provision is made.
- Claims for liability have been made against some subsidiaries by individual employees and third parties (e.g. based on product liability and labor law). Where these claims are not, or are no longer, covered by state or private insurance schemes, the contingent risk for liability passes to the company. For this purpose, provisions which are appropriate on the basis of the information presently available have been made in the consolidated financial statements. However, a definitive assessment of the situation and of possible additional costs, should there be any at all, is not possible at the present time.
- As already communicated on several occasions, in January 2004 the European Commission initiated investigations into various companies in the European elevator and escalator industry regarding suspected collusions in contravention of antitrust laws. The investigations included individual subsidiaries of the Schindler Group. The Board of Directors of Schindler Holding Ltd. immediately instructed the Audit Committee to clarify by means of extensive investigations whether, and to what extent, infringements of the Code of Conduct enacted in 1997 and of regulations under antitrust laws had occurred. Based on the results of the internal investigations it had to be assumed that in the past, isolated infringements had occurred in a small number of EU countries. This was notified to the European Commission.

On October 11, 2005, the European Commission delivered Statements of Objections to the companies involved. The European Commission had concluded that infringements had occurred in a small number of European countries. On the other hand, absolutely no indications of pan-European collusions were found. After the companies involved have submitted the requested replies to the Statements of Objections in the first quarter of 2006, the proceedings will continue. The European Commission has not yet made any statement regarding specific sanctions. They will form part of its decision. Since a reliable estimate of the financial consequences of the proceedings is not possible at this time, no provisions were created in the reporting year.

- As also already announced, class-action lawsuits filed in the USA following the announcement of the EU investigation were rejected by the responsible judge in New York due to lack of evidence. In July 2005, a group of the previous plaintiffs filed a new class-action lawsuit which once again collectively accused the international elevator industry of practices that violated antitrust legislation. We consider this lawsuit also to be completely without legal foundation. We are therefore optimistic that it will likewise be rejected.
- Sale of a parcel of land in Saragossa, Spain, will result in proceeds to the Group – after deduction of taxes and other direct expenses – amounting to approximately EUR 20 million. This payment depends on the purchaser being able to make use of the land in a different form. The necessary authorizations have not yet been issued by the local authorities. The receivable is not recognized in the financial statements dated December 31, 2005.

## 27.2 Other commitments

| In million CHF  | 2004 | 2005 |
|---|------|------|
| Irrevocable payment commitments resulting from contracts not to be shown in the balance sheet | 59   | 49   |

Schindler Holding Ltd. has entered into an obligation to acquire minority interests amounting to 37% in the Suzhou Schindler Elevator Co. Ltd., China, on December 31, 2006 (Schindler participation on December 31, 2005: 55%). The minority shareholder has the right to assign his shares at already fixed contractual conditions at any time before this date.

## 27.3 Synopsis of maturity of rental and lease payments 2004

| In million CHF                             | Rental contracts | Operating leases | Finance leases |
|--|------------------|------------------|----------------|
| Within one year                            | 17               | 54               | 5              |
| Within two to five years                   | 33               | 107              | 14             |
| Greater than five years                    | 22               | 42               | 3              |
| <b>Total payments</b>                      | 72               | 203              | 22             |
| Less interests                             |                  |                  | -4             |
| <b>Total finance lease borrowings 2004</b> |                  |                  | 18             |

## 27.4 Synopsis of maturity of rental and lease payments 2005

| In million CHF                             | Rental contracts | Operating leases | Finance leases |
|--|------------------|------------------|----------------|
| Within one year                            | 17               | 61               | 5              |
| Within two to five years                   | 41               | 105              | 14             |
| Greater than five years                    | 7                | 33               | 3              |
| <b>Total payments</b>                      | 65               | 199              | 22             |
| Less interests                             |                  |                  | -3             |
| <b>Total finance lease borrowings 2005</b> |                  |                  | 19             |

## 28 Financial risk management

Group accounting guidelines regulate all affiliates' management of liquidity as well as the procurement of short- and long-term financing. In order to optimize the Group's financing requirements, the management of non-operating liquidity as well as long-term Group financing is centralized. Schindler is thereby ensured both a means to cost-efficient financing as well as optimized liquidity levels based on the Group's overall payment obligations.

### Interest rate risk

Interest rate risks result from changes in interest rates which could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and cost of interest-bearing assets or liabilities. They can also, as explained below under "Market risk," affect the market value of certain financial assets, liabilities, and financial instruments.

The management of long-term interest rate risk is achieved centrally. Local short-term interest rate risk is generally not hedged by Group companies.

### Foreign exchange risk

The Group is active all over the world and therefore exposed to fluctuations in exchange rates which affect the value of Group assets and income reported in Swiss francs.

Foreign exchange transaction rate risks are hedged and minimized as far as possible centrally by the Group-wide limitation to two invoicing currencies (EUR/USD); netting offsetting risks is thus achieved to the fullest possible extent. A significant portion of expenditures and revenues occur in local currencies, such that the entire transaction rate risk of the Group is markedly less than 10% of sales. Foreign exchange translation differences arising in consolidation are recorded and disclosed within shareholders' equity of the Group.

**Market risk**

Changes in the market value of financial assets, liabilities, or financial instruments can affect the capital or income of the Group. Changes in the market value of long-term investments held for strategic reasons, except where a permanent loss in value can be foreseen, do not affect the book value of the investment. In connection with the management of its liquid resources, the Group holds securities. The risk of loss in value is minimized by analysis before purchase and by continuously monitoring the performance and risks of the investments.

**Credit loss risk**

Credit risks arise from the possibility that the counterpartner to a transaction is unable or unwilling to fulfill its obligations and that the Group thereby suffers financial damage.

Counterparty risks are minimized and monitored via strictly limiting our associations to first-class business partners.

Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The danger of risk concentrations is minimized by the large number and wide geographical spread of customer credit balances. The necessary revaluations are undertaken by the Group companies according to uniform Group guidelines and verified by corporate headquarters.

**Derivative financial instruments**

Derivative financial instruments are utilized in the scope of Group asset and liability management in order to optimize and hedge the flow of goods and financial positions. The table on page 52 shows the contract value of financial instruments outstanding at the balance sheet date. The positive/negative gross repurchasing values are calculated by reference to the respective market parameters using price calculation models for options and the discounted cash flow method and reflect the fair value of the financial instruments as of the balance sheet date.

## 29 Financial instruments

### 29.1 Fair value of financial assets and liabilities

| In million CHF                              | 2004<br>Net book<br>value | 2004<br>Fair<br>value | 2005<br>Net book<br>value | 2005<br>Fair<br>value |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| <b>Financial assets</b>                     |                           |                       |                           |                       |
| Cash on hand                                | 1 011                     | 1 011                 | <b>1 108</b>              | <b>1 108</b>          |
| Marketable securities within current assets | 339                       | 339                   | <b>112</b>                | <b>112</b>            |
| Accounts receivable                         | 1 278                     | 1 278                 | <b>1 555</b>              | <b>1 555</b>          |
| Financial assets                            | 440                       | 440                   | <b>533</b>                | <b>533</b>            |
| <b>Financial liabilities</b>                |                           |                       |                           |                       |
| Current and non-current financial debts     | 922                       | 957                   | <b>795</b>                | <b>817</b>            |
| Other liabilities                           | 844                       | 844                   | <b>1 011</b>              | <b>1 011</b>          |

Wherever possible, the fair value is determined from the current fair price, or from own calculations in the case of OTC transactions.

### 29.2 Carrying amount by currency

#### Cash on hand and securities in current assets

| In million CHF | 2004  | 2005         |
|----------------|-------|--------------|
| CHF            | 533   | <b>500</b>   |
| EUR            | 360   | <b>387</b>   |
| USD            | 285   | <b>121</b>   |
| Other          | 172   | <b>212</b>   |
| <b>Total</b>   | 1 350 | <b>1 220</b> |

### 29.3 Open derivative financial instruments 2004

| In million CHF           | Gross replacement values |          | Contract values | Contract values by expiry date |                |              |              |
|--------------------------|--------------------------|----------|-----------------|--------------------------------|----------------|--------------|--------------|
|                          | positive                 | negative |                 | within 3 months                | 3 to 12 months | 1 to 5 years | over 5 years |
| Forward                  | 29                       | 15       | 1 539           | 752                            | 468            | 319          | –            |
| Options                  | –                        | 1        | 39              | 15                             | 24             | –            | –            |
| <b>Foreign exchange</b>  | 29                       | 16       | 1 578           | 767                            | 492            | 319          | –            |
| Forward                  | 1                        | 3        | 378             | –                              | 78             | 300          | –            |
| Options                  | –                        | –        | –               | –                              | –              | –            | –            |
| <b>Interest</b>          | 1                        | 3        | 378             | –                              | 78             | 300          | –            |
| Forward                  | –                        | –        | –               | –                              | –              | –            | –            |
| Options                  | –                        | –        | –               | –                              | –              | –            | –            |
| <b>Other derivatives</b> | –                        | –        | –               | –                              | –              | –            | –            |
| <b>Total derivatives</b> | 30                       | 19       | 1 956           | 767                            | 570            | 619          | –            |

### 29.4 Open derivative financial instruments 2005

| In million CHF           | Gross replacement values |          | Contract values | Contract values by expiry date |                |              |              |
|--------------------------|--------------------------|----------|-----------------|--------------------------------|----------------|--------------|--------------|
|                          | positive                 | negative |                 | within 3 months                | 3 to 12 months | 1 to 5 years | over 5 years |
| Forward                  | 11                       | 57       | 2 411           | 1 167                          | 859            | 385          | –            |
| Options                  | –                        | –        | 68              | 1                              | 67             | –            | –            |
| <b>Foreign exchange</b>  | 11                       | 57       | 2 479           | 1 168                          | 926            | 385          | –            |
| Forward                  | 1                        | –        | 300             | –                              | 300            | –            | –            |
| Options                  | 3                        | 3        | 624             | –                              | 624            | –            | –            |
| <b>Interest</b>          | 4                        | 3        | 924             | –                              | 924            | –            | –            |
| Forward                  | –                        | –        | –               | –                              | –              | –            | –            |
| Options                  | –                        | –        | –               | –                              | –              | –            | –            |
| <b>Other derivatives</b> | –                        | –        | –               | –                              | –              | –            | –            |
| <b>Total derivatives</b> | 15                       | 60       | 3 403           | 1 168                          | 1 850          | 385          | –            |

The main currencies are the Swiss franc, the US dollar, and the euro.

### 29.5 Hedging transactions 2004

| In million CHF                          | Market value | Purchase cost | Risk             | Hedging instrument           | Positive replacement value | Negative replacement value |
|---|--------------|---------------|------------------|------------------------------|----------------------------|----------------------------|
| Underlying transaction                  |              |               |                  |                              |                            |                            |
| Net investments in foreign subsidiaries | 194          | 192           | Foreign currency | Forward exchange transaction | 2                          | 4                          |
| Cash flow                               | -78          | -76           | Foreign currency | Forward exchange transaction | 2                          | -                          |
| Non-current financial debts             | -301         | -300          | Market value     | Interest rate swap           | 1                          | -                          |
| Non-current financial debts             | -67          | -69           | Interest         | Interest rate swap           | -                          | 2                          |

### 29.6 Hedging transactions 2005

| In million CHF                          | Market value | Purchase cost | Risk             | Hedging instrument           | Positive replacement value | Negative replacement value |
|---|--------------|---------------|------------------|------------------------------|----------------------------|----------------------------|
| Underlying transaction                  |              |               |                  |                              |                            |                            |
| Fair value hedges                       | 62           | 62            | Foreign currency | Forward exchange transaction | -                          | -                          |
| Net investments in foreign subsidiaries | 64           | 62            | Foreign currency | Forward exchange transaction | -                          | 2                          |
| Cash flow                               | -126         | -128          | Foreign currency | Forward exchange transaction | -                          | 2                          |
| Non-current financial debts             | -301         | -300          | Market value     | Interest rate swap           | 1                          | -                          |

### 30 Assets pledged or assigned as security against the company's own liabilities (pledged assets)

| In million CHF                | 2004 | 2005       |
|-------------------------------|------|------------|
| Securities                    | 16   | <b>17</b>  |
| Accounts receivable           | 75   | <b>35</b>  |
| Inventories                   | 4    | <b>4</b>   |
| Property, plant and equipment | 66   | <b>66</b>  |
| <b>Total pledged assets</b>   | 161  | <b>122</b> |



### **31 Segment reporting**

The Group consists of the traditional core business of Elevators & Escalators, and the ALSO Group, which is operating in the IT industry as a logistic and service company.

The results of the business segments have been presented on a management reporting basis (Management Approach). They include all revenues and expenses which are directly attributable to a segment plus a Group overhead cost which has been assigned to each segment.

Intercompany charges have been included in the individual values and are based on market prices (at arm's length). "Services/Eliminations E & E" contains values of management and service companies as well as eliminations within the Elevators & Escalators business. Intercompany sales of ALSO to Elevators & Escalators are included in "Finance/Eliminations."

Allocation of operating revenue to geographical regions is based on the location where invoicing occurs.

Assets and liabilities which cannot be divided between the two segments, especially financial liabilities for Group financing, are reported under "Finance/Eliminations."

### 31.1 Segment information 2004

| In million CHF                             | Europe | Americas | Asia,<br>Australia,<br>Africa | Services/<br>Eliminations<br>E & E | Elevators<br>&<br>Escalators | ALSO  | Finance/<br>Eliminations | Group  |
|--|--------|----------|-------------------------------|------------------------------------|------------------------------|-------|--------------------------|--------|
| Operating revenue third parties            | 3 600  | 1 850    | 950                           | 4                                  | 6 404                        | 1 850 | –                        | 8 254  |
| Intercompany sales                         | 1 099  | 39       | 121                           | –1 259                             | –                            | 2     | –2                       | –      |
| Total operating revenue                    | 4 699  | 1 889    | 1 071                         | –1 255                             | 6 404                        | 1 852 | –2                       | 8 254  |
| Operating profit                           |        |          |                               |                                    | 508                          | 31    | –18                      | 521    |
| Assets                                     | 2 040  | 920      | 549                           | 74                                 | 3 583                        | 425   | 1 328                    | 5 336  |
| Investments in associated companies        | 47     | –        | 17                            | –                                  | 64                           | –     | –                        | 64     |
| Liabilities                                | 1 713  | 569      | 351                           | 208                                | 2 841                        | 248   | 752                      | 3 841  |
| Additions of property, plant and equipment | 43     | 23       | 10                            | 2                                  | 78                           | 4     | –                        | 82     |
| Depreciation and amortization              | 83     | 36       | 15                            | 8                                  | 142                          | 6     | –                        | 148    |
| Of which impairment                        | 1      | –        | –                             | –                                  | 1                            | –     | –                        | 1      |
| Share in profits of associated companies   |        |          |                               |                                    | 4                            | –     | –                        | 4      |
| Personnel at year-end                      | 19 416 | 12 016   | 7 127                         | 282                                | 38 841                       | 602   | –                        | 39 443 |

### 31.2 Segment information 2005

| In million CHF                             | Europe | Americas | Asia,<br>Australia,<br>Africa | Services/<br>Eliminations<br>E & E | Elevators<br>&<br>Escalators | ALSO  | Finance/<br>Eliminations | Group  |
|--|--------|----------|-------------------------------|------------------------------------|------------------------------|-------|--------------------------|--------|
| Operating revenue third parties            | 3 828  | 2 009    | 1 050                         | 3                                  | 6 890                        | 1 980 | –                        | 8 870  |
| Intercompany sales                         | 1 265  | 48       | 198                           | –1 511                             | –                            | –     | –                        | –      |
| Total operating revenue                    | 5 093  | 2 057    | 1 248                         | –1 508                             | 6 890                        | 1 980 | –                        | 8 870  |
| Operating profit                           |        |          |                               |                                    | 632                          | 23    | –21                      | 634    |
| Assets                                     | 2 363  | 1 179    | 763                           | 88                                 | 4 393                        | 438   | 1 218                    | 6 049  |
| Investments in associated companies        | 44     | –        | 11                            | –                                  | 55                           | –     | –                        | 55     |
| Liabilities                                | 1 813  | 731      | 460                           | 195                                | 3 199                        | 247   | 718                      | 4 164  |
| Additions of property, plant and equipment | 54     | 22       | 16                            | 3                                  | 95                           | 3     | –                        | 98     |
| Depreciation and amortization              | 70     | 23       | 14                            | 6                                  | 113                          | 4     | –                        | 117    |
| Of which impairment                        | 4      | –        | –                             | –                                  | 4                            | –     | –                        | 4      |
| Share in profits of associated companies   |        |          |                               |                                    | –2                           | –     | –                        | –2     |
| Personnel at year-end                      | 19 793 | 12 108   | 7 572                         | 289                                | 39 762                       | 623   | –                        | 40 385 |

## 32 Capital participation plans

### 32.1 Share plan Schindler Holding Ltd.

The awards under the participation plan made in April 2005 for the financial results of 2004 required 18 068 bearer participation certificates (previous year 17 392) with a market value on December 31, 2004, of CHF 4.9 million (previous year CHF 4.1 million). The corresponding number was taken from treasury. The respective expense was charged to personnel cost.

### 32.2 Option plan Schindler Holding Ltd.

The changes in the balance of the options issued on registered shares (in 2001, 2002, 2003) and bearer participation certificates (2004 and 2005) carrying the right to purchase Schindler registered shares or bearer participation certificates are shown below.

#### 32.2.1 Statement of changes in options Schindler Holding Ltd.

| Number                                   | 2004    | Weighted exercise price in CHF | 2005           | Weighted exercise price in CHF |
|--|---------|--------------------------------|----------------|--------------------------------|
| Balance on January 1                     | 92 445  | 259.50                         | <b>116 841</b> | <b>265.90</b>                  |
| Options awarded                          | 27 967  | 286.50                         | <b>26 306</b>  | <b>329.00</b>                  |
| Options exercised                        | -1 250  |                                | <b>-7 136</b>  |                                |
| Expired: through redemption through date | -2 321  |                                | <b>-1 652</b>  |                                |
|  | -       |                                | -              |                                |
| Balance on December 31                   | 116 841 | 265.90                         | <b>134 359</b> | <b>277.85</b>                  |

#### 32.2.2 Option conditions on shares and bearer participation certificates Schindler Holding Ltd.

| Year of issue | Right to                          | Exercise period                   | Exercise price then applicable in CHF | Open on 31.12.2005 Number |
|---------------|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------|
| 2001          | Shares                            | May 1, 2004, until April 30, 2007 | 268.70                                | 10 040                    |
| 2002          | Shares                            | May 1, 2005, until April 30, 2008 | 270.60                                | 9 957                     |
| 2003          | Shares                            | May 1, 2006, until April 30, 2009 | 255.00                                | 61 147                    |
| 2004          | Bearer participation certificates | May 1, 2007, until April 30, 2010 | 286.50                                | 27 313                    |
| 2005          | Bearer participation certificates | May 1, 2008, until April 30, 2011 | 329.00                                | 25 902                    |

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004 and 2005) of Schindler Holding Ltd.

### 32.3 Option conditions on shares ALSO Holding AG

| Year of issue | Right to | Exercise period                | Exercise price then applicable in CHF | Open on 31.12.2005 Number |
|---------------|----------|--------------------------------|---------------------------------------|---------------------------|
| 2003          | Shares   | May 1 2006 until April 30 2009 | 362.40                                | 2 768                     |
| 2004          | Shares   | May 1 2007 until April 30 2010 | 334.65                                | 396                       |
| 2005          | Shares   | May 1 2008 until April 30 2011 | 330.78                                | 503                       |

One option gives entitlement to purchase one registered share of ALSO Holding AG.

The options are valued using the Hull-White model, which explicitly takes into account the effects of the restriction period as well as of an earlier exercise date. The following parameters are used in the valuation:

### 32.4 Participation certificates Schindler Holding Ltd.

|                         | 2004   | <b>2005</b>   |
|-------------------------|--------|---------------|
| Price                   | 353.50 | <b>435.50</b> |
| Strike                  | 286.50 | <b>329.00</b> |
| Volatility              | 33.33% | <b>30.61%</b> |
| Risk-free interest rate | 2.30%  | <b>1.90%</b>  |
| Dividend rate           | 1.95%  | <b>1.86%</b>  |
| Exit rate               | 5%     | <b>5%</b>     |

### 32.5 Shares ALSO Holding AG

|                         | 2004   | <b>2005</b>   |
|-------------------------|--------|---------------|
| Price                   | 340.00 | <b>398.00</b> |
| Strike                  | 334.65 | <b>330.78</b> |
| Volatility              | 55.00% | <b>52.90%</b> |
| Risk-free interest rate | 2.30%  | <b>1.90%</b>  |
| Dividend rate           | 1.30%  | <b>1.40%</b>  |
| Exit Rate               | 5%     | <b>5%</b>     |

The volatility was calculated on the basis of the historical volatility of the share price over a time horizon of six years before the date of valuation.

The fair value of the options is recognized in the profit and loss statement, with one third (vesting period) of the amount CHF 2.8 million (previous year CHF 2 million) being charged to personnel expenses.

### 32.6 Allocation to Board of Directors and Management Committees

|   | 2004  | 2005         |
|---|-------|--------------|
| Bearer participation certificates Schindler Holding Ltd.            | 5 791 | <b>5 211</b> |
| Options on bearer participation certificates Schindler Holding Ltd. | 7 614 | <b>6 472</b> |
| Shares ALSO Holding AG  | 189   | <b>385</b>   |
| Options of shares ALSO Holding AG                                   | 396   | <b>503</b>   |

At their own wish, the non-executive members of the Board of Directors of Schindler Holding Ltd. are not included in the capital participation plan.

## 33 Shareholders' equity

### 33.1 Share capital

|                      | 31.12.2004  | 31.12.2005         |
|----------------------|-------------|--------------------|
| Number of shares     | 7 356 820   | <b>7 356 820</b>   |
| Nominal value in CHF | 1.–         | <b>1.–</b>         |
| Share capital in CHF | 7 356 820.– | <b>7 356 820.–</b> |

### 33.2 Bearer participation certificates capital

|   | 31.12.2004  | 31.12.2005         |
|---|-------------|--------------------|
| Number of bearer participation certificates | 5 141 640   | <b>5 141 640</b>   |
| Nominal value in CHF                        | 1.–         | <b>1.–</b>         |
| Share capital in CHF                        | 5 141 640.– | <b>5 141 640.–</b> |

### 33.3 Own shares and bearer participation certificates

| In million CHF   | Registered shares |           | Bearer participation certificates |           |
|--|-------------------|-----------|-----------------------------------|-----------|
|  | Number            | Value     | Number                            | Value     |
| <b>December 31, 2003</b>                                 | 81 805            | 18        | 441 850                           | 88        |
| Withdrawals for employee stock plan                      | –                 | –         | –17 392                           | –4        |
| Exercise of options from the capital participation plan  | –1 250            | –         | –                                 | –         |
| Elimination  | –                 | –         | –365 350                          | –70       |
| Sales  | –614              | –         | –                                 | –         |
| <b>December 31, 2004</b>                                 | <b>79 941</b>     | <b>17</b> | <b>59 108</b>                     | <b>14</b> |
| Withdrawals for employee stock plan                      | –                 | –         | –18 068                           | –5        |
| Exercise of options from the capital participation plan  | –7 003            | –2        | –133                              | –         |
| Acquisition  | 29 474            | 13        | 12 049                            | 5         |
| Sales  | –190              | –         | –                                 | –         |
| <b>December 31, 2005</b>                                 | <b>102 222</b>    | <b>29</b> | <b>52 956</b>                     | <b>14</b> |
| Number of shares reserved for capital participation plan | 102 222           |           | 52 956                            |           |
| Already committed on December 31, 2005                   | 81 144            |           | 52 956                            |           |

### 33.4 Value fluctuations of financial instruments

| In million CHF   | available for sale | Hedges    |
|--|--------------------|-----------|
| December 31, 2004  | 3                  | 2         |
| Addition   | –1                 | –4        |
| Realized through the profit and loss statement                       | –1                 | 0         |
| Realized as translation exchange differences in shareholders' equity | –                  | –2        |
| <b>December 31, 2005</b>   | <b>1</b>           | <b>–4</b> |

## 34 Earnings per share and bearer participation certificate

| In CHF  | 2004        | 2005               |
|---|-------------|--------------------|
| Net profit (share of Schindler Holding shareholders)                    | 308 000 000 | <b>377 000 000</b> |
| Outstanding number of shares and BPC                                    | 12 498 460  | <b>12 498 460</b>  |
| Less number of treasury stock (weighted average)                        | 146 700     | <b>150 811</b>     |
| Outstanding number of shares and BPC (weighted average) for calculation | 12 351 760  | <b>12 347 649</b>  |
| <b>Basic earnings per share and BPC</b>                                 | 24.94       | <b>30.53</b>       |
| Diluted net profit  | 307 826 418 | <b>376 999 944</b> |
| Diluted number of shares and BPC  | 12 389 906  | <b>12 401 384</b>  |
| <b>Diluted earnings per share and BPC</b>                               | 24.84       | <b>30.40</b>       |

The basic earnings per share are calculated as follows: net profit divided by the weighted average number of outstanding shares and bearer participation certificates (BPC).

The dilution takes into account the possible effect of the employee participation programs at Schindler Holding Ltd. and at ALSO Holding AG.

### 35 Related parties

On December 31, 2005, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% of the voting rights of the share capital entered in the Register of Companies.

The members of the Board of Directors receive for their activities total fees and expenses of CHF 1.7 million (previous year CHF 1.7 million) (see also Corporate Governance, pages 99 to 102). In addition, the members of the Executive Committee of the Board, and of the Management Committee, receive a fixed salary plus performance-related compensation usual for the industry.

Receivables and payables due from and to associated companies and other related parties are disclosed separately in the respective notes. All business transactions with related parties have been held "at arm's length." Neither with the major shareholders nor with other related parties have unusual transactions taken place during the periods reported.

### 36 Compensation of key management\*

| In million CHF               | 2004 | 2005      |
|------------------------------|------|-----------|
| Short-term employee benefits | 24   | <b>24</b> |
| Post-employment benefits     | 3    | <b>3</b>  |
| Other long-term benefits     | –    | –         |
| Termination benefits         | –    | –         |
| Share-based payment          | 2    | <b>3</b>  |
| Total                        | 29   | <b>30</b> |

\*Board of Directors, Executive Committee of the Board, Management Committees

### 37 Proposal of the Board of Directors

The Board of Directors proposes to the General Meeting a dividend for the financial year 2005 of CHF 9.– (previous year CHF 7.–) per registered share and bearer participation certificate. This represents a total dividend payment of CHF 112 million (previous year CHF 87 million).

### 38 Release of the consolidated financial statements for publication

The consolidated financial statements were released for publication by the Board of Directors of Schindler Holding Ltd. on February 20, 2006, and presented for approval by the General Meeting of March 21, 2006.

### 39 Events after balance sheets date and outlook

No significant events occurred after the date of the balance sheet.

# Report of the statutory auditors

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Financial Statements Group

## **To the General Meeting of Schindler Holding Ltd., Hergiswil**

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of shareholders' equity, and notes, pages 3 to 60) of Schindler Holding Ltd. for the year ended December 31, 2005.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with the Swiss Auditing Standards and the International Standards on Auditing (ISA), which require that an audit be so planned and performed as to obtain reasonable assurance regarding whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations, the changes in equity and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

Berne, February 20, 2006

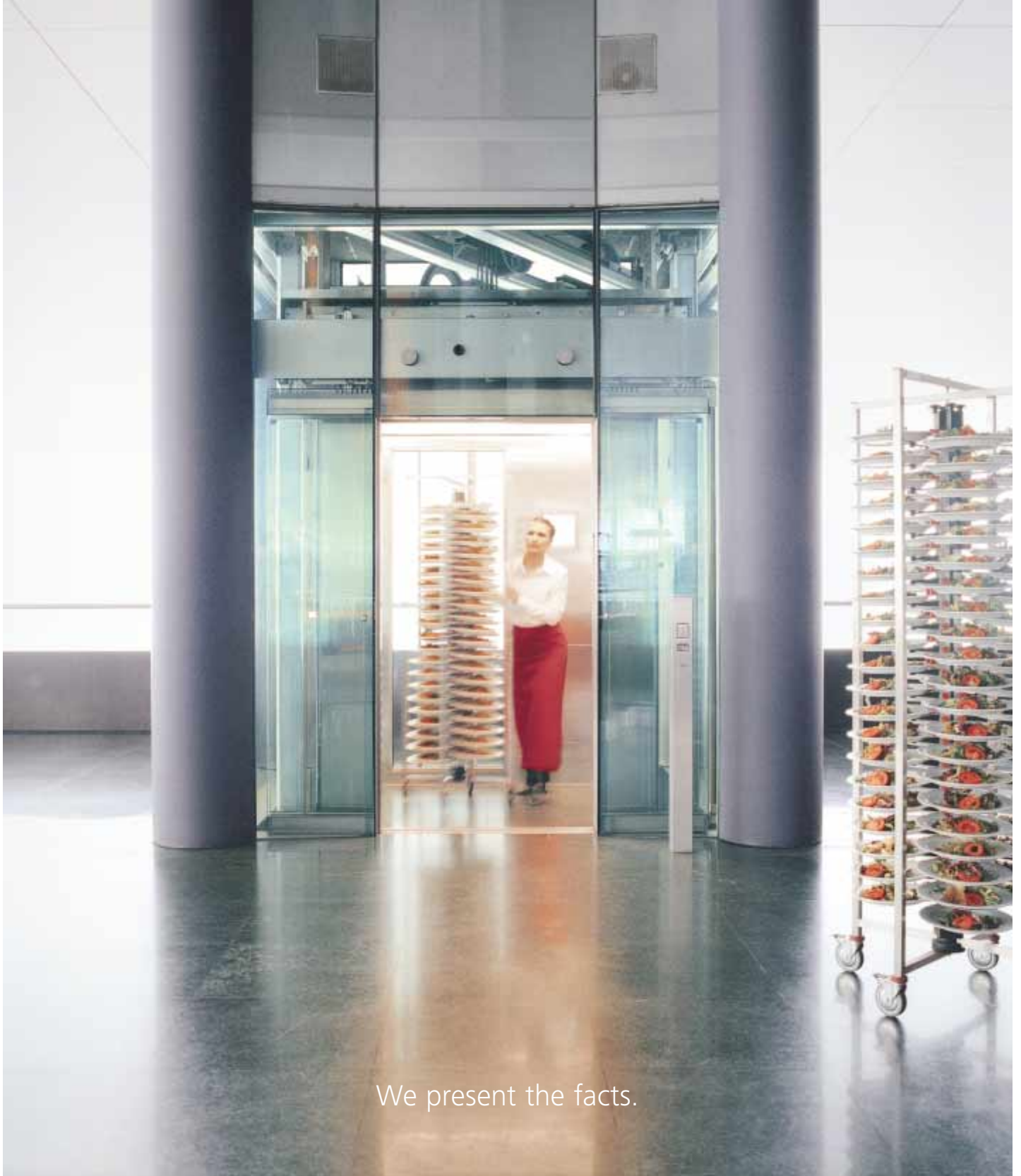
ERNST & YOUNG LTD.

Roland Ruprecht  
Certified accountant  
(in charge of the audit)

Marcel Gehrig  
Certified accountant



# Financial Statements Schindler Holding Ltd.



We present the facts.

# Profit and loss statement

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Financial Statements  
Schindler Holding Ltd.

| <b>Revenue</b>                   |       |         |                |
|----------------------------------|-------|---------|----------------|
| In 1000 CHF                      | Notes | 2004    | <b>2005</b>    |
| Income from subsidiaries         | 1     | 223 966 | <b>270 137</b> |
| Extraordinary income             | 2     | 1 321   | <b>16 512</b>  |
| Income from financial operations | 3     | 13 156  | <b>12 982</b>  |
| <b>Total revenue</b>             |       | 238 443 | <b>299 631</b> |

| <b>Expenses</b>                   |       |         |                |
|-----------------------------------|-------|---------|----------------|
| In 1000 CHF                       | Notes | 2004    | <b>2005</b>    |
| Financial expenses                | 4     | 22 481  | <b>25 549</b>  |
| Depreciation and adjustments      | 5     | 67 457  | <b>75 916</b>  |
| Administration expenses and taxes | 6     | 15 782  | <b>21 322</b>  |
| <b>Total expenses</b>             |       | 105 720 | <b>122 787</b> |
| <b>Net profit for the year</b>    |       | 132 723 | <b>176 844</b> |

# Balance sheet before appropriation of profits

Financial Statements  
Schindler Holding Ltd.

| <b>Assets</b>                          |       |            |       |                  |              |
|--|-------|------------|-------|------------------|--------------|
| In 1000 CHF                            | Notes | 31.12.2004 | %     | 31.12.2005       | %            |
| <b>Current assets</b>                  |       |            |       |                  |              |
| Cash and cash equivalents              | 7     | 461 004    |       | <b>452 366</b>   |              |
| Securities                             | 7     | 38 224     |       | <b>47 923</b>    |              |
| Accounts receivable from subsidiaries  | 8     | 146 355    |       | <b>253 827</b>   |              |
| Accounts receivable from third parties | 9     | 844        |       | <b>2 163</b>     |              |
| Prepaid expenses and accrued income    | 10    | 7 467      |       | <b>2 718</b>     |              |
| <b>Total current assets</b>            |       | 653 894    | 31.9  | <b>758 997</b>   | <b>36.4</b>  |
| <b>Non-current assets</b>              |       |            |       |                  |              |
| Investments in subsidiaries            | 11    | 1 288 000  |       | <b>1 231 000</b> |              |
| Loans to subsidiaries                  | 12    | 102 968    |       | <b>91 797</b>    |              |
| Financial assets                       | 13    | 3 576      |       | <b>5 576</b>     |              |
| <b>Total non-current assets</b>        |       | 1 394 544  | 68.1  | <b>1 328 373</b> | <b>63.6</b>  |
| <b>Total assets</b>                    |       | 2 048 438  | 100.0 | <b>2 087 370</b> | <b>100.0</b> |

## Liabilities and shareholders' equity

| In 1000 CHF                                       | Notes  | 31.12.2004 | %     | 31.12.2005       | %            |
|---|--------|------------|-------|------------------|--------------|
| <b>Liabilities</b>                                |        |            |       |                  |              |
| Accounts payable to subsidiaries                  | 14     | 289 004    |       | <b>257 873</b>   |              |
| Accounts payable to third parties                 | 15     | 19 281     |       | <b>3 636</b>     |              |
| Debentures  | 16     | 600 000    |       | <b>600 000</b>   |              |
| Provisions  | 17     | 62 372     |       | <b>55 307</b>    |              |
| Accrued expenses and deferred income              | 18     | 13 084     |       | <b>15 519</b>    |              |
| <b>Total liabilities</b>                          |        | 983 741    | 48.0  | <b>932 335</b>   | <b>44.7</b>  |
| <b>Shareholders' equity</b>                       |        |            |       |                  |              |
| Share capital                                     | 19, 20 | 7 357      |       | <b>7 357</b>     |              |
| Bearer participation capital                      | 19, 20 | 5 142      |       | <b>5 142</b>     |              |
| Statutory reserves                                | 20     | 317 121    |       | <b>317 121</b>   |              |
| Reserves for treasury stock                       | 20     | 31 189     |       | <b>43 051</b>    |              |
| Other reserves                                    | 20     | 565 055    |       | <b>599 193</b>   |              |
| Brought forward from previous year                |        | 6 110      |       | <b>6 327</b>     |              |
| Net profit for the year                           | 20     | 132 723    |       | <b>176 844</b>   |              |
| <b>Total shareholders' equity</b>                 |        | 1 064 697  | 52.0  | <b>1 155 035</b> | <b>55.3</b>  |
| <b>Total liabilities and shareholders' equity</b> |        | 2 048 438  | 100.0 | <b>2 087 370</b> | <b>100.0</b> |

# Appropriation of profits

Financial Statements  
Schindler Holding Ltd.

| <b>Proposals to the General Meeting</b> |            |                   |
|---|------------|-------------------|
| In 1000 CHF                             | 31.12.2004 | <b>31.12.2005</b> |
| Total available profit                  |            |                   |
| Net profit for the year                 | 132 723    | <b>176 844</b>    |
| Brought forward from previous year      | 6 110      | <b>6 327</b>      |
| <b>Profits as per balance sheet</b>     | 138 833    | <b>183 171</b>    |

| <b>Appropriation of net profit</b>       |                                 |         |                  |
|--|---------------------------------|---------|------------------|
| Gross dividends proposed                 |                                 |         |                  |
| per registered share                     | CHF 9.– (previous year CHF 7.–) | 50 938* | <b>66 211**</b>  |
| per bearer participation certificate     | CHF 9.– (previous year CHF 7.–) | 35 568* | <b>46 275**</b>  |
| <b>Total dividend</b>                    |                                 | 86 506* | <b>112 486**</b> |
| Appropriation to other reserves          |                                 | 46 000  | <b>65 000</b>    |
| <b>Total appropriation of net profit</b> |                                 | 132 506 | <b>177 486</b>   |
| Balance carried forward to new account   |                                 | 6 327   | <b>5 685</b>     |

\* Distribution excluding dividends on treasury stock (see also notes to consolidated financial statements, page 59)

\*\* The total dividend amount covers all outstanding registered shares and bearer participation certificates. However, registered shares and bearer participation certificates still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly lower

# Notes to the financial statements

|   |          |   |
|---|----------|---|
| 1 | 2        | 3 |
| 4 | 5        | 6 |
| 7 | <b>8</b> | 9 |
|   | 0        |   |

Financial Statements  
Schindler Holding Ltd.

## Principles of valuation

The financial statements as at December 31, 2005, comply with Swiss corporation law. Regarding inclusion of Schindler Holding Ltd. in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

## Notes and explanations

The numbering corresponds to the numbering under "Notes" in the balance sheet and in the profit and loss statement.

### 1 Income from subsidiaries

Income from subsidiaries, totaling CHF 270.1 million (previous year CHF 224.0 million), includes the ordinary dividends of the subsidiaries and associated companies as well as contractually agreed payments for services rendered by Schindler Holding Ltd.

### 2 Extraordinary income

Extraordinary income of CHF 16.5 million comprises extraordinary income relating to a different period and extraordinary reversals of provisions (see also Note 25). Income reported under this item in the previous year (CHF 1.3 million) related to the sale of subsidiaries within the Group.

### 3 Income from financial operations

Income from financial operations, consisting of interest on investments in third parties and subsidiaries, together with income received from other financial investments, amounts to CHF 13.0 million (previous year CHF 13.2 million).

While interest income and market gains on securities in the reporting year were higher than in the previous year, exchange rate gains on foreign currency items were lower.

### 4 Financial expenses

The financial expenses of CHF 25.5 million (previous year CHF 22.5 million) comprise interest payments to subsidiaries for current account loans, interest on long-term liabilities in the form of outstanding debentures, charges for short-term bridging loans, and revaluations of financial assets. Slightly higher interest expense for the interest rate swap (IRS) on the 4 $\frac{1}{8}$ % debenture (see also Note 16) along with revaluations of financial assets caused the increase in financial expenses.

## 5 Depreciation and adjustments

Depreciation and adjustments on investments in subsidiaries and loans amounted to CHF 75.9 million in the year under review by comparison with CHF 67.5 million in the previous year. This expense item covers not only losses on receivables but also the prudent assessment of economic and currency risks associated with the investments in subsidiaries.

## 6 Administration expenses and taxes

The main items included under this heading, amounting to CHF 21.3 million (previous year CHF 15.8 million), are personnel costs, general business expenses, and taxes. The increase in expenditure of CHF 5.5 million relative to the previous year is attributable to higher charges within the Group.

## 7 Cash, cash equivalents, and securities

At the end of the year under review the value of cash, cash equivalents, and securities amounted to CHF 500.3 million (24.0% of total assets). On December 31, 2004, the comparable value was CHF 499.2 million, or 24.4% of total assets. In the reporting year, cash inflow resulted mainly from the cash flow and from the repayment of capital by a subsidiary (see Note 11). A cash drain of approximately the same amount resulting from restructuring of investments in a finance company, payments into the reserves of subsidiaries, and payments of dividends, caused cash, cash equivalents, and securities on December 31, 2005, to be at the same level as the previous year.

### 7.1 Repurchase program/own shares and bearer participation certificates

As announced in the press release of December 20, 2005, Schindler Holding Ltd. has extended the repurchase of a maximum of 10% of the entire nominal capital that it decided on December 10, 2001, until December 31, 2006. Repurchases are being made over the already existing "second line" of the SWX Swiss Exchange of an unchanged maximum of 735 682 own registered shares and an unchanged maximum of 514 164 own bearer participation certificates corresponding to 10% of both the registered share capital and the participation certificate capital. Should less than 10% of the registered share capital be offered, Schindler Holding Ltd. has the right to repurchase more than 10% of the bearer participation capital. However, the total repurchases must not exceed 10% of the nominal capital.

The development of the registered share capital and participations capital since December 31, 2002, is shown in Note 19.

On the date of the balance sheet, Schindler Holding Ltd. held 102 222 own registered shares (previous year 79 941) and 52 956 own bearer participation certificates (previous year 59 108). Of these, 102 222 registered shares and 52 956 bearer participation certificates are reserved for the stock plan and stock option plan for the senior management of the Group.

All items in treasury are valued at acquisition value.

The treasury stock of registered shares and bearer participation certificates, and the respective movements, are shown in the Notes to the Consolidated Financial Statements (Note 33).

#### **8 Accounts receivable from subsidiaries**

Accounts receivable from affiliated and associated companies amount to CHF 253.8 million compared with CHF 146.4 million at the end of 2004. The increase of CHF 107.4 million results mainly from restructuring of investments in an affiliated finance company.

#### **9 Accounts receivable from third parties**

Accounts receivable from third parties, including tax credits for withholding taxes, closed at CHF 2.2 million (previous year CHF 0.8 million). An advance of CHF 1.6 million in the reporting year caused total assets on December 31, 2005, to be higher than the previous year.

#### **10 Prepaid expenses and accrued income**

Prepaid expenses amount to CHF 2.7 million (previous year CHF 7.5 million) and comprise accrued interest as well as accruals from the valuation of forward exchange transactions which are lower than the previous year.

#### **11 Investments in subsidiaries**

At the end of the reporting year, the balance sheet value of investments in subsidiaries was CHF 1 231.0 million. This is a net reduction of CHF 57.0 million from the previous year's value of CHF 1 288.0 million. The gross increase of CHF 79.6 million comprises payments into the reserves of subsidiaries. Capital repayments, de-recognition of the carrying amount of a subsidiary that was legally merged with Schindler Holding Ltd. of total CHF 51.9 million and amortization of CHF 74.5 million resulted on balance in the reported amount for investments in subsidiaries.

The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 74 to 76 of the Financial Statements.



## 12 Loans to subsidiaries

Loans to subsidiaries and associated companies amount to CHF 91.8 million compared with CHF 103.0 million at the end of the previous year. The decrease results mainly from offsetting a loan against the corresponding liabilities of a company that was legally merged in the previous year.

## 13 Financial assets

The financial assets of CHF 5.6 million (previous year CHF 3.6 million) comprise holdings of less than 10% in subsidiaries. The net increase of CHF 2.0 million results from an increase and partial revaluation of such a holding.

## 14 Accounts payable to subsidiaries

Accounts payable to subsidiaries, including associated companies, amount to CHF 257.9 million, which is CHF 31.1 million less than the previous year's value of CHF 289.0 million. Lower credit balances of operating companies cause the decrease in the reporting period.

## 15 Accounts payable to third parties

Accounts payable to third parties amount to CHF 3.6 million. The decrease of CHF 15.7 million is attributable to the reduced level of miscellaneous creditors.

## 16 Debentures

| In 1000 CHF                              | 2004    | 2005           |
|--|---------|----------------|
| 3½% debenture 1999–2009, due: 02.06.2009 | 300 000 | <b>300 000</b> |
| 4⅞% debenture 1999–2006, due: 26.10.2006 | 300 000 | <b>300 000</b> |
| Total debentures outstanding             | 600 000 | <b>600 000</b> |

The 4⅞% debenture was converted by means of an interest rate swap (IRS) into an account payable with a variable interest expense. The resulting net interest income is offset against the corresponding interest expense.

## 17 Provisions

The existing provisions to cover financial risks in conjunction with international business commitments amount to CHF 55.3 million (previous year CHF 62.4 million). They consist mainly of provisions for guarantees, bad debts, and currency risks, as well as provisions to cover commitments entered into. In the reporting year, the provisions were increased to CHF 6.5 million as a result of a legal merger, and the reversal through the profit and loss statement of CHF 13.6 million was reduced to CHF 7.1 million.

Schindler Holding Ltd. makes regular payments to three widows of former executive members of the Board of Directors amounting in total to CHF 216 000 annually. The actuarially determined cash value is recalculated annually, and on December 31, 2005, amounted to CHF 1.7 million (previous year CHF 1.8 million). This amount is reported as a provision.

## 18 Accrued expenses and deferred income

Accrued liabilities amount to CHF 15.5 million (previous year CHF 13.1 million) and include negative replacement values of derivative financial instruments, outstanding invoices, and accrued interest for the outstanding debentures.

## 19 Share capital/participation certificate capital

### 19.1 Share capital

|                          | Number           | Nominal value<br>CHF | Share capital<br>CHF |
|--------------------------|------------------|----------------------|----------------------|
| December 31, 2002        | 7 356 820        | 1                    | 7 356 820            |
| December 31, 2003        | 7 356 820        | 1                    | 7 356 820            |
| December 31, 2004        | 7 356 820        | 1                    | 7 356 820            |
| <b>December 31, 2005</b> | <b>7 356 820</b> | <b>1</b>             | <b>7 356 820</b>     |

### 19.2 Bearer participation certificate capital

|                             | Number           | Nominal value<br>CHF | Participation certificate<br>CHF |
|-----------------------------|------------------|----------------------|----------------------------------|
| December 31, 2002           | 5 506 990        | 1                    | 5 506 990                        |
| December 31, 2003           | 5 506 990        | 1                    | 5 506 990                        |
| Elimination on June 3, 2004 | -365 350         |                      | -365 350                         |
| December 31, 2004           | 5 141 640        | 1                    | 5 141 640                        |
| <b>December 31, 2005</b>    | <b>5 141 640</b> | <b>1</b>             | <b>5 141 640</b>                 |

## 20 Shareholders' equity

In the last three years, the individual components of shareholders' equity have developed as follows:

| In 1000 CHF                           | Share capital | Participation certificate capital | Statutory reserves | Reserves for treasury stock | Other reserves | Profits as per balance sheet | Total shareholders' equity |
|---------------------------------------|---------------|-----------------------------------|--------------------|-----------------------------|----------------|------------------------------|----------------------------|
| <b>December 31, 2002</b>              | 7 357         | 5 507                             | 317 121            | 28 062                      | 465 459        | 125 643                      | 949 149                    |
| Dividend                              |               |                                   |                    |                             |                | 0                            | 0                          |
| Appropriation to other reserves       |               |                                   |                    |                             | 120 000        | -120 000                     |                            |
| Change in reserves for treasury stock |               |                                   |                    | 77 913                      | -77 913        |                              |                            |
| Net profit 2003                       |               |                                   |                    |                             |                | 126 511                      | 126 511                    |
| <b>December 31, 2003</b>              | 7 357         | 5 507                             | 317 121            | 105 975                     | 507 546        | 132 154                      | 1 075 660                  |
| Elimination as per June 3, 2004       |               | -365                              |                    | -69 642                     | 365            |                              | -69 642                    |
| Dividend                              |               |                                   |                    |                             |                | -74 044                      | -74 044                    |
| Appropriation to other reserves       |               |                                   |                    |                             | 52 000         | -52 000                      |                            |
| Change in reserves for treasury stock |               |                                   |                    | -5 144                      | 5 144          |                              |                            |
| Net profit 2004                       |               |                                   |                    |                             |                | 132 723                      | 132 723                    |
| <b>December 31, 2004</b>              | 7 357         | 5 142                             | 317 121            | 31 189                      | 565 055        | 138 833                      | 1 064 697                  |
| Dividend                              |               |                                   |                    |                             |                | -86 506                      | -86 506                    |
| Appropriation to other reserves       |               |                                   |                    |                             | 46 000         | -46 000                      |                            |
| Change in reserves for treasury stock |               |                                   |                    | 11 862                      | -11 862        |                              |                            |
| Net profit 2005                       |               |                                   |                    |                             |                | 176 844                      | 176 844                    |
| <b>December 31, 2005</b>              | <b>7 357</b>  | <b>5 142</b>                      | <b>317 121</b>     | <b>43 051</b>               | <b>599 193</b> | <b>183 171</b>               | <b>1 155 035</b>           |
| Of which share premiums (unchanged)   |               |                                   | 311 321            |                             |                |                              |                            |

## 21 Contingent liabilities

| In 1000 CHF   | 2004    | 2005           |
|---|---------|----------------|
| Total contingent liabilities in favor of affiliated companies |         |                |
| for bank guarantees, loans, and supply contracts              | 469 400 | <b>501 600</b> |

The contingent liabilities of Schindler Holding Ltd. cover conditional obligations for bank guarantees, loans, and supply contracts in favor of subsidiaries and affiliated companies. Utilized credits and incurred obligations are reported in the consolidated balance sheet as accounts payable or – if necessary – covered by provisions and recognized in the balance sheet.

There are also letters of comfort for unquantified amounts in favor of subsidiaries and affiliates. As a result of the group value added tax system for the Swiss companies introduced on January 1, 2003, there is a joint liability for the tax owed by the VAT group in favor of the Swiss federal tax authority.

Contingent liabilities in favor of unconsolidated subsidiaries and a distributor of Schindler elevators and escalators amount to CHF 30.2 million (previous year CHF 1.1 million)

As stated in more detail in the financial report of the Group financial statements (page 47), in January 2004 the European Commission initiated investigations into various companies in the European elevator and escalator industry regarding suspected collusions in contravention of antitrust laws. The investigations included individual subsidiaries of the Schindler Group. Addressees of the Statements of Objections delivered by the European Commission on October 11, 2005, formally included Schindler Holding Ltd. in its role as parent company of the Schindler Group.

## 22 Liabilities to employee benefit schemes

| In 1000 CHF       | 2004 | 2005 |
|-------------------|------|------|
| Total liabilities | 308  | 857  |

The liabilities to employee benefit schemes consist entirely of current account overdrafts.

## 23 Treasury stock

Information concerning the inventory of shares and bearer participation certificates held in treasury by Schindler Holding Ltd., together with details of the purchases and redemptions made, is contained in the Notes to the Consolidated Financial Statements on page 59.

## 24 Significant shareholders

Regarding the existence of a stockholder retainer contract, see note 35 to the Consolidated Financial Statements, "Related parties," on page 60.

## 25 Hidden reserves

As a result of a complete review, hidden reserves totaling CHF 13.5 million were eliminated in the reporting year by means of changes to provisions.

# Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2005

| Country        | Head office         | Name of company                            | Participation in % | Nominal capital (in thousands of local currency) |     |
|----------------|---------------------|--|--------------------|--|-----|
| <b>Europe</b>  |                     |  |                    |  |     |
| Austria        | Ternitz             | Ternitz Druckguss GmbH                     | 100                | 291 EUR  | ●   |
|                | Vienna              | Haushahn Aufzüge GmbH                      | 100                | 291 EUR  | ●   |
|                |                     | Schinac Verwaltungs AG                     | 100                | 70 EUR   | ○   |
|                |                     | Schindler Aufzüge und Fahrtreppen AG       | 100                | 4 362 EUR  | ● ● |
|                | Wolfurt             | Doppelmayr Aufzüge AG                      | 100                | 730 EUR  | ●   |
| Belgium        | Brussels            | S.A. Schindler N.V.                        | 100                | 6 250 EUR  | ●   |
| Czech Republic | Olomouc             | Vytahy Olomouc s.r.o.                      | 51                 | 100 000 CZK                                      | ●   |
|                | Prague              | ELETEC Vytahy s.r.o.                       | 100                | 2 000 000 CZK                                    | ● ● |
|                | Prague              | Schindler CZ a.s.                          | 100                | 100 000 CZK                                      | ●   |
| Denmark        | Herlev              | Schindler Elevatorer A/S                   | 100                | 1 000 DKK  | ●   |
|                | Kibaek              | Kibaek Specialfabrik Aps                   | 100                | 200 DKK  | ●   |
| Finland        | Helsinki            | Schindler Oy                               | 100                | 100 EUR  | ●   |
| France         | Illzach             | Elevator Car System                        | 99.9               | 2 416 EUR  | ● ● |
|                | Melun               | Etablissements Henri Peignen S.A.          | 99.9               | 1 220 EUR  | ● ● |
|                | Vélizy-Villacoublay | Roux Combaluzier Schindler                 | 99.9               | 19 846 EUR                                       | ○   |
|                |                     | Schindler                                  | 99.9               | 7 500 EUR  | ●   |
| Germany        | Berlin              | Schindler Aufzüge und Fahrtreppen GmbH     | 100                | 9 715 EUR  | ●   |
|                |                     | Schindler Deutschland Holding GmbH         | 100                | 51 129 EUR                                       | ○   |
|                | Stuttgart           | C. Haushahn Aufzüge GmbH & Co.             | 100                | 6 947 EUR  | ●   |
|                |                     | C. Haushahn Aufzüge KG                     | 100                | 2 000 EUR  | ●   |
| Great Britain  | Sunbury on Thames   | Schindler Ltd.                             | 100                | 48 800 GBP                                       | ●   |
|                |                     | Schinvest Ltd.                             | 100                | 67 460 GBP                                       | ○   |
| Greece         | Athens              | Schindler Hellas S.A.                      | 100                | 2 833 EUR  | ●   |
| Hungary        | Budapest            | Schindler Hungária Lift és Mozdólépcső KFT | 100                | 460 000 HUF                                      | ●   |
| Iceland        | Reykjavik           | HÉDINN Schindler Lyftur hf.                | 51                 | 10 000 ISK                                       | ●   |
| Ireland        | Dublin              | Schindler Ltd.                             | 100                | 25 EUR   | ●   |
| Italy          | Concorezzo          | Schindler S.p.A.                           | 100                | 8 400 EUR  | ●   |
| Jersey         | St. Helier          | Schindler Capital (Jersey) Ltd.            | 100                | 90 CHF   | ○   |
|                |                     | Schinvest (Jersey) Ltd.                    | 100                | 95 GBP   | ○   |
| Latvia         | Riga                | A.S. Latvijas Lifts Schindler              | 97                 | 123 LAT  | ● ○ |
| Liechtenstein  | Vaduz               | Reassur AG                                 | 100                | 20 000 CHF                                       | ○   |
| Lithuania      | Vilnius             | UAB Schindler Liftas                       | 100                | 1 365 LIT  | ●   |
| Luxembourg     | Luxembourg          | Schindler S.à r.l.                         | 100                | 175 EUR  | ●   |
| Malta          | Msida               | Schindler Ltd.                             | 70                 | 50 MTL   | ●   |
| Monaco         | Fontvieille         | Schindler Monaco                           | 98                 | 150 EUR  | ●   |
| Netherlands    | The Hague           | Schindler Liften B.V.                      | 100                | 565 EUR  | ●   |
| Norway         | Bergen              | Schindler Stahl Heiser A/S                 | 100                | 550 NOK  | ●   |
|                | Vennesla            | Reber-Schindler Heis A/S                   | 100                | 8 000 NOK  | ●   |
| Poland         | Warsaw              | Schindler Polska sp. z. o.o.               | 100                | 5 000 PLN  | ●   |
| Portugal       | Carnaxide           | Schindler S.A.                             | 100                | 4 000 EUR  | ●   |

- Production
- Sales, installation, maintenance
- Other services

| Country     | Head office | Name of company                     | Participation<br>in % | Nominal capital<br>(in thousands<br>of local currency) |     |     |
|-------------|-------------|-------------------------------------|-----------------------|--|-----|-----|
| Rumania     | Bucharest   | Schindler Romania S. R. L.          | 100                   | 1 250 000  | LEI | ●   |
| Russia      | Moscow      | ZAO Schindler                       | 70.6                  | 21   | RUR | ●   |
| Slovakia    | Bratislava  | Schindler V'ytahy a Eskalatory a.s. | 100                   | 29 000   | SKK | ●   |
|             | Dunajská    | Schindler Eskalátory s.r.o.         | 100                   | 37 244   | SKK | ●   |
| Slovenia    | Ljubljana   | Schindler Slovenja d.o.o.           | 100                   | 73 012   | SIT | ●   |
| Spain       | Madrid      | Schindler S.A.                      | 99.5                  | 18 028   | EUR | ● ● |
| Sweden      | Stockholm   | Schindler Hiss AB                   | 100                   | 9 440  | SEK | ●   |
|             |             | Schindler Scandinavian Holding AB   | 100                   | 28 000   | SEK | ○   |
| Switzerland | Ebikon      | EbiSquare AG                        | 74                    | 500  | CHF | ○   |
|             |             | Schindler Aufzüge AG                | 100                   | 25 000   | CHF | ● ● |
|             |             | SchindlerConsulting AG              | 100                   | 250  | CHF | ○   |
|             |             | Schindler Informatik AG             | 100                   | 1 000  | CHF | ○   |
|             |             | Schindler Management AG             | 100                   | 1 000  | CHF | ○   |
|             |             | SchindlerRepro AG                   | 52                    | 150  | CHF | ○   |
|             | Hergiswil   | ALSO Holding AG                     | 64.5                  | 6 039  | CHF | ○   |
|             |             | Inventio AG                         | 100                   | 11 000   | CHF | ○   |
|             |             | Schindler Pars International Ltd.   | 100                   | 5 000  | CHF | ○   |
|             | Locarno     | Schindler Elettronica S.A.          | 100                   | 2 000  | CHF | ●   |
|             | Pratteln    | Schindler Technik AG                | 100                   | 1 000  | CHF | ○   |
|             | Zug         | AS Aufzüge AG                       | 100                   | 7 000  | CHF | ●   |
| Turkey      | Istanbul    | Schindler Türkelî Asansör san. a.s. | 100                   | 3 600  | YTL | ●   |
| Ukraine     | Kiev        | Schindler Ukraine                   | 100                   | 21   | UAH | ●   |

### The Americas

|                        |                   |   |      |           |     |     |
|------------------------|-------------------|---|------|-----------|-----|-----|
| Argentina              | Buenos Aires      | Ascensores Schindler S.A.               | 90   | 1 372     | ARS | ●   |
| Brazil                 | São Paulo         | Elevadores Atlas Schindler S.A.         | 100  | 195 479   | BRL | ● ● |
| British Virgin Islands | Tortola           | Jardine Schindler Holdings Ltd.         | 50   | 100       | USD | ○   |
| Canada                 | Scarborough       | Schindler Elevator Corporation          | 100  | 33 350    | CAD | ●   |
| Cayman Islands         | George Town       | Schindler Finance (Cayman Islands) Ltd. | 100  | 1         | CHF | ○   |
| Chile                  | Santiago de Chile | Ascensores Schindler (Chile) S.A.       | 99.7 | 1 001 614 | CLP | ●   |
| Colombia               | Bogotá            | Ascensores Schindler de Colombia S.A.   | 100  | 317 477   | COP | ●   |
| Costa Rica             | San José          | Elevadores Schindler S.A.               | 60   | 200 000   | CRC | ●   |
| Guatemala              | Guatemala         | Elevadores Schindler S.A.               | 100  | 600       | GTQ | ●   |
| Mexico                 | Mexico City       | Elevadores Schindler S.A. de C.V.       | 100  | 34 906    | MXP | ●   |
| Peru                   | Lima              | Ascensores Schindler del Perú S.A.      | 97.2 | 2 228     | PEN | ●   |
| Uruguay                | Montevideo        | Ascensores Schindler S.A.               | 100  | 698       | UYU | ●   |
| USA                    | Gantano           | Schindler Corp. of Puerto Rico          | 100  | 4 039     | USD | ●   |
|                        | Morristown        | Schindler Elevator Corporation          | 100  | 142 954   | USD | ● ● |
|                        | Mountainside      | Slade Industries, Inc.                  | 100  | 100       | USD | ●   |
|                        | Niles             | Adams Elevator Equipment Company        | 100  | 1 625     | USD | ● ● |
|                        | Wilmington        | Schindler Enterprises, Inc.             | 100  | 568 434   | USD | ○   |
| Venezuela              | Caracas           | Ascensores Schindler de Venezuela S.A.  | 100  | 40 000    | VEB | ●   |

- Production
- Sales, installation, maintenance
- Other services

| Country               | Head office         | Name of company                              | Participation<br>in %                                   | Nominal capital<br>(in thousands<br>of local currency) |             |     |
|-----------------------|---------------------|--|---|--|-------------|-----|
| <b>Africa</b>         |                     |  |   |  |             |     |
| Botswana              | Gaborone            | Schindler Lifts (Botswana) (PTY) Ltd.        | 100   | 0.1 BWP  | ●           |     |
| Egypt                 | Cairo               | Schindler Ltd.                               | 100   | 2 500 EGP  | ●           |     |
| Ghana                 | Accra               | Elesca Engineering Ltd.                      | 20  | 28 000 GHC   | ●           |     |
| Kenya                 | Nairobi             | Schindler Ltd.                               | 100   | 5 000 KES  | ●           |     |
| Morocco               | Casablanca          | Schindler Maroc S.A.                         | 100   | 10 000 MAD   | ●           |     |
| Mozambique            | Maputo              | Schindler Moçambique Lda                     | 49  | 1 535 500 MZM  | ●           |     |
| Namibia               | Windhoek            | Schindler Lifts (Namibia) (PTY) Ltd.         | 100   | 0.001 ZAR  | ●           |     |
| South Africa          | Johannesburg        | Schindler Lifts (S.A.) (PTY) Ltd.            | 100   | 4 250 ZAR  | ●           |     |
| Zimbabwe              | Harare              | Schindler Lifts (Zimbabwe) (PVT) Ltd.        | 100   | 4 ZWD  | ●           |     |
| <b>Asia/Australia</b> |                     |  |   |  |             |     |
| Australia             | Sydney              | Deve Hydraulic Lifts Pty. Ltd.               | 100   | 2 AUD  | ●           |     |
|                       |                     | Schindler Lifts Australia Pty. Ltd.          | 100   | 22 950 AUD   | ●           |     |
| Bahrain               | Manama              | Jalal Schindler Lifts & Escalator W.L.L.     | 49  | 20 BHD   | ●           |     |
| Brunei                | Bandar Seri Begawan | Schindler Liftec Sdn. Bhd. •                 | 50  | 500 B\$  | ●           |     |
| Cambodia              | Phnom Penh          | Jardine Schindler (Cambodia) Ltd. •          | 100   | 22 USD   | ●           |     |
| China                 | Hong Kong SAR       | Holake Hong Kong Lifts Limited Ltd. •        | 100   | 300 000 HKD  | ●           |     |
|                       |                     | Schindler Lifts (Hong Kong) Ltd. •           | 100   | 25 000 HKD   | ●           |     |
|                       | Macau SAR           | Jardine Schindler Lifts (Macao) Ltd. •       | 100   | 25 000 MOP   | ●           |     |
|                       |                     | Shanghai                                     | Schindler (China) Elevator Co. Ltd.                     | 96.4   | 564 602 RMB | ● ● |
|                       |                     |  | Shanghai Schindler Elevator Technology Service Co. Ltd. | 100  | 99 427 RMB  | ○   |
|                       | Suzhou              | Schindler Electronics (Suzhou) Co. Ltd.      | 100   | 71 426 RMB   | ●           |     |
|                       |                     | Suzhou Esca Step Co. Ltd.                    | 100   | 38 914 RMB   | ●           |     |
|                       |                     | Suzhou Schindler Elevator Co. Ltd.           | 55  | 155 713 RMB  | ● ●         |     |
| India                 | Bombay              | Schindler India PVT Ltd.                     | 100   | 1 191 879 INR  | ●           |     |
| Indonesia             | Jakarta             | PT Berca Schindler Lifts •                   | 50  | 6 745 000 000 IDR                                      | ●           |     |
| Israel                | Kfar Yona           | Schindler Nechushtan Elevators Ltd.          | 100   | 7 045 ILS  | ● ●         |     |
| Japan                 | Kagoshima           | Mercury Ascensore Ltd.                       | 100   | 25 000 JPY   | ●           |     |
|                       |                     | Tokyo  | Schindler Elevator K.K.                                 | 96.7   | 500 000 JPY | ●   |
| Lebanon               | Antelias/Beirut     | Schindler Lebanon S.A.L.                     | 70  | 600 000 LBP  | ●           |     |
| Malaysia              | Ipoh                | Schindler Manufacturing (Malaysia) Sdn. Bhd. | 50  | 78 245 MYR   | ●           |     |
|                       |                     | Kuala Lumpur                                 | Antah Schindler Sdn. Bhd. •                             | 70   | 10 450 MYR  | ●   |
| Myanmar               | Yangon              | Myanmar Jardine Schindler Ltd. •             | 100   | 300 KYAT   | ●           |     |
| New Zealand           | Auckland            | Schindler Lifts NZ Ltd.                      | 100   | 1 000 NZD  | ●           |     |
| Philippines           | Manila              | Jardine Schindler Elevator Corp. •           | 100   | 277 000 PHP  | ●           |     |
| Singapore             | Singapore           | Schindler Lifts (Singapore) Pte. Ltd. •      | 100   | 16 714 SGD   | ●           |     |
| South Korea           | Seoul               | Schindler Elevator Company Limited •         | 70  | 2 000 000 KPW  | ● ●         |     |
| Taiwan                | Taipei              | Jardine Schindler Lifts Ltd. •               | 100   | 246 000 TWD  | ●           |     |
| Thailand              | Bangkok             | Jardine Schindler (Thai) Ltd. •              | 100   | 90 268 THB   | ●           |     |
| Vietnam               | Ho Chi Minh City    | SGE-Schindler Ltd. •                         | 70  | 1 700 USD  | ● ●         |     |

- Production
- Sales, installation, maintenance
- Other services

# Report of the statutory auditors

|   |          |   |
|---|----------|---|
| 1 | 2        | 3 |
| 4 | 5        | 6 |
| 7 | <b>8</b> | 9 |
|   | 0        |   |

Financial Statements  
Schindler Holding Ltd.

## **To the General Meeting of Schindler Holding Ltd., Hergiswil**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss statement, and notes) of Schindler Holding Ltd., Hergiswil, for the year ended December 31, 2005.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made, and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements, as well as the proposed appropriation of available earnings, comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Berne, February 20, 2006

ERNST & YOUNG LTD.

Roland Ruprecht  
Certified Accountant  
(in charge of the audit)

Marcel Gehrig  
Certified Accountant



# Corporate Governance

We show things as they really are.



The report on corporate governance describes the management structure and control at the highest corporate level of the Schindler Group. The report's content and structure fulfill the requirements of the "Directive on Information Relating to Corporate Governance" of the SWX Swiss Exchange, which came into force on July 1, 2002.

## 1 Structure of the Group and its shareholders

### 1.1 Operational structure of the Group

| <b>Board of Directors of Schindler Holding Ltd.</b> |                                 |
|---|---------------------------------|
| Status as at 1. 1. 2006                             |                                 |
| Alfred N. Schindler                                 | Chairman, executive member      |
| Luc Bonnard   | Vice Chairman, executive member |
| Alfred Spörri                                       | Executive member                |
| Prof. Dr. Pius Baschera                             | Non-executive member            |
| Dr. Hubertus von Grünberg                           | Non-executive member            |
| Scott D. Miller                                     | Non-executive member            |
| Lord Charles Powell                                 | Non-executive member            |
| Dr. Jenö C. A. Staehelin                            | Non-executive member            |
| Robert Studer                                       | Non-executive member            |
| <b>Management Committees</b>                        |                                 |
| Status as at 1. 1. 2006                             |                                 |
| <b>Elevators &amp; Escalators</b>                   | <b>ALSO</b>                     |
| Roland W. Hess                                      | Thomas C. Weissmann             |
| Jürgen Tinggren                                     | Michael Dressen                 |
| Miguel A. Rodríguez                                 | Marc Schnyder                   |
| Emmanuel Altmayer                                   | Hans Wyss                       |
| Dr. Christoph Lindenmeyer                           | Peter Zurbrügg                  |
| Brent L. Glendening                                 |                                 |
| Erich Ammann  |                                 |
| Dr. Rudolf W. Fischer                               |                                 |
| Prof. Dr. Karl Hofstetter                           |                                 |

The operational structure of the Group corresponds to the segment reporting presented on page 55 of the Financial Statements. Essential affiliated companies and unconsolidated subsidiaries are listed on pages 74 to 76 of the Financial Statements.

ALSO Holding AG, Hergiswil/Switzerland, 64.5% of whose shares were held by Schindler Holding Ltd. at the end of 2005, has been listed on the SWX Swiss Exchange (securities number Na. 155 143) since 1986 and publishes its own annual report. That annual report also fulfills the requirements of IFRS (formerly IAS). On 31. 12. 2005, the market capitalization of ALSO was CHF 242 million. In view of the extent of the information, ALSO's comments on its own corporate governance are not repeated here, since they are available in the ALSO annual report as well as in the permanent information source at [www.also.com](http://www.also.com).

## 1.2 Shareholders

At the end of 2005, shares were held by 3 009 shareholders.

On the same date, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% of the voting rights of the share capital entered in the Register of Companies.

## 1.3 Cross shareholdings

Schindler Holding Ltd. has no cross shareholdings in companies outside the Schindler Group which exceed a limit of 5% of the voting rights or capital.

## 2 Capital structure

### 2.1 Capital

As at 31. 12. 2005, the share capital of Schindler Holding Ltd. is CHF 7 356 820.– and the participation capital CHF 5 141 640.–.

### 2.2 Authorized and conditional capital

On 31. 12. 2005, Schindler Holding Ltd. did not own any authorized or conditional capital.

### 2.3 Changes in capital

Details of the value of the capital of Schindler Holding Ltd. on 31. 12. 2005, as well as how it has changed in the last three reporting years, are presented on pages 71 and 72 of the Financial Statements.

### 2.4 Shares and bearer participation certificates

The share capital on 31. 12. 2005 was CHF 7 356 820.–. This is divided into 7 356 820 fully paid shares registered by name, each with a nominal value of CHF 1.–. Each share carries the right to one vote, as well as the right to a share in the profits reported in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value.

The bearer participation capital on 31. 12. 2005, was CHF 5 141 640.–. This is divided into 5 141 640 fully paid bearer participation certificates, each with a nominal value of CHF 1.–. Each bearer participation certificate carries the right to a share in the profits contained in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value. It does not, however, carry any voting rights, nor any other rights of membership, such as participation at General Meetings of Shareholders.

### 2.5 Bonus certificates

There are no outstanding bonus certificates.

## 2.6 Limitations on share transferability and nominee registrations

### 2.6.1 Registration of shares

According to Art. 13 of the statutes, the Board of Directors shall refuse registration of an applicant as a full shareholder:

- if the applicant has not purchased the share(s) in his/her own name and on his/her own account, or
- registration would result in the applicant holding more than 3% of the voting rights. The voting rights of associated shareholders shall be accumulated. This does not apply to institutional representatives, or deposit agreements with banks.

In accordance with Swiss federal law requiring the ability to demonstrate Swiss control of the company, the registration of foreign applicants can be refused if, as a result of their registration, all foreign shareholders together would hold more than 10% of the voting rights.

The statutory restrictions on registration do not apply if:

- on June 15, 1992, the applicant, or the applicant's spouse, child, brother, sister, or other such person, was already recorded in the share register as holding 3% of the voting rights, or
- the voting rights were acquired directly by inheritance or marriage contract.

The General Meeting of Shareholders may determine further exceptions. Applicants have the right to pursue their application at the General Meeting of Shareholders. The General Meeting of Shareholders was not required to rule on any such cases in the reporting year 2005.

### 2.6.2 Nominee registrations

The statutes contain no special regulations regarding nominee registrations.

## 2.7 Convertible bonds and options

### 2.7.1 Convertible bonds and debentures

Schindler Holding Ltd. has no outstanding convertible bonds.

Details of outstanding debentures of Schindler Holding Ltd., including amounts, interest rates, and maturity dates, are presented on page 70 of the Financial Statements.

## 2.7.2 Employee options

All values are after the 10:1 share/participation certificate split of June 11, 2002

|      | Options<br>awarded<br>(number) | Exercise<br>price<br>in CHF | Barred<br>period<br>ends | Exercise<br>period<br>ends | Expired<br>as at<br>31.12.2005<br>(number) | Exercised<br>as at<br>31.12.2005<br>(number) | Outstanding<br>on<br>31.12.2005<br>(number) |
|------|--------------------------------|-----------------------------|--------------------------|----------------------------|--|--|---|
| 2001 | 15 420                         | 268.70                      | 30.04.04                 | 30.04.07                   | –  | –5 380                                       | 10 040                                      |
| 2002 | 13 190                         | 270.60                      | 30.04.05                 | 30.04.08                   | –360                                       | –2 873                                       | 9 957                                       |
| 2003 | 64 536                         | 255.00                      | 30.04.06                 | 30.04.09                   | –3 389                                     | –  | 61 147                                      |
| 2004 | 27 967                         | 286.50                      | 30.04.07                 | 30.04.10                   | –577                                       | –77  | 27 313                                      |
| 2005 | 26 306                         | 329.00                      | 30.04.08                 | 30.04.11                   | –348                                       | –56  | 25 902                                      |

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004 and 2005) of Schindler Holding Ltd.

## 3 Board of Directors, Executive Committee of the Board, and other committees

According to Art. 716a of the Swiss Code of Obligations, the Board of Directors of Schindler Holding Ltd. exercises ultimate direction and ultimate supervision over the entire Schindler Group, i.e. over the Elevators & Escalators business and over ALSO.

The Board of Directors, which according to its statutes comprises between five and ten members, currently has nine members. Of these, three are executive members, who form the Executive Committee of the Board, while the remaining six are non-executive members.

The Executive Committee of the Board is elected for a term of three years. According to the management by laws, it is responsible for the immediate supervision of the two Management Committees. Members of the Executive Committee of the Board are not members of the Management Committees.

To assist the Board of Directors, there are also other committees, all of which have as their respective chairman a member of the Board of Directors.

### 3.1 Board of Directors of Schindler Holding Ltd.

| Status as at 31.12.2005                               |                          |                      | Term of office expires* |
|---|--------------------------|----------------------|-------------------------|
| <b>Alfred N. Schindler</b> Chairman                   | Hergiswil, Switzerland   | Executive member     | 2008                    |
| <b>Luc Bonnard</b> Vice Chairman                      | Hergiswil, Switzerland   | Executive member     | 2008                    |
| <b>Alfred Spörri</b>                                  | Zug, Switzerland         | Executive member     | 2008                    |
| <b>Prof. Dr. Pius Baschera</b>                        | Zurich, Switzerland      | Non-executive member | 2008                    |
| <b>Dr. Hubertus von Grünberg</b>                      | Hanover, Germany         | Non-executive member | 2008                    |
| <b>Scott D. Miller</b>                                | Colorado, USA            | Non-executive member | 2008                    |
| <b>Charles Powell (Lord Powell of Bayswater KCMG)</b> | London, UK               | Non-executive member | 2006                    |
| <b>Dr. Jenö C. A. Staehelin</b>                       | Hergiswil, Switzerland   | Non-executive member | 2008                    |
| <b>Robert Studer</b>                                  | Schönenberg, Switzerland | Non-executive member | 2008                    |

\*At the Annual General Meeting of Shareholders in the year shown

### 3.2 Activities and vested interests

#### Alfred N. Schindler (1949, Switzerland)

has been a member of the Board of Directors since July 1977, and CEO of the Schindler Group since 1985. Since 1995, Alfred N. Schindler has also been Chairman of the Board of Directors. Before joining the Schindler Group, he was employed by Neutra Treuhand AG in Berne, later becoming CFO of Notz AG in Biel. In order to focus on Schindler, Alfred N. Schindler has relinquished his board memberships of the following companies: Bank Julius Bär, UBS, Jacobs Suchard and Deutsche Post AG. He still is a member of the European Advisory Board of the Wharton School. Alfred N. Schindler holds a degree in law from the University of Basel, and an MBA from the Wharton School of Finance of the University of Pennsylvania, USA.

#### Luc Bonnard (1946, Switzerland)

has been a member of the Board of Directors since October 1984, and a member of the Executive Committee of the Board since 1991. Since 1996 he has been Vice Chairman of the Board of Directors. Luc Bonnard joined Schindler in 1972, and from 1983 was a member of the Management Committee with responsibility for northern Europe. From 1986 until 1990 he was head of the Group's elevators and escalators business. He is a member of the board of directors of Bobst Group SA, Lausanne. Luc Bonnard holds a master's degree in electrical engineering from the Swiss Federal Institute of Technology, Zurich.

**Alfred Spörri (1938, Switzerland)**

has been a member of the Board of Directors, and of the Executive Committee of the Board, since 1995. From 1991 to 1995 he was a member of the former Executive Management Committee. He joined the Schindler Group in 1968 as CFO of Schindler Mexico and Area Controller for Latin America. From 1975 he was head of the subsidiary in Mexico, before returning to Switzerland in 1979 as Group Controller and Treasurer. From 1988 to 1997 he was CFO of the Group. Alfred Spörri is a member of the Swiss Takeover Board. He is chairman of the board of directors of Tehag Freizeit AG in Meierskappel and a member of the board of directors of Art Bowling, also in Meierskappel. After completing a commercial apprenticeship he qualified as a Swiss Certified Public Accountant in 1965, and in 1970 gained an MBA from Las Américas University, Mexico.

**Prof. Dr. Pius Baschera (1950, Switzerland and Italy)**

was elected to membership of the Board of Directors in March 2005. He joined Hilti AG, Schaan, Liechtenstein, as Head of Production Controlling in 1979, transferring in 1982 to Hilti Inc., Tulsa, USA, as Head of Corporate Development. In 1985, Pius Baschera became head of Hilti (Switzerland) AG, then of Hilti Germany GmbH, and in 1989 became responsible for the market region Europe 1. In 1990, as Chief Financial Officer, he was made a member of the Executive Board of Hilti AG, and since January 1994 has been its chairman. He is also a member of the advisory board of Vorwerk & Co, Wuppertal, and of Ardex, Witten, both in Germany, as well as chairman of the board of directors of Venture Incubator AG, Zug, Switzerland, and a titular professor at the Swiss Federal Institute of Technology, Zurich, Switzerland. On completion of his studies in mechanical engineering and management science at the Swiss Federal Institute of Technology in Zurich, Pius Baschera was awarded a Doctor of Science degree.

**Dr. Hubertus von Grünberg (1942, Germany)**

has been a member of the Board of Directors since October 1999. On completing his education, he first worked for Teves GmbH, Frankfurt (ITT). In 1989 he became president and CEO of ITT Automotive Inc., Auburn Hills, Michigan, USA, and a senior vice president of ITT Corporation. From 1991 to 1999 he was president of the executive management committee of Continental AG, Hanover, Germany. Since June 1999 he has been chairman of the supervisory board of Continental AG. He is also a member of the supervisory boards of Allianz Versicherungs AG, Munich, Deutsche Telekom AG, Bonn, and MAN Aktiengesellschaft, Munich, all in Germany. He is also an advisor to BHF Bank AG, Frankfurt. Hubertus von Grünberg holds a doctorate in physics from the University of Cologne, Germany.

**Scott D. Miller (1952, USA)**

was elected a member of the Board of Directors in March 2002. From 1991 to 1993 he was a partner in The John Buck Company, Chicago, USA, and from 1994 to 1997 president of United Infrastructure Company, also of Chicago. He was then elected president of Hyatt Hotels Corporation, Chicago, USA. From May 2003 to May 2004 he was Vice Chairman of Hyatt Corporation. He currently serves as President and CEO of Six Sigma Academy, Scottsdale, Arizona, USA, as well as CEO of G100, Aspen, Colorado, USA. He is also a member of the boards of directors of AXA Financial Inc., New York, USA, and NAVTEQ Inc., Chicago, USA. Scott D. Miller holds a BA degree from Stanford University, California, USA, and an MBA from the University of Chicago, USA.

**Lord Powell of Bayswater KCMG (1941, UK)**

Charles Powell was elected to the Board of Directors in March 2003. From 1963 to 1982 he was a member of the British Diplomatic Service. From 1983 to 1991 he was Private Secretary and Advisor on foreign affairs and defense to Prime Ministers Margaret Thatcher and John Major. Since 1992, Lord Powell has been an international businessman. He is Chairman of Satinvest, London, and serves on the boards of Caterpillar Inc., Peoria, Illinois; Textron Corporation, Providence, USA; LVMH (Louis Vuitton Moët Hennessy), Paris; Mandarin Oriental International Ltd, Bermuda; Matheson & Co Ltd, London; British Mediterranean Airways (BMA), London; Financière Agache, Paris; UK-China Forum, London; Singapore Millennium Foundation, Singapore; Falgos Investments, London; Yell Group Ltd, London; and Northern Trust Global Services, Chicago/London. He is a member of several company Advisory Boards including Rolls-Royce, Derby; Barrick Gold, Toronto; Magna Corporation, Toronto; Thales, Paris; and GEMS, Hong Kong. He is Chairman of the Trustees of the Oxford University Business School Foundation, Chairman of the China-Britain Business Council, Chairman of the Atlantic Partnership, London, as well as a Trustee of the British Museum, London, and of the Aspen Institute, USA. Lord Powell is an independent member of the House of Lords. Lord Powell was educated at Kings School, Canterbury, and in 1963 gained a Master of Arts degree with first-class honors in history at Oxford University.



**Dr. Jenö C. A. Staehelin (1940, Switzerland)**

was elected to the Board of Directors on June 24, 1980. From 1977 to 1984 he was Vice President of the European Patent Office in Munich. He subsequently became a Minister and Deputy Director of the Department for International Organization at the Swiss Federal Department of Foreign Affairs. In 1987 he was appointed an Ambassador, and head of the Department for Europe and North America. At the same time as holding this office, from 1991 he was also a Special Ambassador to the Vatican. In 1993, he was made Swiss Ambassador to Japan, following which in June 1997 he was appointed Permanent Swiss Observer at the United Nations in New York. On entry of Switzerland to the United Nations in September 2002, he became the first Permanent Representative of Switzerland at the United Nations – a position which he held until the end of August 2004. In 2003, Ambassador Staehelin was also President of the Executive Board of UNICEF. On retiring as Head of the Swiss Mission to the United Nations in New York, he was entrusted with special assignments by the Swiss Federal Council and the Swiss Federal Department of Foreign Affairs. Jenö C. A. Staehelin holds a doctorate in law from the University of Berne, a Master of Law degree from Harvard Law School, USA, and is a licensed attorney in Zurich.

**Robert Studer (1938, Switzerland)**

has been a member of the Board of Directors since July 1981. From 1991 to 1996 he was president of the executive committee of the Union Bank of Switzerland, and from 1996 to 1998 chairman of the board of directors of the same bank. Robert Studer is a member of the boards of directors of BASF AG, Ludwigshafen; Renault SA, Paris; and the Espirito Santo Financial Group SA, Luxembourg. After completing a commercial apprenticeship he gained a diploma in business at the Zurich Management School in 1969.

**3.3 Cross involvement**

There are no cross memberships between the Board of Directors of Schindler Holding Ltd. and any other listed company.

### 3.4 Election and term of office

The Board of Directors of Schindler Holding Ltd. is elected by the General Meeting for a term of three years, on completion of which it can be re-elected for a further period of the same duration.

Elections are held according to the principle of phased renewal. According to the statutes, the Chairman of the Board of Directors is elected by the General Meeting. The Vice Chairman is elected by the Board of Directors from among its members for a term of three years.

Members of the Board of Directors are required to retire on the date of the Annual General Meeting in the year in which they attain the age of 70 years. In exceptional cases, the Board of Directors may depart from this rule.

### 3.5 Internal organization and regulation of authorities

According to the law, the Board of Directors is responsible for the ultimate direction and ultimate supervision of the entire Schindler Group. It is required to resolve all matters which are not defined by the law, statutes, or management bylaws as being the responsibility of any other governing body. According to the Swiss Code of Obligations, Article 716a, Paragraph 1, the following nontransferable and inalienable responsibilities are incumbent on the Board of Directors:

- Ultimate direction of the company and issuance of necessary instructions
- Definition of the organization
- Establishment of systems and procedures for accounting, financial control, and financial planning
- Appointment and discharge of persons charged with managing and representing the business
- Ultimate supervision of the persons charged with managing the business, especially with regard to compliance with the law, statutes, bylaws, and instructions
- Preparation of the Annual Report, and preparation of General Meetings of Shareholders and execution of their resolutions
- Notification of the legal authorities in case of insolvency.

It is also incumbent on the Board of Directors to decide on the following:

- The objectives and strategy of the Group as a whole, and of its two businesses
- The essential prerequisites for business activity
- Staffing of the management committees according to the management bylaws
- Business transactions whose financial value exceeds certain amounts.

Decisions are made by the full Board of Directors. To assist it, it has available four standing committees: the Executive Committee of the Board, the Nomination Committee, the Compensation Committee, and the Audit Committee.

### 3.5.1 Committees

The committees designated by the Board of Directors are governed by regulations which define their responsibilities and authorities. For each committee, the Board of Directors appoints a chairman. The committees minute the proceedings of their meetings, and on matters which they are not authorized to decide themselves, submit proposals to the full Board of Directors.

### 3.5.2 Executive Committee of the Board

The Board of Directors appoints from among its members a standing Executive Committee of the Board, with three or four members, for a term of three years. The Chairman and Vice Chairman of the Board are members of the Executive Committee.

#### Members

|                     |               |
|---------------------|---------------|
| Alfred N. Schindler | Chairman      |
| Luc Bonnard         | Vice Chairman |
| Alfred Spörri       | Member        |

#### 3.5.2.1 Responsibilities

The Executive Committee of the Board prepares all matters for the Board of Directors (in particular those according to the Swiss Code of Obligations, Article 716a, Paragraph 1), provides the Board with relevant documentation, and submits proposals to the Board.

It creates the prerequisites for ultimate direction by the Board of Directors. It exercises supervision of the Group as a whole, and thereby creates the prerequisites for the exercise of ultimate supervision by the Board of Directors.

The Executive Committee of the Board ensures that the Board of Directors is informed, and that its resolutions are executed. For this purpose, it is assisted by various committees.

### **3.5.2.2 Responsibilities of the Executive Committee of the Board relative to the Management Committees**

The Executive Committee of the Board creates a uniform entrepreneurial will, ensures cohesion of the Group in its entirety, and continuously monitors the managerial competence of the members of the two Management Committees, as well as other holders of key staff and line functions.

For this purpose, it particularly appoints the responsible persons in the Group – depending on their position – to supervisory, directive, and managerial bodies of the affiliated companies. These persons are required to act in accordance with the management bylaws, and receive instructions from the Executive Committee of the Board.

In close collaboration with the two Management Committees, the Executive Committee of the Board formulates and submits to the Board of Directors the goals and strategies of the Group as a whole, and of its two businesses, and defines the financial and human resources.

### **3.5.3 Nomination Committee**

The Executive Committee of the Board is responsible for nominating candidates for election to the Board of Directors, each member of the Board of Directors having the right to make nominations of their own to the Chairman. In the structure of the Board of Directors, attention is paid not only to competence, but also to professional and cultural diversity.

The Board of Directors makes the final decision regarding nominations to be proposed to the General Meeting.

The Nomination Committee is also responsible to the Board of Directors for planning succession, and for nomination of the top management of the Group.

### 3.5.4 Compensation Committee

| Members                   |  |          |
|---------------------------|--|----------|
| Dr. Hubertus von Grünberg | Non-executive member of the Board of Directors | Chairman |
| Robert Studer             | Non-executive member of the Board of Directors | Member   |

According to the management bylaws, the Board of Directors convenes a Compensation Committee composed of two external members of the Board of Directors who are not members of the Executive Committee of the Board.

The Compensation Committee definitively determines the remuneration, and all other compensation, of the Chairman of the Board of Directors. It also approves all compensation of other members of the Board of Directors, based on proposals submitted by the Chairman of the Board.

The compensation of the members of both Management Committees, and of other managers of the Group with compensation of a similar amount, is also submitted to the Compensation Committee for approval.

The Compensation Committee provides information to the full Board of Directors once per year.

### 3.5.5 Audit Committee

Within the scope of its ultimate supervision, the Executive Committee of the Board also exercises the function of an auditing body at board level. It maintains contact with the external auditors and is also supported by an Audit Committee, whose members as listed below are all persons who do not hold line management functions.

| Members                   |  |          |
|---------------------------|--|----------|
| Alfred Spörri             | Member of the Executive Committee of the Board                               | Chairman |
| Walter G. Frehner         | External   | Member   |
| Prof. Dr. Oliver Gassmann | External   | Member   |
| Prof. Dr. Karl Hofstetter | General Counsel, Member of the Management Committee Elevators and Escalators | Member   |

The Audit Committee assists the Board of Directors and its Executive Committee in fulfilling its supervisory functions over the Management Committees of Elevators & Escalators and ALSO.

The following controlling instruments of the Executive Committee of the Board are coordinated by the Audit Committee through the Group function "Group Assurance":

- Internal Audits, for the purpose of verifying compliance with rules and processes in the business and financial area
- Code of Conduct Compliance, for the purpose of verifying and enforcing the Code of Conduct enacted by the Board of Directors in 1997, which is binding for all employees worldwide
- Technical Compliance, for the purpose of verifying compliance with safety-relevant standards and processes in the Elevators & Escalators business
- Information Security, for the purpose of ensuring appropriate and constant protection of vital corporate data against internal and external hazards.

According to the Charter for the Audit Committee, the Audit Committee is particularly responsible for the following:

- Review and determination of audit programs
- Discussion of all reports issued by the auditing bodies as well as status reports on the implementations undertaken
- Issuance of recommendations and instructions regarding organization, employees, and auditing activities within the Schindler Group
- Review of the appropriateness of sanctions which are proposed in consequence of detected behavior or infringements of internal guidelines
- Enactment of new guidelines, instructions, clarifications, or other instructions in connection with the Code of Conduct.

The Audit Committee reports directly to the Chairman of the Board of Directors. Provision of information to the Board of Directors on the work of the Audit Committee takes place at the request of the Chairman of the Board, and in any case at least once per year.

To ensure the protection of legitimate whistle-blowers, guidelines to prevent potential discrimination of whistle-blowers have been added to the Code of Conduct in the reporting year.

Schindler strives for corruption-free business conduct and has therefore signed the "Partnering Against Corruption Initiative" (PACI) of the World Economic Forum and Transparency International to obtain "level playing field" conditions.

### **3.5.6 Frequency of meetings of the full Board of Directors and its committees**

The Board of Directors holds six regular half- or whole-day meetings per year, and additional ad hoc meetings as necessary. A two-day meeting is held in September of each year.

The Executive Committee of the Board holds whole-day meetings at least once every two weeks.

The other committees meet for half or whole days according to need, the Audit Committee usually every three months.

The agendas of the meetings are determined by the respective chairmen. Minutes are taken of all discussions and resolutions at the meetings.

Coordination between the full Board of Directors and committees is ensured by there being at least one member of the Board of Directors on each committee.

The President of the Management Committee Elevators & Escalators attends all meetings of the Board of Directors; the attendance of other members of the Management Committees, or persons from outside, may be required on the instructions of the Chairman.

### 3.6 Information and control instruments vis-à-vis the Management Committees

The Schindler Group has at its disposal a comprehensive electronic management information system (MIS). Each month, the Board of Directors receives a written report.

Forecast, budget, semi-annual, and annual financial statements of Schindler Holding Ltd., and of the Group, are delivered in writing to the Board of Directors, fully explained at its meetings, and submitted for its approval.

Information regarding the current state of the business is provided continuously at the meetings of the Board of Directors and the Executive Committee of the Board, in a form appropriate for those bodies, and with the participation of the persons bearing the respective responsibilities.

### 3.7 Board of Directors of ALSO Holding AG

|                           |  |                      |
|---------------------------|--|----------------------|
| Thomas C. Weissmann       | Chairman of the Board of Directors<br>and President of the<br>Management Committee | Executive member     |
| Prof. Dr. Karl Hofstetter |  | Non-executive member |
| Prof. Dr. Rudolf Marty    |  | Non-executive member |

Further information is contained in the ALSO Holding AG annual report.



## 4 Management Committees

According to Art. 716b of the Swiss Code of Obligations, and the company's management bylaws, the management of the operational business of the Schindler Group rests in the hands of the two Management Committees.

### 4.1 Management Committee Elevators & Escalators

**Roland W. Hess** President

North, Central, and South America ad interim

**David J. Bauhs** Deputy to the President (until 30.4.2005)

Technology and Procurement (until 30.4.2005)

**Jürgen Tinggren** Deputy to the President (from 1.5.2005)

Technology and Procurement (from 1.5.2005), Asia/Pacific (until 31.12.2005)

**Miguel A. Rodríguez**

Europe

**Emmanuel Altmayer**

Asia/Pacific (as from 1.1.2006)

**Dr. Christoph Lindenmeyer**

Eastern Europe/Middle East/India/Africa (EMIA)

**Brent L. Glendening**

Chief Information Officer (CIO)

**Erich Ammann**

Chief Financial Officer (CFO)

**Dr. Rudolf W. Fischer**

Human Resources and Training

**Prof. Dr. Karl Hofstetter**

General Counsel

Roland W. Hess



Jürgen Tinggren



Miguel A. Rodríguez



Emmanuel Altmayer



Dr. Christoph Lindenmeyer



Brent L. Glendening



Erich Ammann



Dr. Rudolf W. Fischer



Prof. Dr. Karl Hofstetter



## 4.2 Activities and vested interests

### **Roland W. Hess (1951, Switzerland)**

was appointed to membership of the Management Committee on January 1, 1996, with responsibility for Finance, and at the end of 1997 for the Central and Eastern European Area. He has been President of the Management Committee since March 1, 2003. Before taking up his position he was President and Chief Operating Officer of Schindler Elevator Corporation, Morristown, New Jersey, USA. He joined the Schindler Group in the Area Controlling Department in 1984, and in 1987 was appointed Vice President Finance of Schindler Elevators, Toledo, Ohio, and relocated to the USA. In 1989 he was named Vice President and Chief Financial Officer of Schindler Elevator Corporation in Morristown. In 1993 he returned to Switzerland as Head of Area Controlling. Roland W. Hess gained a degree in economics and business administration at the Lucerne School of Business and Administration. He also attended the Advanced Management Program at Harvard Business School.

### **Jürgen Tinggren (1958, Sweden)**

joined the Management Committee on April 1, 1997, initially with responsibility for Europe 1, and since 1999 for the Asia/Pacific region. Since May 1, 2005, Jürgen Tinggren has been Deputy to the President of the Management Committee and responsible for Technology and Procurement. From 1985 to 1997 he worked for the Sika Group, ultimately as a member of the Management Committee with responsibility for North America. Jürgen Tinggren holds a joint MBA from the Stockholm School of Economics and New York University.

### **Miguel A. Rodríguez (1953, Spain)**

has been a member of the Management Committee since December 1, 1998, with responsibility initially for Europe South West, and since November 1, 2001, for all of Europe. From 1991 to 1998 he managed the Schindler subsidiaries in Spain and Portugal. From 1981 to 1991 he was a member of the corporate management of the Armstrong Group, holding the position of General Manager at various subsidiaries in Spain. Miguel A. Rodríguez studied at the Advanced School of Industrial Engineering of the University of Bilbao, Spain, where he graduated as an industrial engineer.

**Emmanuel Altmayer (1956, France)**

has been a member of the Management Committee with responsibility for the Asia/Pacific region since January 1, 2006. In July 1999 he joined Schindler France, initially as Head of New Installations. In 2000 he became overall head of Schindler France. From 1995 to 1999, Emmanuel Altmayer was CEO of Danto-Rogeat, Lyon, a subsidiary of Gaz de France. Prior to that, he held various management positions in the French construction industry. Emmanuel Altmayer graduated in engineering from the Ecole Centrale at Lyon, France, and subsequently earned a Master of Science in Mechanical Engineering at the University of California, Berkeley, USA.

**Dr. Christoph Lindenmeyer (1953, Switzerland)**

became a member of the Management Committee on March 1, 2003, with responsibility for the EMIA region (Eastern Europe/Middle East/India/Africa). He joined the Schindler Group in 1983 as Deputy Head of Corporate Planning. Since then he has held various managerial functions within the Group including CFO North America, Head of Field Operations Germany, and CEO of Schindler Elevator Ltd. Switzerland. He is also a Board Member of the Ammann Group, Langenthal, Switzerland, and a member of the Executive Committee of Swissmem. Christoph Lindenmeyer is a licensed attorney and holds a Doctor of Law degree from Berne University as well as an MBA from INSEAD.

**Brent L. Glendening (1954, USA)**

was promoted to the function of CIO at Management Committee level on September 1, 2001, from his previous position of responsibility for information technology for Schindler Americas, which he held from 1994 until 2000. Prior to that, he held managerial positions in information technology and manufacturing at PriceWaterhouse and Schlumberger Ltd. Brent L. Glendening holds a Bachelor of Science degree of business administration from Ferris State University, USA.

**Erich Ammann (1957, Switzerland)**

has been a member of the Management Committee, and Chief Financial Officer of the Schindler Group, since November 1, 2001. From 1997 he was Head of Group Controlling, and from 1992 to 1997 CFO of Schindler USA. Erich Ammann joined the Schindler Group in 1988 as Area Controller for North America. Prior to that, he was a treasurer with Intershop Holding, and before that an auditor with Schweizerische Treuhandgesellschaft (STG) in Geneva. He obtained a degree in Economics and Business Administration from St. Gallen University of Applied Sciences, Switzerland, and in 1994 gained an Executive MBA from the Wharton School, University of Pennsylvania, USA.

**Dr. Rudolf W. Fischer (1952, Switzerland)**

has been a member of the Management Committee with responsibility for Human Resources and Training since January 1, 1996. From 1994 to 1995 he was a partner in an executive search company in Zurich, prior to which from 1991 to 1994 he was CEO of Jockey/Vollmöller AG in Uster, a subsidiary of the Austrian Huber Tricot Group, and later of Hanro AG in Liestal. Previously, for almost nine years, he held various managerial positions in human resources and trade marketing with Jacobs Suchard in Switzerland and Belgium. He is a member of the board of directors of Vetropack Holding AG, Bülach. Rudolf W. Fischer completed his studies in 1979 with a doctorate in economics at the University of Zurich.

**Prof. Dr. Karl Hofstetter (1956, Switzerland)**

was appointed to the Management Committee as General Counsel on March 1, 2002, with responsibility for the legal, M&A, taxation, and compliance areas. He has worked for Schindler since 1990. Karl Hofstetter is a member of the board of directors of ALSO Holding AG, and of Venture Incubator AG, Zug. In June 2005, representing Schindler Holding Ltd., he began a two-year term as Chairman of the Association of Swiss Industrial Holding Companies. He is also a member of the Governing Council of the University of Lucerne. Karl Hofstetter studied law and economics at the universities of Zurich, Switzerland, and Stanford, UCLA, and Harvard in the USA. He is a licensed attorney in Zurich and New York, as well as a professor of private and business law at the University of Zurich. During the spring term of 2005 he lectured as a visiting professor at the Harvard Law School, USA.

| <b>4.3 Management Committee ALSO</b> |   |
|--------------------------------------|---|
| Thomas C. Weissmann                  | Chairman of the Board of Directors  |
|                                      | Chief Executive Officer of ALSO Group   |
|                                      | ad interim Managing Director ALSO Deutschland GmbH,<br>Straubing, Germany (until 31.5.2005) |
| Jürgen Baumgartner                   | Chief Financial Officer (until 28.2.2005)   |
| Michael Dressen                      | Managing Director ALSO Deutschland GmbH,<br>Straubing, Germany (as from 1.6.2005)           |
| Marc Schnyder                        | Managing Director ALSO Schweiz AG, Emmen, Switzerland                                       |
| Hans Wyss                            | Chief Financial Officer (as from 1.3.2005)  |
| Peter Zurbrügg                       | Chief Information Officer   |

Further information is contained in the ALSO Holding AG annual report.

#### 4.4 Management contracts

Schindler Holding Ltd. has not entered into any management contracts with third parties outside the Group.

### 5 Compensation, participation, and loans

#### 5.1 Content and method of determining the compensation and participation programs

Members of the Board of Directors receive for their work compensation of a fixed amount which is determined at the request of the Chairman of the Board of Directors.

The executive members of the Board of Directors (members of the Executive Committee of the Board), members of the management committees, and managerial employees, are compensated according to performance. The variable component of 15% to 50% of their total compensation depends on fulfillment of their individual performance targets, the results of the area for which they are responsible, and the Group's net profit. The Compensation Committee approves the compensation of the highest governing bodies (see page 90, "Compensation Committee").

According to the method described on page 56 of the Financial Statements under "Capital Participation Plans," executive members of the Board of Directors (the Executive Committee of the Board), members of the Management Committee Elevators and Escalators, and members of the top level of management, receive a predefined proportion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined exercise price, and with a bar on selling for three years.

The present capital participation plan was originally limited to about 50 persons. Starting with the allocations made in April 2004 for the reporting year 2003, the plan was extended to a further level of management and now applies to about 350 employees in the Group.

In addition, the Board of Directors can decide each year whether, and to what extent, the now expanded group of employees mentioned above shall be awarded additional option rights for the purchase of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined price and with a bar on selling for three years.

## 5.2 Compensation of active members of governing bodies

### 5.2.1 Highest total compensation

Alfred N. Schindler, Chairman of the Board of Directors and of the Executive Committee of the Board, received the following compensation:

| In CHF                                      | 2004       | 2005       |
|---|------------|------------|
| Compensation fixed by contract <sup>1</sup> | 3 410 000  | 3 410 000  |
| Bonus <sup>2</sup>                          | 2 905 000  | 2 885 000  |
| Voluntarily foregone within the R03 program | -1 715 550 | -1 695 550 |
| Actual payment                              | 4 599 450  | 4 599 450  |
| Taxes paid in Switzerland                   | 5 370 000  | 5 350 000  |
| Payments to charitable organizations        | 600 000    | 600 000    |

<sup>1</sup> Board membership fee, salary, fixed expenses, contributions to managerial insurance plan

<sup>2</sup> The variable bonus relates in each case to the previous year (basis cash flow) and includes the value of shares/participation certificates contained in the bonus

Within the scope of the existing capital participation plans, participation certificates and corresponding options were awarded to Alfred N. Schindler as follows:

| Number  | 2004      | 2005      |
|---|-----------|-----------|
| Allocated number of participation certificates            |           |           |
| (value included in total compensation)                    | 575       | 501       |
| Allocated number of options on participation certificates | 756       | 622       |
| Barred period ends  | 30.4.2007 | 30.4.2008 |
| Exercise period ends                                      | 30.4.2010 | 30.4.2011 |
| Exercise price in CHF (participation certificates)        | 286.50    | 329.00    |
| Allocation ratio options: participation certificates      | 1:1       | 1:1       |

### 5.2.2 Compensation of the Executive Committee of the Board

| In CHF  | 2004       | 2005       |
|---|------------|------------|
| Total compensation (incl. Chairman of the Board of Directors) |            |            |
| 3 persons   | 10 598 450 | 11 049 450 |
| Average per member  | 3 532 817  | 3 683 150  |

The total compensation includes salaries, bonuses (including the value of participation certificates contained in them), fixed expenses, contributions to the managerial insurance plan, and board membership fees of the Chairman, Vice Chairman, and one other member of the Board of Directors.

### 5.2.3 Compensation of members of the Management Committee Elevators & Escalators

| In CHF   | 2004       | 2005*      |
|--|------------|------------|
| Total compensation 10 persons (previous year 10) | 10 334 018 | 10 993 662 |
| Average per member                               | 1 033 402  | 1 199 396  |

\*One member four months, one member ten months

The total compensation includes salaries, bonuses (including the value of participation certificates contained in them), fixed expenses, and contributions to the managerial insurance plan.

### 5.2.4 Compensation of non-executive members of the Board of Directors

| In CHF   | 2004    | 2005    |
|--|---------|---------|
| Total compensation 7 persons (previous year 6) | 960 000 | 960 000 |
| Per member (incl. joiners and leavers 2005)    | 160 000 | 160 000 |

The total compensation comprises fees and fixed expense allowances. No separation payments were made.



### 5.3 Compensation of former members of governing bodies

Schindler Holding Ltd. pays pensions to three widows of former executive members of the Board of Directors amounting in total to CHF 216 000 annually. The actuarially determined cash value is recalculated annually, and on December 31, 2005, amounted to CHF 1.7 million. This amount is reported by Schindler Holding Ltd. as a provision.

In normal fulfillment of contractual obligations, in the reporting year total compensation of CHF 328 334 was paid to two former members of the Management Committee Elevators and Escalators.

### 5.4 Allocation of bearer participation certificates

| Number BPC   | 2004  | 2005  |
|--|-------|-------|
| Executive members of the Board of Directors                |       |       |
| (incl. Chairman of the Board) 3 persons                    | 1 725 | 1 503 |
| Members of the Management Committee Elevators & Escalators |       |       |
| 9 persons (previous year 10 persons)                       | 4 066 | 3 708 |

At their own wish, the non-executive members of the Board of Directors are not included in the capital participation plan. There were also no allocations of shares to related parties.

### 5.5 Share holdings as at December 31

According to the share register of Schindler Holding Ltd., members of the governing bodies held the following numbers of shares:

| Number of shares   | 2004      | 2005      |
|--|-----------|-----------|
| Executive members of the Board of Directors                |           |           |
| incl. parties to the stockholder retainer contract         | 5 122 439 | 5 102 439 |
| Members of the Management Committee Elevators & Escalators |           |           |
| 8 persons (previous year 10)                               | 10 273    | 7 698     |
| Non-executive members of the Board of Directors            | 3 240     | 3 540     |

## 5.6 Option holdings as at December 31

As at December 31, 2005, holdings of options by members of the governing bodies were as follows:

| <b>Number of options</b>                    |                      |                      |                      |                      |                      | <b>Holding</b>            |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|
|   | Allocated<br>in 2001 | Allocated<br>in 2002 | Allocated<br>in 2003 | Allocated<br>in 2004 | Allocated<br>in 2005 | <b>on 31.12.<br/>2005</b> |
| Executive members of the Board of Directors |                      |                      |                      |                      |                      |                           |
| (incl. Board Chairman)                      | 3 510                | 2 370                | 9 798                | 2 268                | 1 866                | 19 812                    |
| Members of the Management Committee         |                      |                      |                      |                      |                      |                           |
| Elevators & Escalators                      | 3 330                | 4 380                | 20 163               | 5 100                | 4 606                | 37 579                    |
| Barred period ends                          | 30.4.2004            | 30.4.2005            | 30.4.2006            | 30.4.2007            | 30.4.2008            |                           |
| Exercise period ends                        | 30.4.2007            | 30.4.2008            | 30.4.2009            | 30.4.2010            | 30.4.2011            |                           |
| Exercise price in CHF                       | 268.70               | 270.60               | 255.00               | 286.50               | 392.00               |                           |
| Assignment ratio options : shares/BPC*      | 1:1                  | 1:1                  | 1:1                  | 1:1                  | 1:1                  |                           |

\*The allocations made in 2001 to 2003 give entitlement to purchase registered shares; the allocations made in 2004 and 2005 give entitlement to purchase bearer participation certificates.

No options were allocated to non-executive members of the Board of Directors.

## 5.7 Additional fees and other compensation

In the reporting year, no members of the Board of Directors or Management Committees, nor any related parties, received fees or other compensation for additional services to Schindler Holding Ltd. or any subsidiary or affiliated company.

## 5.8 Credit available to members of the governing bodies

No loans were made by the issuer, or any subsidiary or affiliate, to any active or former member of the governing bodies, nor were any such loans outstanding on December 31, 2005.

The Chairman of the Board of Directors has been granted borrowing rights. On December 31, 2005, the unutilized credit limit was CHF 25 million, which was secured by own shares with a value of over CHF 80 million.

## 6 Shareholders' rights of participation

### 6.1 Restrictions on voting rights

Subject to the registration of shares, the statutes do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

## 6.2 Right of participation at the General Meeting

Shareholders' rights of participation at General Meetings of Shareholders are in accordance with the law and the statutes. Shareholders may be represented by third parties who are themselves shareholders, by institutional representatives, by the independent proxy, or by depositary representatives.

## 6.3 Quorum

Art. 19 of the statutes stipulates that for the resolutions of the General Meeting of Shareholders stated below, the presence of shareholders representing at least half of the share capital recorded in the Swiss Register of Companies is required:

- Election and discharge of members of the Board of Directors
- Conversion of registered shares into bearer shares and vice versa, and, subject to the individual voting rights of the shareholders, conversion of shares into bearer participation certificates
- Issuance of bonus certificates, or conversion of bearer participation certificates into bonus certificates
- Exceptions to the statutory share-registration regulations
- Resolutions for which there is a legal or statutory requirement for a qualified decision-making quorum.

## 6.4 Decision-making majority

Resolutions by the General Meeting of Shareholders are normally determined by the relative majority of the votes cast.

The following resolutions require the agreement of at least two-thirds of the voting rights represented at the meeting, and of the absolute majority of the nominal value of shares represented at the meeting:

- All resolutions according to Art. 704 of the Swiss Code of Obligations
- Resolutions regarding changes to the company, issuance of bonus certificates, and any change in the share capital or bearer participation capital.

## 6.5 Notification of General Meetings of Shareholders

Notification of General Meetings of Shareholders is given by non-registered letter to the address of registered shareholders recorded in the share register, and by publication once only in the Swiss Official Gazette of Commerce. Although not required by statute, it is also customary to publish notification in selected Swiss daily newspapers. The period of notification is 20 days.

## 6.6 Agenda

According to Art. 17 of the statutes, shareholders who represent together 5% of the share capital may submit matters to be placed on the agenda.

## 6.7 Closing date for entry in the share register

Only those shareholders with voting rights whose names were recorded in the company's register of shareholders on the respective closing date may attend the General Meeting of Shareholders and exercise their voting rights. The Board of Directors endeavors to set the closing date for registration as close as possible to the date of the General Meeting, i.e. not more than five to ten days before the General Meeting. There are no exceptions to this rule regarding the closing date for registration.

## 7 Change of control and defensive measures

### 7.1 Duty to submit an offer

According to Art. 33 of the statutes, the obligation to submit a public offer to purchase under Art. 32 and 52 of the Swiss Securities Exchanges and Securities Trading Act (SESTA) of March 24, 1995, has been foregone ("opting out").

### 7.2 "Change of control" clauses

Contracts of employment and other agreements between Schindler Holding Ltd. and members of the governing bodies do not contain any clauses applying to the case of a change of control (e.g. "golden parachutes").

## 8 Auditors

### 8.1 Duration of mandate and term of office of the head auditor

Ernst & Young AG, Berne, have been the statutory auditors of Schindler Holding Ltd., as well as Group auditors, since 1999. Prior to that, Neutra Treuhand AG, which is associated with Ernst & Young AG, were the statutory auditors (from 1991) and Group auditors (from 1992).

The head auditor has been responsible for the audit of both Schindler Holding Ltd. and the Group's consolidated financial statements since the 2003 reporting year.

## 8.2 Audit and other fees

The fees for audits and other services applicable to, and charged in, the reporting year by Ernst & Young as auditors of the Group's consolidated financial statements, and as statutory auditors of both Schindler Holding Ltd. and the majority of subsidiary and affiliated companies in Switzerland and abroad, were as follows:

| In 1000 CHF   | 2004  | 2005         |
|---|-------|--------------|
| <b>Audit fees</b> (audit of the Group's consolidated financial statements, and statutory audit of the financial statements of the holding company and of subsidiary and affiliated companies in Switzerland and abroad) | 2 599 | <b>3 431</b> |
| <b>Additional fees</b> (corporate, legal, and taxation advice, and special projects)  | 755   | <b>984</b>   |

Including other auditors, the total audit fees incurred by the Group in the reporting year amounted to CHF 4.2 million (previous year CHF 3.9 million).

## 8.3 Supervision and control of the auditors

The Executive Committee of the Board evaluates the performance, fees, and independence of the statutory auditors and Group auditors each year. It discusses and reviews the scope of the audits, and the feedback resulting from them. Based on this information, it determines changes and improvements as necessary.

## 9 Top-level personnel changes

Emmanuel Altmayer, who was formerly responsible for Schindler France, was appointed to the Management Committee and assigned responsibility for the Asia/Pacific region by the Boards of Directors. Effective January 1, 2006, he took over from Jürgen Tinggren who – in his role as a Member and Deputy to the President of the Management Committee – will focus on technology and supply management.

The Board of Directors and Dr. Clemens Kolbe, who joined the Group with the rank of a member of the Management Committee on January 1, 2005, terminated their working relationship by mutual agreement on October 18, 2005.

## 10 Information policy

The Schindler Group pursues an information policy which is based on truthfulness, timeliness, and continuity. Matters affecting the share price are published immediately as ad hoc announcements in accordance with the obligation to publish of the SWX Swiss Exchange. Key dates are:

|  |                 |
|--|-----------------|
| Closing of the business year                 | December 31     |
| Annual results media and analysts conference | End of February |
| Publication of the Annual Report             | End of February |
| Annual General Meeting                       | March           |
| Interim Report                               | As at June 30   |
| Publication of the Interim Report            | August          |

The exact dates for the current year and the next two years are available at [www.schindler.com](http://www.schindler.com) under Corporate Information – Investor Relations – Financial Calendar.

Also available at [www.schindler.com](http://www.schindler.com) are the Annual Report, press releases, and current share price, as well as general information about the Group. Interested persons from the financial markets, or members of the public, may also communicate with the Group directly through the following contacts:

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The Annual Report of the Schindler Group for 2005 consists of the Activity Report and the Financial Statements and Corporate Governance.

The original German language version is binding. English, French, and Spanish translations of the Activity Report are also available. The Financial Statements and Corporate Governance are published in German and English only.

**Overall responsibility,  
concept, and text**

Schindler Management AG  
Corporate Communications  
Ebikon, Switzerland

**Concept and graphic design**

Interbrand Zintzmeyer & Lux AG  
Zurich, Switzerland

**Typesetting, prepress,  
and printing**

NZZ Fretz AG  
Schlieren, Switzerland

**Image photography**

Markus Bertschi, Switzerland  
Noë Flum, Switzerland  
Peter Granser, Germany



