

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