



Ladies and Gentlemen

Have you also noticed? We are increasingly surrounded by experts and critics who know how things should be done. Indeed, the number of people who believe they know better is growing – particularly in those circles that have never been on the front line, getting their hands dirty. It must be fascinating for these individuals in their ivory towers to debate the responsibilities of third parties – whose performance is measured daily in the markets – and to legislate on them. They probably do so quite comfortably because this entails fewer risks than if they had to face up to the reality in person. Meanwhile, those of us who are uninformed and unknowledgeable (dubbed the “useful idiots” by Lenin) are slowly but surely being suffocated by corporate governance rules, International Financial Reporting Standards and the omnipresent wrath of regulators. In view of this, and on behalf of all listed companies weighed down by these rules and requirements, I never cease to utter the following prayer: “Dear Lord, please protect us and ensure that for every new law that is passed, two have to be abolished . . .”

Despite the inevitable impacts of the financial crisis and the regulatory burden mentioned above, Schindler performed well in the reporting year. Net profit rose slightly (+3%) compared to the previous year and cash flow – our most important performance indicator – even rose by 10.9% to CHF 813 million, thus reaching a record level. The EBIT margin in our core business also improved significantly (+13.7%) from 10.2% to 11.6%. Furthermore, our company has no debt and the equity ratio of Schindler Holding Ltd. stands at around 80%, while net liquidity totals almost CHF 2 billion. With key figures such as these, we should be well positioned to succeed even in a less favorable environment and should be able to confidently approach the challenges that the new decade will bring.

After reporting a substantial loss last year, ALSO has now achieved an operational turnaround. In fact, it has generated a profit of CHF 15 million after the amortization of intangible assets (previous year: CHF –11 million). The strengthening of the management team and new IT systems should enable it to consolidate this success in 2010 and to build on it going forward.

The volume of orders received in our core business declined – one negative factor that cannot simply be overlooked. However, the extent of the decline was in line with the industry average and is also partly attributable to the fact that an important successor product in our range will only be launched on the market at the end of 2010. In other words: our orders received for 2009 were generated while we were only running on six out of eight cylinders.

The major challenge we will face over the next decade relates, however, to the fact that 60% or more of our core business is now executed in the Mumbai-Seoul-Hong Kong triangle. Our operating environment has altered completely within a brief period of time and we must accept this migration of growth, even if it is painful to acknowledge that our domestic markets are stagnating. As an independent company, we are not the plaything of fate and we have learned how to deal with adversity over the last 135 years. Like my predecessor, the late Franz Muheim – a member of the Swiss Council of States – used to say, the “normative power of reality” must be incorporated into business strategies rather than being suppressed. We will therefore focus our products primarily on these new markets and adapt our wishes accordingly – rather than the reverse.

Our acquisition in Saudi Arabia, which was concluded shortly before Christmas, is a further example of the flexibility that we must preserve in order to create long-term value, even if it is becoming increasingly difficult to establish an independent presence in new markets.

We would like to express our considerable thanks to our employees. The Board of Directors and our shareholders have witnessed the extraordinary efforts they made right through to the final hours of 2009. A combination of expert knowledge, integrity, perseverance and teamwork helped to raise our performance above the benchmark in 2009. This is not only a source of pride but also gives us reason to be confident about the future.

Alfred N. Schindler