

Annual Results 2017

Press release
February 16, 2018

Sustained growth and increased profitability

Asymmetrical developments in the construction industry across the globe shaped the year 2017. Thanks to the balanced geographical presence built over the years, Schindler was in the position to successfully navigate the uncertain situation, profitably growing in both new installations and in services. Orders received rose by 5.9% to CHF 10 989 million. Revenue grew by 5.1% to CHF 10 179 million. Operating profit (EBIT) increased by 4.8% to CHF 1 187 million and the EBIT margin reached 11.7% (previous year: 11.7%). Net profit rose by 7.4% to CHF 884 million.

On a comparable basis, operating profit increased by 10.1% and the EBIT margin by 0.5 percentage points to 12.0%. Net profit grew by 15.4%.

The company could further strengthen its market position thanks to competitive products and customer-driven services. Besides organic growth, local acquisitions in established markets contributed to the overall increase. The implementation of the ongoing strategic initiatives remains on course.

With the launch of 'Schindler Ahead,' the cloud connectivity platform enabling the 'Internet of Elevators and Escalators,' a fundamental milestone was reached towards the digital transformation of the business.

Similarly, in the new installations business, new, modular and fast-evolving product portfolios are a key success factor for the future. Significant progress was also achieved on this front, with the launch of the first modular elevator systems in China, in preparation for the global roll-out over the next 24 months.

Increase in orders received and order backlog

After two years of decline, the overall market demand for new installations returned to growth. However, mirroring global economic trends, the elevator and escalator market developed unevenly across different regions.

The positive development of the North American market seen in recent years continued. In contrast, conditions in South America remained challenging, especially in Brazil. Southern Europe experienced robust demand similar to Northern Europe, albeit at lower prices. Demand in China became more stable, halting the downward trend of the last two years. Strong pricing pressure persisted, particularly in the case of major projects. At the same time, the Indian market continued to be affected by the 2016 monetary reforms as well as by regulatory and fiscal changes. Other markets in Asia developed positively.

For Schindler, orders received rose by 5.9% to CHF 10 989 million (previous year: CHF 10 374 million), corresponding to a growth of 5.5% in local currencies. Consistent with the underlying market development, the Europe region generated the largest increase, followed by Asia-Pacific and the Americas. In spite of the challenging local conditions, the company continued to grow in both China and India.

In the fourth quarter of 2017, orders received rose by 7.7% to CHF 2 906 million (fourth quarter of 2016: CHF 2 699 million), corresponding to a year-on-year growth of 5.9% in local currencies.

The order backlog increased by 7.0% over the previous year, reaching CHF 10 707 million as of December 31, 2017, equivalent to a growth of 6.3% in local currencies.

Accelerated revenue growth in the second half of 2017

With revenue increasing by 5.1% (4.6% in local currencies) to CHF 10 179 million (previous year: CHF 9 683 million), the Schindler elevator and escalator business crossed the 10 billion revenue milestone for the first time, with the largest regional contribution coming from Europe, followed by the Americas and Asia-Pacific.

In the fourth quarter of 2017, revenue improved by 7.3% to CHF 2 820 million (fourth quarter of 2016: CHF 2 629 million), corresponding to a year-on-year growth of 6.0% in local currencies.

Increased operating profit

In line with the objective of profitable growth, operating profit (EBIT) improved by 4.8% to CHF 1 187 million (previous year: CHF 1 133 million), representing an increase of 3.3% in local currencies. The EBIT margin was 11.7% (previous year: 11.7%).

On a comparable basis (exceptional items 2017: restructuring costs of CHF 35 million; exceptional items 2016: restructuring costs of CHF 27 million and gain on sale of operations in Japan of CHF 50 million) operating profit increased by 10.1% (8.6% in local currencies) and the EBIT margin grew by 0.5 percentage points to 12.0%.

In the fourth quarter of 2017, operating profit was CHF 327 million (fourth quarter of 2016: CHF 352 million), and the EBIT margin reached 11.6% (fourth quarter of 2016: 13.4%). On a comparable basis, operating profit increased by 10.0% (7.7% in local currencies) and the EBIT margin rose by 0.3 percentage points to 12.1%.

Higher net profit

Net profit improved by 7.4% to CHF 884 million. On a comparable basis (exceptional items 2016: revaluation of the participation in ALSO and gain on sale of operations in Japan, after taxes), net profit increased by 15.4%. Cash flow from operating activities totaled CHF 810 million (previous year: CHF 929 million), mainly reflecting higher net working capital levels.

Schindler Holding Ltd.: profit and dividend

Schindler Holding Ltd. closed the financial year 2017 with a net profit of CHF 575 million (previous year: CHF 519 million). The Board of Directors has decided to change the dividend policy and to increase the dividend payout ratio from 35% – 45% to 35% – 65%. The Board of Directors has proposed the payment of a dividend of CHF 4.00 per registered share and per participation certificate, to be submitted to the vote of the forthcoming General Meeting, scheduled for March 20, 2018.

Changes to the Board of Directors and the Group Executive Committee

As previously announced, the Board of Directors will propose to the General Meeting of Shareholders in 2018 that Michael Nilles, Chief Digital Officer, be newly elected to the Board of Directors. Following his election, he will become a member of the Supervisory and Strategy Committee.

After more than 27 years of service for Schindler, including 12 years on the Board of Directors of Schindler Holding Ltd., Prof. Dr. Karl Hofstetter has expressed his wish to give up his corporate functions during the course of this year and to focus on his academic and other professional interests. He will therefore not stand for re-election to the Board of Directors of Schindler Holding Ltd. and will step down from the Supervisory and Strategy Committee at the General Meeting of Shareholders in 2018. The Board of Directors sincerely thanks him for his many years of support and his valuable contribution to numerous important projects.

The Board of Directors has decided to propose to the General Meeting of Shareholders in 2018 that Erich Ammann, currently Chief Financial Officer (CFO), be newly elected to the Board of Directors. Following his election, he will become a member of the Supervisory and Strategy Committee. Erich Ammann has been with Schindler since 1988 and has held various management positions in Finance. He has been serving as CFO since 2001.

The Board of Directors has appointed Urs Scheidegger to the Group Executive Committee as CFO, effective April 1, 2018. Urs Scheidegger received his doctorate from the University of St. Gallen in business administration and since 2003 has held various management positions with Schindler in Finance, most recently as Head Area Controlling. He has spent a large part of his career in Asia, specifically in China.

Outlook for 2018

The favorable megatrends that are supporting the growth of the elevator and escalator business over the long term remain intact. The global elevator and escalator market is estimated to continue growing along similar patterns as in the previous year, barring unforeseen circumstances.

Consistent with the strategy in place, Schindler's ambition is to continue delivering on the profitable growth agenda. For 2018, the company aims to achieve an increase in revenue of 3% to 5%, measured in local currencies.

As in previous years, the forecast for net profit in 2018 will be provided with the publication of the half-year results.

Attachment: Key figures

The Annual Report is available online from 6:30 CET at:
www.schindler.com/com/internet/en/investor-relations/reports.html

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Dial in details to today's annual results presentation at 9:30 CET are available at:
www.schindler.com/Investor Relations/Conference Calls

Key figures as of December 31, 2017
January to December

In CHF million	2017	2016	Δ %	Δ % local currencies
Orders received	10 989	10 374	5.9	5.5
Revenue	10 179	9 683	5.1	4.6
Operating profit (EBIT)	1 187	1 133	4.8	3.3
in %	11.7	11.7		
Net income from financing and investing activities	-21	-36		
Profit before taxes	1 166	1 097	6.3	
Income taxes	282	274		
Net profit	884	823	7.4	
Before exceptional items				
Operating profit (EBIT)	1 222¹	1 110 ²	10.1	8.6
in %	12.0	11.5		
Net profit	884	766 ³	15.4	
Cash flow from operating activities	810	929	-12.8	
Investments in property, plant, and equipment	227	189	20.1	
As of December 31				
Order backlog	10 707	10 004	7.0	6.3
Number of employees	61 019	58 271	4.7	

¹ Restructuring costs: CHF 35 million

² Gain on sale of operations in Japan: CHF 50 million, restructuring costs: CHF 27 million

³ Gain on sale of operations in Japan (after taxes): CHF 31 million, revaluation gain ALSO participation: CHF 26 million

4th quarter: October to December

In CHF million	2017 4th quarter	2016 4th quarter	Δ %	Δ % local currencies
Orders received	2 906	2 699	7.7	5.9
Revenue	2 820	2 629	7.3	6.0
Operating profit (EBIT)	327	352	-7.1	-9.1
in %	11.6	13.4		
Net income from financing and investing activities	-6	-26		
Profit before taxes	321	326	-1.5	
Income taxes	85	89		
Net profit	236	237	-0.4	
Before exceptional items				
Operating profit (EBIT)	342¹	311 ²	10.0	7.7
in %	12.1	11.8		
Net profit	236	206 ³	14.6	
Cash flow from operating activities	266	270	-1.5	
Investments in property, plant, and equipment	86	76	13.2	
	31.12.2017	30.9.2017		
Order backlog	10 707	10 766	-0.5	-1.7
Number of employees	61 019	60 232	1.3	

¹ Restructuring costs: CHF 15 million

² Gain on sale of operations in Japan: CHF 50 million, restructuring costs: CHF 9 million

³ Gain on sale of operations in Japan (after taxes): CHF 31 million