

# Milestones



Ladies and Gentlemen

The year 2007 will remain painfully engraved in our memory for a long time. Despite record operating profits, the Group had to cope with adversity and to overcome some very complex issues. Net consolidated profits of the Group before deduction of the cartel fines would have reached CHF 571 million. After the fine, net consolidated profits reach CHF 278 million as compared to CHF 511 million in 2006.

Let me summarize some of the major events as follows:

- Despite intense competition, our global Top Range sales could be maintained at high levels and include some very important buildings around the world (please refer to pages 34 to 49).
- Our strategic collaboration with Hyundai Elevator Co. Ltd. in South Korea developed in a very positive way as exemplified by a joint mid-October press conference in Seoul and the establishment of joint working teams.
- The Schindler 3300 product line, designed for the residential and commercial sector, has been extremely well received by our customers. Subsequent very strong sales of new installations in 2006 have led to persistent logistical problems in Europe and bookings had to be closely monitored in 2007. By the end of the 3rd quarter 2007, European on-time deliveries were back to normal and first-pass yield started to improve.
- The acquisition of GNT in 2006 burdened the results of ALSO in 2007. Indeed, despite record losses of CHF –19 million in the first half at GNT, ALSO managed to close the year with consolidated net profits of CHF 15 million. This significant improvement is mainly based on two sets of actions: the beginning turnaround of GNT and very healthy profit improvements of ALSO standalone.
- As mentioned above, the two cartel fines in the EU and Austria totaling CHF 293 million have reduced our consolidated net profits by 51.3%. They harmed our reputation even though the violations were limited to local markets only. Both fines are excessive and do in no way reflect our continuous and well documented compliance efforts since the early 90s (see also page 111ff., Corporate Governance). They have therefore been challenged in court.

In addition, the two cases have shown that cartel laws in Europe are deeply flawed for at least two reasons. Firstly, fines against companies for alleged cartel violations target the shareholders instead of the individuals who actually broke the law. That is in sharp contrast to antitrust laws in the United States. Punishing responsible individuals would not only be fairer, but would also be a more effective deterrence. Secondly, even if cartel violations were purely local, fines are imposed on the whole corporate group and based on its worldwide sales.

As a consequence we will not rest until cartel laws in Europe will include a so-called “compliance defense” for companies as well as penal sanctions against employees who deliberately infringe cartel laws. Several political initiatives have been launched in order to amend cartel laws in Europe accordingly.

On behalf of all shareholders and the Board of Directors, I would like to thank all employees for their tremendous efforts in this difficult year. My special thanks go to those who were given the task to deal with problems former employees have left behind for them to solve.

Despite the turbulences in the financial markets, 2008 should not only lead to substantially higher consolidated profits but also to better operating margins. With this positive outlook in mind, we gladly turn the page 2007.

A handwritten signature in black ink, reading "A. Schindler".

Alfred N. Schindler