

Interim Report as of June 30, 2020

Press release
July 24, 2020

Schindler reports lower revenue and profit for H1 2020; announces cost optimization program

- **Revenue –8.7%, order intake –12.1%, operating profit (EBIT) adjusted –17.7%, net profit –28.2% year-on-year**
- **Strong cash flow from operating activities at CHF 636 million**
- **Announcing cost optimization program, including reducing some 2 000 jobs globally over the next two years**

For the first half of 2020, Schindler reports 3.1% lower revenue in local currencies. In Swiss francs, revenue decreased by 8.7% to CHF 4 959 million, as numerous currencies depreciated versus the Swiss franc. With the impact of the global recession induced by the COVID-19 pandemic, order intake in the first half of 2020 contracted 12.1% to CHF 5 355 million (–6.6% in local currencies). To preserve its competitiveness, Schindler announces a cost optimization program that will entail reducing some 2 000 jobs globally.

During the second quarter of 2020, the COVID-19 pandemic negatively impacted every market around the globe, heavily affecting the construction sector. As a result, Schindler saw new installation and modernization markets declining worldwide. The service business continued to be resilient, supporting stable revenues in local currencies, despite the adverse environment.

Looking ahead, Schindler expects global new installation and modernization markets to contract further, with no recovery to 2019 levels in sight until 2022. At the same time, pockets of growth continue to emerge in specific countries. An accelerated appreciation of the Swiss franc versus all major currencies will, in this context, lead to an even higher impact on consolidated revenue and cost than previously expected. In this new market reality, the Group is now required to realign capacities and resources.

“Adverse conditions have been accelerating over the last few months and that calls for cost adjustment measures along the whole value chain. We need to remain competitive to be able to fulfill our growth agenda. Reducing cost now is essential to secure the long-term health of our company,” said Thomas Oetterli, Schindler’s CEO.

Over the last ten years, the continuous appreciation of the Swiss franc has negatively impacted Schindler's revenue by CHF 2.5 billion, while dampening the company's EBIT by CHF 364 million. Despite such headwinds, the company significantly expanded its global footprint during the same period, while growing its workforce to more than 65 000 people worldwide in 2020, having added about 24 000 employees during the last decade.

The cost optimization program involves reducing some 2 000 jobs worldwide, including at the Group's headquarters. These restructuring measures will cost up to CHF 150 million and will be implemented over the next two years.

Order intake and order backlog

Order intake decreased by 12.1% to CHF 5 355 million in the first half of 2020 (previous year: CHF 6 090 million), corresponding to a drop of 6.6% in local currencies. The Americas and Asia-Pacific regions were most affected by the global recession. The EMEA region and China showed order intake for new installations close to 2019 levels.

Order intake was positively impacted by the launch of the new modular elevator range and the Schindler CleanMobility solutions, promoting touchless, sanitization and physical distancing innovations to boost hygiene and safety in elevators, on escalators and on moving walks.

In the second quarter of 2020, the order intake contracted to CHF 2 635 million (second quarter 2019: CHF 3 122 million), corresponding to a drop of 15.6%, or 9.9% in local currencies.

As of June 30, 2020, the order backlog decreased by 3% to CHF 8 936 million (previous year: CHF 9 217 million). In local currencies, the order backlog increased by 2.4%.

Revenue

In the first half of 2020, revenue amounted to CHF 4 959 million (previous year: CHF 5 431 million), which is equivalent to a reduction of 8.7% (-3.1% in local currencies). Revenue in all regions was slightly down in local currencies, except for China which reported growth.

In the second quarter of 2020, revenue decreased by 11.8% to CHF 2 512 million (previous year: CHF 2 849 million), corresponding to -5.8% in local currencies.

Operating profit (EBIT)

In the first half of 2020, operating profit was significantly affected by extraordinary impacts, decreasing 29.4% to CHF 421 million (previous year: CHF 596 million). The decrease in local currencies corresponded to 22.7%. The EBIT margin reached 8.5% (previous year: 11.0%). Restructuring costs of CHF 77 million (previous year: CHF 11 million) were recognized for the closure of the factory in Spain and efficiency initiatives in selected countries.

Adjusted operating profit reached CHF 507 million (previous year CHF 616 million) and the margin was 10.2% (previous year: 11.3%). The drop is driven by less revenue and margin resulting from the temporary shutdown of production plants and construction sites in several countries related to the lockdown.

In the second quarter 2020, operating profit amounted to CHF 255 million (previous year: CHF 322 million). The EBIT margin was 10.2% (previous year: 11.3%). The adjusted EBIT margin reached 11.4% (previous year: 11.7%).

Net profit and cash flow from operating activities

Net profit totaled CHF 313 million (previous year: CHF 436 million) for the first half of 2020. Cash flow from operating activities increased to CHF 636 million (previous year: CHF 348 million) also thanks to lower net working capital.

Consolidation of Volkslift-Schindler Elevator Co. Ltd.

Schindler holds a 49% participation in Volkslift-Schindler Elevator Co. Ltd., China, and will consolidate it starting in July 2020 as contractual rights to increase its stake to 51% will become exercisable. Volkslift-Schindler is a local Chinese elevator and escalator company and is expected to generate approximately CHF 130 million of revenue for the full financial year 2020.

Outlook for 2020

The COVID-19 pandemic has created a high level of uncertainty regarding all economic developments. With major macroindicators showing declining GDP levels across the globe, the recession will also have significant negative effects on Elevator & Escalator markets. For the full year 2020 and barring further unexpected events, the company's revenue is expected to contract by 0% to –6% in local currencies. Considering the situation at hand and restructuring costs of up to CHF 130 million this year, full-year 2020 net profit is expected to reach between CHF 680 and CHF 720 million.

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Dial-in details for today's conference call at 10:00 CET are available at:
www.schindler.com/com/internet/en/investor-relations/conference-call-details.html

Key figures as of June 30, 2020
1st half: January to June

In CHF million	2020	2019	Δ %	Δ % local currencies
Order intake	5 355	6 090	-12.1	-6.6
Revenue	4 959	5 431	-8.7	-3.1
Operating profit (EBIT)	421	596	-29.4	-22.7
in %	8.5	11.0		
Operating profit (EBIT), adjusted	507¹	616 ²	-17.7	-10.7
in %	10.2	11.3		
Financing and investing activities	-11	-32		
Profit before taxes	410	564	-27.3	
Income taxes	97	128		
Net profit	313	436	-28.2	
Earnings per share and participation certificate in CHF	2.73	3.79	-28.0	
Cash flow from operating activities	636	348 ³	82.8	
Investments in property, plant, and equipment	66	117	-43.6	
	30.6.2020	31.12.2019		
Order backlog	8 936	9 042	-1.2	2.7
Number of employees	65 627	66 306	-1.0	

¹ Adjusted for restructuring costs (CHF 77 million) and expenses for BuildingMinds (CHF 9 million)

² Adjusted for restructuring costs (CHF 11 million) and expenses for BuildingMinds (CHF 9 million)

³ Before settlement of pension obligations (CHF -157 million) CHF 505 million

2nd quarter: April to June

In CHF million	2020	2019	Δ %	Δ % local currencies
Order intake	2 635	3 122	-15.6	-9.9
Revenue	2 512	2 849	-11.8	-5.8
Operating profit (EBIT)	255	322	-20.8	-12.7
in %	10.2	11.3		
Operating profit (EBIT), adjusted	286¹	334 ²	-14.4	-6.3
in %	11.4	11.7		
Financing and investing activities	-9	-17		
Profit before taxes	246	305	-19.3	
Income taxes	58	66		
Net profit	188	239	-21.3	
Earnings per share and participation certificate in CHF	1.65	2.08	-20.7	
Cash flow from operating activities	313	85	268.2	
Investments in property, plant, and equipment	35	68	-48.5	
	30.6.2020	30.6.2019		
Order backlog	8 936	9 217	-3.0	2.4
Number of employees	65 627	65 269	0.5	

¹ Adjusted for restructuring costs (CHF 26 million) and expenses for BuildingMinds (CHF 5 million)

² Adjusted for restructuring costs (CHF 7 million) and expenses for BuildingMinds (CHF 5 million)