

Annual Report 2002 Activity Report

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Illustration concept The full-page illustrations show Schindler's latest products in typical applications, while the smaller pictures in the text document noteworthy installations made during the 2002 reporting year.

The back cover of the annual report is devoted to the work of young artists whose creativity enliven our business premises.

Activity Report 2002

of the Board of Directors of
Schindler Holding Ltd.,
CH-6052 Hergiswil NW, Switzerland,
to the Ordinary General Meeting
of March 24, 2003

75th Financial Year



**Stages of elevator installation
at the Banque et Caisse d'Epargne
de l'Etat; Luxembourg**

Key figures 2002

The financial results for 2002 are significantly affected by special costs of the R03 program, as explained on page 7 of the Financial Statements. In the interest of greater transparency and comparability, the key figures which follow are, where relevant, also shown excluding R03 project costs.

Group	2001	2002	Δ %	Δ % local currency
In million CHF				
Operating revenue	8 327	7 888	-5.3	-0.1
EBITDA* Group	680	349	-48.7	
EBITDA Elevators and Escalators in %	9.9	5.0		
EBITDA ALSO in %	1.9	2.4		
Profit before taxes	443	62	-86.0	
Net profit	379	8	-97.9	
Cash flow**	555	430	-22.5	
Orders received Elevators and Escalators	6 658	6 344	-4.7	+1.5
Orders received ALSO	1 768	1 685	-4.7	-3.8
Shareholders' equity	1 329	1 067	-19.7	
Personnel at year-end	41 524	39 918	-3.9	

Key figures before charging

R03 project costs	2001	2002	Δ %
In million CHF			
EBITDA* Group	680	665	-2.2
EBITDA Elevators and Escalators in %	9.9	10.1	
Net profit before taxes	443	448	+1.1

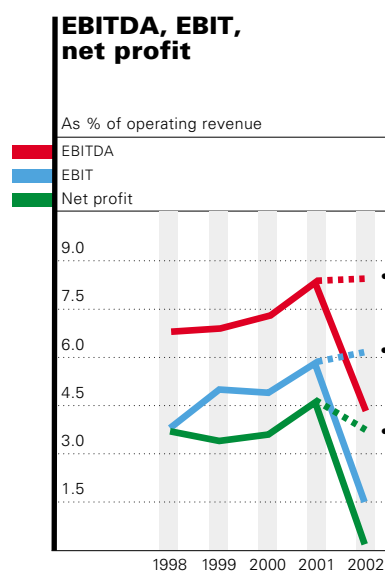
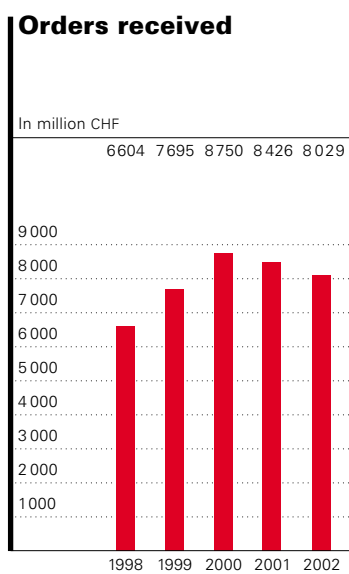
* EBITDA: Operating profit plus depreciation/amortization

** Cash flow: Net profit before minority interests plus depreciation/amortization and change in provisions

Dividends proposed by the Board of Directors of Schindler Holding Ltd.

	2001	2002
Registered share	CHF 50.-*	CHF —.-**
Bearer participation certificate	CHF 50.-*	CHF —.-**

- Before 10:1 split on June 11, 2002
- The request not to pay a dividend was already announced at the last General Meeting on March 26, 2002, in association with the planned R03 project costs.



• Before R03 project costs





Schindler 700:
10 meters/second



Satisfactory result before special project costs

Special project costs and exchange rate effects burden financial performance for 2002

The results for 2002 are substantially affected by the special projects in the elevators and escalators business which were announced in the spring under the name R03 (run rate 03). The aim of these projects is to invest earnings amounting to approximately one year's net profit in increasing productivity, improving geographical positioning, and in projects for expansion. This package of measures will lastingly strengthen the elevators and escalators business, and contribute to increasing the EBITDA margin to 14% in the medium term, assuming all other conditions remain unchanged.

At the level of consolidated profit before taxes, the R03 project costs incurred in the reporting period were CHF 386 million, which is at the upper end of the planned range.

In addition to costs for the R03 projects, the financial results for the year were burdened by massive currency devaluations. Negative effects of exchange rates, especially in North and South America, but also in the euro area, reduced consolidated operating revenue by a total of CHF 442 million, and operating profit by CHF 39 million. Shareholders' equity decreased by CHF 188 million.

Operational performance

Relative to 31.12.2001, the scope of consolidation was expanded by ZAO Schindler, Russia. The effect of this first-time consolidation on Group operating revenue and Group operating profit was less than one percent. In the reporting year, the holding in China-Schindler Elevator Co. Ltd. was increased from 62.7% to 92.8%. The remaining 7.2% are held by Jardine Schindler (Pacific) N.V.

Consolidated operating revenue fell by 5.3% from CHF 8327 million to CHF 7888 million. In local currencies (-0.1%), the previous year's value was maintained. At the level of operating revenue, there were exchange rate losses of CHF 180 million accruing from the US dollar, CHF 112 million from the Brazilian real, CHF 75 million from the euro, and CHF 75 million from other currencies. Net of exchange losses, the remaining decline in operating revenue was therefore attributable entirely to lower net sales by ALSO.

Consolidated EBITDA dropped from CHF 680 million to CHF 349 million **after** charging R03 project costs in the reporting year, and to CHF 665 million **before** charging R03 project costs.

Consolidated net profit before taxes but **after** charging R03 project costs was CHF 62 million, compared with CHF 443 million the previous year. This is approximately CHF 50 million less than the consolidated net profit

before taxes for 2002 which was forecast at the Annual Results Media Conference. The shortfall is mainly due to higher R03 project costs, and massive unforeseeable losses on exchange. **Before** charging R03 project costs, net profit before taxes was CHF 448 million, which is 1.1% above the previous year's value. Consolidated net profit after taxes and minority interests and **after** charging R03 project costs was CHF 8 million.

At CHF 8029 million, consolidated orders received were 4.7% below the previous year's amount of CHF 8426 million. In local currency values, there was an increase of 0.4%. The consolidated order backlog at the end of 2002 was 13.7% lower than the previous year's value (1.7% lower in local currencies) at CHF 3486 million.

Relative to the end of 2001, the total number of employees fell by 1606, or 3.9%. In the elevators and escalators business, the number employed declined by 3.4%, despite integration of approximately 500 employees in Russia. The total number of employees at ALSO dropped by 243, or 17.9%, mainly as a result of changes in the Systems Business Division.

Schindler 700:
the wind-tunnel-tested aerodynamic fairing can be opened for maintenance work



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Elevators and escalators business

The results for the elevators and escalators business reflect the R03 special projects, as well as tougher conditions in the marketplace. The R03 program comprises a total of more than 50 individual projects. Of the projects initiated in the first half of 2002, the merger in North America between Schindler and Millar was completed. Besides corresponding costs, the merger has produced pro rata savings at the



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planned rate. In Brazil, manufacturing was concentrated into the modern elevator and escalator plant at Londrina, and an older factory at Rio de Janeiro was closed down. Other production facilities were closed in Germany, France, Japan, Malaysia, Poland, and Turkey. In China, duplication and internal competition between the group companies were eliminated according to plan by realignment of marketing activities and the field organization. As well as this, shared services were introduced into the product line management, IT, export, logistics, and training areas. In Russia, Schindler has regained a foothold by purchasing the majority share in Liftremont, an elevator company active in the Moscow area, which it has renamed to ZAO Schindler and will progressively expand to participate in the growth potential of the Russian market. Events in Europe were dominated by complex preparations for the standardization of business processes in line with best demonstrated practices, implementation of which will start in 2003. The improvements in profitability resulting from the R03 program will become visible in 2004 and 2005.

Consolidated operating revenue fell by 5.6% from CHF 6 601 million to CHF 6 231 million. Expressed in local currencies, operating revenue rose by 0.7%.



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EBITDA was CHF 313 million **after** charging R03 project costs, and CHF 629 million **before** R03 project costs, which compares with CHF 654 million the previous year. The EBITDA margin fell from 9.9% in the previous year to 5.0% **after** R03 project costs were charged. **Before** charging R03 project costs, this value

1 Schindler is supplying a total of 51 escalators and 35 elevators for the Tren Urbano urban rail transit system; Puerto Rico

2 The International Conference Center is served by 21 elevators and 16 escalators; Shanghai, China

3 36-meter-long moving walk on the top deck of luxury cruise liner Star Princess



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increased to 10.1%, despite massive direct and indirect exchange rate effects of the Brazilian subsidiary.

Order bookings for elevators and escalators closed at CHF 6344 million, which was 4.7% less than the preceding year. In local currencies, the decrease was 1.5%. In the USA and Latin America, demand contracted along with the weakening economy. In Europe, recessionary trends increased, except in a few countries such as Russia. In Asia, the only growth was in China. In the Middle East, demand was held back mainly by the political uncertainty.

The proportion of new products contained in the orders received rose to 80% (previous year 70%). The Schindler*Smart* and Schindler-*EuroLift* product lines grew in importance, also outside Europe. In North America, slightly higher sales were attained again with the Schindler 330 A hydraulic elevator. In China, thanks to promising high-rise products, there were substantially higher order bookings in this important segment. In the escalators business, the Group again maintained its position as world leader.



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The new Schindler 700 high-rise elevator

At a technology presentation held in the telecommunications tower at Frankfurt during the first days of November 2002, Schindler demonstrated its new Schindler 700 high-rise elevator to some 100 guests from all over the world. The new elevator, which is the fastest in the company's history, as well as its first high-rise elevator for global application, contains a multitude of technical innovations (see also page 14 of the Activity Report). Its ride

comfort and finish match up to the highest demands. Schindler will introduce the new elevator globally in 2003, and thereby expand its position in the high-rise business worldwide.

1 In the atrium of the 20 000 m² Clementsborg commercial and office building, 4 Schindler 9300 escalators transport people to their desired destinations; Århus, Jutland, Denmark

2 Free-standing, glass-enclosed SchindlerEuroLift adapted to the corporate design of the TopTip furniture store; Oberentfelden, Switzerland



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ALSO

In the difficult IT market, ALSO – which is active in the IT logistics and services business – held its position well. Although sales fell (–4.1%), the Group’s net income rose substantially to CHF 19.7 million (previous year CHF 11.1 million). Net sales in the Distribution Division rose by 0.6% to CHF 1 523 million, and income before taxes increased by 3.3% to CHF 31.4 million. In the Systems Business Division, the structures were rigorously adapted to the market needs. At CHF –0.4 million, the operating result was only slightly short of a profit (previous year’s loss CHF 10.4 million).

Changes in the Management Committee

During the reporting year, the Board of Directors determined plans for succession in the Management Committee Elevators and Escalators. They take effect on March 1, 2003, with the following changes:



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On completion of his seven-year term of office as planned, Peter J. Zbinden will retire from his function as President of the Management Committee. The Board of Directors takes this opportunity to thank Peter J. Zbinden for his great efforts. Under his presidency, the elevators and escalators business has grown remarkably: between December 1995 and December 2001, operating revenue increased by CHF 2.4 billion (+53%) and operating profit by CHF 367 million (+350%). At the same time, he led the Schindler escalator business to the top of the world league. Schindler has now occupied this

position for five years in succession. Peter J. Zbinden will continue as head of the escalators business, as well as undertaking strategic projects for the Executive Committee of the Board.

His successor as President of the Management Committee will be Roland W. Hess, formerly head of Schindler USA. Roland W. Hess began his career with Schindler as an Area Controller, following which he became CFO of Schindler USA, then of the Group, and subsequently a member of the Manage-

- 1 **Wheelchair users appreciate the easy-to-reach handrail-height of the SchindlerEuro-Lift control panel; Altmarkt Galerie, Dresden, Germany**
- 2 **Custom-built panoramic car and innovative elevator technology for the 73-meter-high Scala office tower; Frankfurt, Germany**
- 3 **ALSO processes individual logistics orders for various customers in the mobile telephone business; Emmen, Switzerland**



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ment Committee with responsibility for part of the European market area, before he returned to the USA for family reasons, where for a short time he held the position of CFO with another well-known company.

The management of Schindler USA will be assigned to Heikki Poutanen, member of the Management Committee and currently responsible for the EMIA market area (Eastern Europe, Middle East, India, and Africa). In the spring of 2004, Heikki Poutanen will take over responsibility as member of the Management Committee for North and South America from David J. Bauhs, who will then retire.

To take over responsibility for the EMIA market area, Christoph Lindenmeyer, formerly head of Schindler Switzerland, has been newly designated a member of the Management Committee.

Dividend and capital structure of Schindler Holding Ltd.

Schindler Holding Ltd. closed the 2002 reporting year with a net profit of CHF 120 million (previous year CHF 115 million). In the Group, however, within the scope of the R03 program, almost a year's profit was invested in increasing productivity. As a result, in 2003 some affiliated companies will make no dividend payments to the holding company. As already indicated at the Annual Results Media Conference on February 28, 2002, and in view of the



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R03 project costs which occurred in the reporting year, the Board of Directors has decided to propose to the General Meeting on March 24, 2003, that no dividend be paid.

The change in capital determined by the General Meeting of March 26, 2002, became effective on June 11, 2002. The corresponding measures (reduction of capital, partial repayment, and stock split) were already commented on in the Interim Report, and are summarized on page 51 of the Financial Statements.

Corporate governance

Schindler Holding Ltd. is a listed company which is actively controlled by the successors of its founding shareholders, and which places great importance on protecting the interests of all its shareholders. For a long time, this has included the principle that most members of the Board of Directors do not hold executive office, and that use is made of Executive Committees of the Board. The corporate governance structure of Schindler Holding Ltd. therefore conforms to the recommendations and spirit of the Swiss Code of Best Practice.

Furthermore, this year's Annual Report contains all the information required by the Corporate Governance Directive of the Swiss Exchange SWX, which came into force on July 1, 2002. The importance which Schindler Holding Ltd. attaches to corporate governance is reflected in the fact that the new corporate governance guidelines were drawn up under the leadership of Member of the Management Committee Professor Dr. Karl Hofstetter, working in collaboration with Professor Dr. Peter Bockli, author of the Swiss Code of Best Practice in Corporate Governance commissioned by the Swiss Business Federation (economiesuisse).

Outlook for the Group

Despite economic weakness and increasing political uncertainty practically all over the world, the R03 program to improve operational performance will be pursued undiminished. However, the International Financial Reporting Standards (IFRS) do not allow all R03 project costs to be charged in the reporting year, so some of these costs will also burden the result for 2003.

1 Schindler 700: technical innovations guarantee outstanding ride comfort

2 Residents of the Oaza apartment building are served by 13 SchindlerSmart MRL 002 elevators; Warsaw, Poland



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The decline in demand, especially for commercial buildings, will probably become more pronounced. For the first time, overcapacity is becoming apparent not only in the industrial sector, but also in the entire services sector. Moreover, the volumes forecast by the technology, media, and telecommunication companies have not been fulfilled by far, so that the restructuring measures which can be foreseen will lead to a further increase in the number of unoccupied commercial buildings.

In this recessionary environment, Schindler will hold its own. The completely renewed and powerful product range, with its especially strong positioning in the commodity business, promises a continuingly satisfactory level of sales. With the newly introduced Schindler 700 elevator, the company will secure greater participation in the high-rise

1 The interior finish of the SchindlerEuroLift car blends perfectly into the architectural design of the Altmarkt-Galerie; Dresden, Germany

2 Final adjustments before commissioning the two 51-meter-long Schindler 9500 moving walks in the Parc des Expositions de la Porte de Versailles; Paris, France

market. In the USA, the Schindler 400 A elevator will give access to another significant market segment. In addition, progressive implementation of best demonstrated practices within the scope of the R03 program will gradually improve margins as from the end of 2003.

At the start of 2003, the ALSO Group announced its intention of separating from the Systems Business Division. Through this concentration, the ALSO Group expects to be able to make faster use of opportunities in distribution. The focus will be on securing income and increasing sales, especially by development of the product portfolio in Germany.

On the basis of these assessments, and excluding remaining costs of CHF 100–130 million for R03 special projects, the present expectation is for consolidated profit before taxes in 2003 to be slightly higher than in the previous year. However, after charging costs for R03 special projects, consolidated profit before taxes in 2003 will be substantially higher than in the previous year.

Thanks to employees

Successful strategies, competitive products, and satisfied customers alone are not sufficient to secure a company's long-term success. Some 40 000 motivated employees have contributed to making the Schindler Group as strong as it is today, and have untiringly supported the various levels of management in implementing the strategy. For this, the Board of Directors extends its sincere thanks to all employees and their families. The Board of Directors is aware that the difficult market conditions, and the R03 projects have demanded unusually great efforts. In their daily work, employees have had to be highly flexible, and willing to share the load of making the massive changes which were necessary. Only their continuing commitment will ensure that the various measures can be successfully implemented.

Alfred N. Schindler
Chairman of the Board
of Directors

Luc Bonnard
Vice Chairman of the Board
of Directors

10 Schindler 9300 escalators transport visitors into the Nuremberg "underworld", where 35 meters below ground, the largest lmax cinema in Europe has been built; Nuremberg, Germany



Schindler 700 – The Journey to the Top

On November 5, 2002, eminent elevator consultants from all over the world had the first-ever opportunity of traveling in the new Schindler 700 high-performance elevator in the 330-meter high telecommunications tower in Frankfurt. The new elevator, which is the fastest in the company's history and its first high-performance elevator for global application, contains a multitude of technical innovations. Schindler 700 is an elevator system which has modular components, and therefore



allows customer-specific solutions. The technical design of the elevator emphasizes a high level of ride comfort, safety, and availability. The most powerful drive machine can hoist a mass of 45 metric tons as high as 500 meters, accelerating it to a travel speed of 10 meters per second and then braking it again without the passenger feeling the forces involved. To eliminate the pressure waves, lateral motion, and noise which arise in the hoistway at such high speeds, the car is fitted with a wind-tunnel tested aerodynamic fairing, stiffeners, and a cleverly sprung chassis. The guiderails are aligned in the hoistway using a laser beam. These measures ensure

that passengers experience a smooth, comfortable ride. The doors used on the Schindler 700 elevator are state-of-the-art Varidor 70 center-opening doors. The Varidor 70 door system has sophisticated control software which makes it not only intelligent, but also able to learn. The system can detect different door dimensions on different floors, and calculate the optimal closing and opening speeds each time. If the doors strike objects or passengers, they immediately stop and re-open. The transportation needs of a skyscraper's occupants – often several thousand people – are met by several groups of elevators controlled with great efficiency by

1 4 elevators with the Miconic 10 hall call destination system, and 4 Schindler 9300 escalators at the La Viña Plaza commercial and shopping center; Valencia, Venezuela

2 The Summit and Highcliff residential towers are typical buildings for the new Schindler 700 elevator; Hong Kong, China



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the Schindler hall call destination system. As well as this, a new development in the field of passenger recognition, Schindler/ID, radically improves access control and the evacuation of passengers compared to conventional solutions.

Completion of market and product strategy

With the market introduction of the Schindler 700 high-performance elevator, a very important phase of the Schindler market and product strategy will be complete. In the first phase, new standards were set in the volume business, with highly-standardized machine room-less elevators for residential buildings, and modular elevators for commercial buildings. At the same time, a leading position was built up on all continents with the new range of escalators. Based on a densely-spread worldwide service network, the final step is now to add to the



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product range the first high-performance elevator in the company's history for global application. This elevator contains a whole range of innovations, which in relation to technology, ride comfort, and

1 **Installed in Plaza 66 are 36 Schindler 700 elevators and 29 escalators; Shanghai, China**

2 **Noi Bai Airport is served by 16 elevators and 9 escalators; Hanoi, Vietnam**



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dependability make it one of the most modern elevators on the high-performance market today. Schindler will launch its new product onto the markets in mid-2003, and thereby further expand its position in the high-performance business in Asia, the USA, Europe, and other regions.

The high-performance elevator market is important to Schindler for a number of reasons. In both new installations and maintenance, these elevators generate a greater propor-

tion of average revenue than conventional elevators in low-rise buildings. Furthermore, orders for high-performance elevators generally lead to follow-on orders, especially for elevators and escalators in shopping centers, restaurants, parking garages, and subway stations in the immediate vicinity of tall buildings. And last but not least, reference installations around the globe underpin the Schindler brand and increase recognition of the company.

Major market potential

World-wide there is a requirement for around 6 000 high-performance elevators every year, 3 500 of them in the Asian area alone. Despite the present economic weakness and uncertainty arising from the possibility of terrorist attacks, the market potential in the medium term is high. In Southeast Asia, and particularly China, vigorous population growth is leading to rapid urbanization. In other regions, where urbanization has already reached an advanced stage, there is a growing need for technical modernization of existing metropolitan buildings.

The Schindler 700 rounds off the market and product strategy which has been pursued for many years, and will enable the Group to expand its position further worldwide.

1 The All Seasons Place complex encompasses 3 office towers, a residential tower, a shopping mall, and the Conrad Hotel. Installed in the complex are 30 elevators, including 22 Schindler 700, and 16 Schindler 9300 escalators; Bangkok, Thailand

2 Various Schindler installations in the Fullerton Hotel and May Tower; Singapore



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Steel and glass – an ideal combination for the 34 Schindler EuroLift elevators at Telemor Fornebu; Oslo, Norway



Europe

End of a period of growth

In most European countries, the year 2002 clearly marked the end of the period of growth. The uncertain economic situation along with the weak performance of stock markets caused many projects in the construction industry to be postponed. The resulting stagnation, and in some markets even recession, was most apparent in the commercial buildings segment, whereas the residential buildings segment still grew modestly in a few countries. The prospects for 2003 are not encouraging: further contraction of



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1 One of the 6 panoramic elevators installed in the City Point Steyr shopping mall; Steyr, Austria

2 Visitors to the Altmarkt Galerie are served by 26 Schindler 9300 escalators and 28 elevators; Dresden, Germany

3 For Amstetten City Center, Schindler supplied 8 elevators and 4 escalators; Amstetten, Austria



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the construction industry is anticipated in both residential and commercial buildings.

Under these difficult conditions, competition has become tougher, pressure on prices has increased, and customers have become even more cost-conscious.

Proven products underpin expanded market position

The two product lines Schindler-Smart and SchindlerEuroLift place

Schindler in a competitive position. Especially in the basic segment of residential buildings, and with the SchindlerSmart MRL 001, Schindler is the market leader in many countries. Besides this, in the commercial buildings segment, Schindler's position has been strengthened by completing the range of offerings of the SchindlerEuroLift. The importance of hydraulic elevators continues to decline. The future belongs to the machine room-less elevator.

Sales of high-value installations increased, thanks to a number of major projects in Europe. However, whether this good performance can be repeated in 2003 depends heavily on how the global economic situation develops.

Fluctuating situation in the modernization business

Although sales in the modernization business were sustained at a good level in the reporting year, a slight decline is expected in the near term. This is partly due to the deterioration in market conditions, but also because many projects are being postponed in view of the



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introduction of the new European safety standards for existing elevators (SNEL). In the future, however, these European standards will act as a stimulus. Some countries have already begun legal enforcement of the new standards.



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1 7 SchindlerEuroLift elevators in the Hammerson building at the rue de l'Université have a modern wooden finish; Paris, France

2 46 moving walks, 56 escalators, and 48 elevators provide comfortable transportation for passengers at Brussels Airport; Belgium Photo: BIAC

3 Panoramic elevator in Media Mart; Alcobendas, Spain

4 4 SchindlerEuroLift elevators are installed in the Vila Rica Hotel; Lisbon, Portugal



Major orders



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Austria:

11 Schindler 9700 escalators and 2 elevators for Praterstern subway station, Vienna; 9 Schindler *EuroLift* elevators for the Europlaza office building, Vienna; 9 Schindler *EuroLift* elevators for the Le Meridien Hotel, Vienna; 10 elevators, including 4 Schindler *EuroLift*, and 2 Schindler 9300 escalators for the SCA shopping center, Amstetten; modernization of 5 Schindler 9700 escalators at Südtirolerplatz subway station, Vienna; modernization of 400 elevators with Servitel for Vienna Council Housing buildings

**Schindler moving walks save passengers' precious time; Brussels Airport, Belgium
Photo: BIAC**

Belgium:

10 elevators, including 1 panoramic elevator, and 8 escalators for the Galerie Saint-Lambert shopping center, Liège; 9 Schindler *EuroLift* and 1 panoramic elevator for the Mondrian office building, Brussels; 21 elevators, 12 with Miconic 10, for the Centre International Rogier office building, Brussels; 18 Schindler *EuroLift* elevators and 4 escalators for the Zuiderpoort office building, Ghent; modernization of 10 elevators at the VRT office and television building, Brussels

France:

15 Schindler 9500 inclined moving walks and 2 Schindler 9300 escalators for the Carrefour commercial center, Saint-Quentin-en-Yvelines (world frame agreement); 22 Schindler *EuroLift* and 2 special elevators for the Crystalparc office building, Neuilly-sur-Seine; 19 Schindler *EuroLift*, 9 with Miconic 10, and 2 service elevators for the Technopolis office building, Le Plessis-Robinson; 12 Schindler 9300 escalators, 6 Schindler 9500 inclined moving walks, 2 Schindler *EuroLift*, and 1 panoramic elevator for the Grand' Place commercial center, Grenoble; national maintenance contract with Dalkia facilities management; 8 Schindler 9300 escalators, 2 elevators, and 3 freight elevators for Galeries Lafayette department store, Paris

Germany:

10 elevators for the office building of Rheinische Zusatz-Versorgungskasse, Cologne; 8 Schindler 9300 escalators and 6 Schindler 9500 moving walks for the Itzehoe shopping center; 13 elevators, including 7 Schindler *EuroLift*, 14 Schindler 9300 escalators, and 2 Schindler 9500 moving walks for the Landshut shopping center; 7 elevators, including 1 Schindler *EuroLift*, and 6

Schindler 9300 escalators for the Hiendl furniture store, Augsburg; 18 Schindler 9500 moving walks for the Neue Messe, Munich; 26 elevators, including 14 Schindler 700, for the Hochhaus Ensemble am Münchner Tor, Munich; 7 Schindler *Smart* MRL 001 elevators for a residential building in Bautzen; 14 elevators, including 12 Schindler *EuroLift*, for the Campus office building in Frankfurt-Niederrad

Great Britain:

37 elevators, including 24 Schindler 700, and 2 Schindler 9300 escalators for Canary Wharf, London; 5 Schindler *EuroLift* elevators for the Radisson Hotel, Manchester; 22 Schindler *Smart* MRL 002 elevators for Greenbank Village, Edinburgh; modernization of 6 elevators at the Holiday Inn Kensington Forum Hotel, London; modernization of 8 elevators at the Royal Gwent Hospital, Newport, Gwent

Greece:

1 Schindler *EuroLift* elevator for the British Council, Athens; 20 Schindler 9300 escalators for the Klaoudatos commercial center, Athens; modernization of 10 elevators, including 8 Schindler *EuroLift*, at the Sheraton Grande Bretagne Hotel, Athens

12 escalators and 1 panoramic elevator at the Doemere shopping center; Almere, Netherlands



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Iceland:

3 Schindler *EuroLift* elevators for a headquarters office building of Reykjavik Energy, Reykjavik

Ireland:

31 Schindler *Smart* MRL 002 elevators for a residential building, Pelletstown

Italy:

27 elevators and 26 Schindler 9300 escalators for a polyfunctional commercial, business, cultural, and leisure center, Rome; 32 elevators, including 4 Schindler *EuroLift*, and 2 Schindler 9300 escalators for the F. Miulli Hospital, Acquaviva-Bari; 8 Schindler 9300 escalators and 4 elevators for the Harbor Ship Terminal, Savona; 14 elevators for the Holland America Line Ship 6110, built by Fincantieri, Trieste; 15 Schindler *Smart* MRL 001 elevators for the Corso Rossetti residential building, Turin

Netherlands:

16 elevators, including 11 Schindler *EuroLift*, and 4 Schindler 9300 escalators for the Carnisseveste shopping center, Barendrecht; 20 Schindler *EuroLift* elevators for the Plaza Arena office building, Amsterdam; 10 elevators, including 8 Schindler *EuroLift*, for the Dorint Hotel at Schiphol Airport, Amsterdam

1 **Glass-enclosed elevator provides direct access to living room; Villa Boccardo, Monza, Italy**

2 **The Grand' Place commercial center has 12 escalators, 6 moving walks, 2 Schindler *EuroLift* elevators and a panoramic elevator; Grenoble, France**



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Norway:

1 elevator for the Oseberg C North Sea oil platform; 5 elevators for the Kristin oil platform

Portugal:

4 Schindler 9300 escalators for the Dolce Vita shopping center, Miraflores; 4 Schindler *EuroLift* elevators for the Vila Rica Hotel, Lisbon; 18 elevators, including 4 panoramic elevators, for the El Corte Inglés shopping center, Lisbon; modernization of 4 elevators at the Inogi office building, Amoreiras; modernization of 4 elevators at the Ritz Hotel, Marquês de Pombal

Spain:

12 Schindler 9300 escalators, 20 Schindler 9500 moving walks, and 7 elevators for the Hipercor commercial building, Algeciras, Cádiz; 14 Schindler 9300 escalators and 8 panoramic elevators for the Valencia subway system; 4 Schindler 9300 escalators and 3 elevators, including 2 Schindler *EuroLift*, for the Supercor commercial building, Jaén; for the AVE high-speed railroad system: 51 elevators and 20 Schindler 9300 escalators for the stations Guadalajara, Calatayud, and Zaragoza; modernization of 5 elevators at the Edi-

ficio Colón office building, Barcelona; modernization of 5 elevators at the El Corte Inglés commercial building, Zaragoza

Sweden:

11 Schindler *Smart* MRL 002 elevators for the Östra Hamnen residential building, Västerås; 5 Schindler *Smart* MRL 002 elevators for the Tyresö Strand residential building, Tyresö; 6 Schindler 9300 escalators for a new shopping center in Kalmar; maintenance contract for 110 elevators for the residential and commercial buildings of the municipality of Österåker

Switzerland:

27 elevators, including 21 Schindler *EuroLift*, for the Wankdorf stadium, Berne; 16 elevators for the Fachmarkt Meierhöfli shopping center, Emmen; 17 elevators, including 14 Schindler *EuroLift* and 1 Schindler *Smart*, and 2 Schindler 9300 escalators for the Midi Coindet shopping and office building, Vevey; 10 Schindler *EuroLift* elevators for the IBM office building, Zurich; modernization of 9 elevators at Novartis, Basel; modernization of 11 elevators for the Le Lignon residential complex, Geneva; modernization of 14 elevators at the Swiss Federal Institute of Technology (ETH), Zurich; modernization of 8 elevators for Migros, Lugano

Counterweight of panoramic elevator in the Scala office building; Frankfurt, Germany



Americas

Uncertainty delays upswing

The North American economy spent the reporting year 2002 in a fragile state. Weak consumer sentiment, gloomy employment prospects, falling stock prices, and issues of national security spread a mood of uncertainty, even though the economic fundamentals speak for a return to sustainable growth in the second half of 2003.

Growth in the construction industry sagged in the reporting year. The number of unoccupied buildings leapt abruptly in all categories. Commercial buildings were especially affected, since many companies required drastically less office space. Other areas such as retail premises and residential buildings also suffered a significant, though less radical, decline. This falling trend gradually slowed during the reporting year, and at year-end appears to have bottomed out. Irrespective of the market's development, Schindler has a long backlog of orders for 2003.



1

Schindler booked good sales of new installations in the reporting year. As well as maintaining its lead in the escalators market, the Group can also look back on record unit sales of the Schindler 330 A hydraulic elevator.

All newly supplied hydraulic elevators are equipped with a remote monitoring system. Hydraulic elevators already in the maintenance portfolio are being correspondingly retrofitted. The remote monitoring



2



3

Successful integration in North America

The merger between Schindler and Millar, which was initiated in the first half of 2002, was completed successfully. Thanks to exploitation of state-of-the-art technologies and synergies, the new Schindler organization is even stronger and more cost-efficient. It has a comprehensive and competitive product assortment, a very dense nationwide network of more than 250 branches, and offers the full range of maintenance services from a single supplier.

system records even minor irregularities. Thanks to this information, corrective action is taken sooner – and usually preventively – which reduces downtime and breakdowns.

1 Schindler 9300 escalators provide interfloor connections at The Great Indoors shopping mall; Woodbridge, New Jersey, USA

2 Schindler's in-company education and training center at Holland, Ohio, for employees of the North American subsidiary; USA

3 2 Schindler 9500 moving walks at Norfolk International Airport; Virginia, USA



1

Strong market position in Latin America

Political and economic uncertainties, as well as weakening currencies, affected South America to an extent not experienced since the nineteen-eighties. In several countries this caused the gross domestic product to fall, and the private construction industry to contract. The only exception was Mexico, where construction activity grew faster than the overall economy.

In Brazil, various factors, including the adverse global situation as well as the presidential elections, caused increased volatility of the national currency, which was devalued by more than 60%.



2

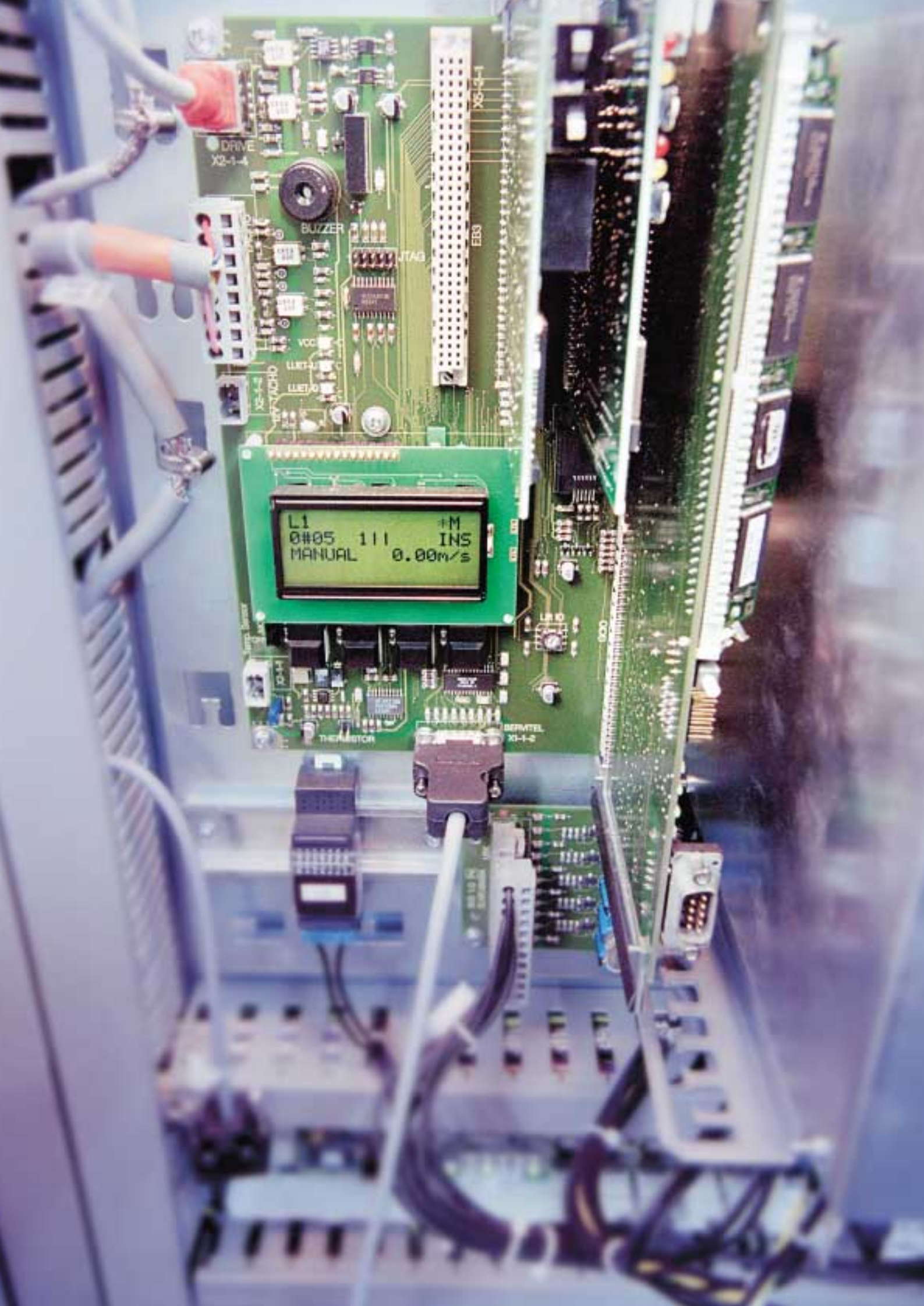
The Schindler *Smart* MRL 002 machine room-less elevator was successfully introduced in all Latin American countries during the reporting year, which strengthened Schindler's leading position in the elevator business. The Miconic 10 hall call destination system conquered the market, and became the standard in high-class business buildings.

To increase productivity further, the production plants in Brazil were concentrated at Londrina, which resulted in a factory outside Rio de Janeiro being closed.

In the escalators segment, production started of the Schindler 9500 moving walk. Additional improvement in Schindler's market position again came from the highly competitive Schindler 9300 escalator.

1 Rapid transportation to the desired destination in the Norvalbank office and commercial tower is provided by 4 elevators with the Miconic 10 hall call destination system; Valencia City, Venezuela

**2 10 new Schindler 9300 escalators for the Minneapolis Convention Center; Minnesota, USA
Photo: ©2002 Bob Perzel**



DRIVE
X2-1-4

BUZZER

ITAG

EB3

X2-1-1

L1
0#05 111 INS
MANUAL 0.00m/s

TEMP SENSOR

900
SERIAL
X2-1-2

Major orders

Arkansas:

7 elevators and 4 Schindler 9300 escalators for The William J. Clinton Presidential Center & Park, Little Rock

California:

Maintenance contract for 87 elevators for the Pacific Bell office buildings, El Segundo; maintenance contract for 22 elevators for the Naval Postgraduate School, Monterey; modernization of 12 elevators at the 1801 Century Park office building, Los Angeles

Florida:

Modernization of 16 elevators at Orlando International Airport, Orlando; 14 elevators and 3 Schindler 9300 escalators for the US Courthouse, Miami

Illinois:

Modernization of 11 elevators at the Prudential I and II office buildings, Chicago

Indiana:

Maintenance contract for 40 elevators and 6 escalators for the Eli Lilly Corporate Center industrial/office building, Indianapolis

Maryland:

Maintenance contract for 14 escalators for Baltimore Mass Transit, Baltimore

Minnesota:

Maintenance contract for 30 elevators and 6 escalators for the Minnesota Mutual office building, St. Paul

Schindler 700: highly sophisticated electronic equipment in the new Schindler 700, the first high-rise elevator for global application in the company's history



New Jersey:

Modernization of 6 elevators at Toys "R" Us, Wayne

New York:

Maintenance contract for 24 elevators at the 666 Fifth Avenue office building, New York City; maintenance contract for 19 elevators, 12 escalators, and 6 moving walks in the International Air Terminal at John F. Kennedy International Airport, New York; 22 Schindler 9300 escalators and 20 elevators at the City Center retail/residential complex, White Plains; 6 Schindler 9300 escalators and 6 elevators for the World Trade Center Path station, New York City; 19 Schindler 9300 escalators and 10 elevators for the Queens Center Mall, New York City

Ohio:

Maintenance contract for 10 elevators and 2 escalators for the Halle Building, Cleveland; maintenance contract for 14 elevators at the office building of General Electric, Cincinnati

Oregon:

Maintenance contract for 8 elevators at the office building of Intel, Aloha Campus, Aloha; Maintenance contracts for 40 elevators at the office buildings of Intel, Hillsboro

Pennsylvania:

Maintenance contract for 30 elevators at the Mercy Hospital, Pittsburgh; modernization of 20 elevators at the U.S. Post office building, Pittsburgh; 15 elevators and 6 Schindler 9300 escalators at the Philadelphia Baseball Stadium, Philadelphia

Texas:

Modernization of 11 elevators, including 6 with Miconic 10, at the Howell Building, Houston; modernization of 14 elevators at the 3000 & 3050 Post Oak office building, Houston

Washington D.C.:

Modernization of 23 elevators at the International Square office building

Wisconsin:

Maintenance contract for 30 elevators for the St. Luke's Medical Hospital, Milwaukee

1 Plaza Iguatemi – one of the most modern office buildings in prestigious Faria Lima, São Paulo, Brazil. Installed are 8 Schindler elevators with the Miconic 10 hall call destination system



1



2

Canada:

6 Schindler 9500 moving walks, 3 Schindler 9300 escalators, and 2 Schindler 300 A elevators for the expansion of Toronto Airport; 4 Schindler 9300 escalators and 3 Schindler 300 A elevators for the Oriental Center commercial building, Toronto; 6 Schindler 330 A elevators for the Bishops Gate residential complex, Toronto; 2 Schindler 9300 escalators and 2 Schindler 300 A panorama elevators for the Fairview shopping center, Montreal; modernization of 12 elevators at the 360 St. Jacques West office tower, Montreal; modernization of 8 elevators at the Foothills Medical Center hospital, Calgary

1 Right in the business center of São Paulo stands BankBoston, the most modern building in Latin America, which has 18 Schindler elevators; Brazil

2 The Corporate Tower center is served by 9 elevators with the Miconic 10 hall call destination system; Mexico City, Mexico

3 Passenger transportation at the Gabriel Kibrit office building is handled by 3 Schindler 510 L elevators; Mexico City, Mexico

Brazil:

60 Schindler 510 L elevators for the commercial buildings built by Inpar, São Paulo; 4 Schindler Smart MRL 002 elevators and 9 Schindler 9300 escalators for the Rio de Janeiro subway; 6 Schindler 510 L elevators, 6 Schindler 9300 escalators, and 6 Schindler 9500 moving walks for the GSR shopping center, Rio de Janeiro; 16 Schindler 9300 escalators for the Ibirapuera shopping center, São Paulo; 16 Schindler 310 L elevators for the Capuche residential buildings, Natal; 36 Schindler 310 L elevators for the Tecnisa residential buildings, São Paulo; 12 Schindler 310 L elevators for the M. Dubeaux residential buildings, Recife; 12 Schindler 510 L elevators and 2 Schindler 9300 escalators for the Holiday Inn Hotel, built by São José, São Paulo; modernization of 10 elevators, 8 with Miconic 10, at the C. E. Presidente Castelo Branco commercial building, Rio de Janeiro

Chile:

12 elevators with Miconic 10 for the El Golf 2001 commercial building, Santiago; 13 Schindler 9300 escalators, 2 Schindler 9500 moving walks, 2 Schindler 310 L elevators, and 1 Schindler 510 L elevator for the Los Angeles shopping center, Los Angeles/Chile; 6 Schindler 100 L elevators for the headquarters of Codelco Chuqui, Calama; 7 Schindler 100 L elevators for the Centenario de San Miguel residential building, Santiago

Mexico:

10 elevators, including 9 with Miconic 10, for the World Plaza Tower, Mexico City; 4 Schindler 9300 escalators, 6 elevators, including 2 Schindler 510 L, for the Forum Culiacán shopping center in Culiacán, Sinaloa; 19 Schindler 310 L elevators for the Lomas Residencial II residential complex, Mexico City; 14 elevators, including 8 with Miconic 10 and 3 Schindler EuroLift, for the



3

Torre Esmeralda corporate office building, Mexico City; 2 Schindler 510 L elevators for the Construcabi office building, Mexico City; 9 elevators, including 8 with Miconic 10, for the Insurgentes 881 corporate office tower, Mexico City; 4 Schindler 9300 escalators and 3 elevators, including 2 panoramic elevators, for the Plaza Real shopping center, Pachuca, Hidalgo

Venezuela:

31 Schindler 9300 escalators and 10 elevators for the Tolón Plaza shopping center, Caracas

Schindler 700: attractive and modern car design



Asia/Pacific



1

Tougher market conditions

Overall growth in the Asia/Pacific region stabilized in the reporting year. However, economic developments at country level varied greatly. In China, South Korea, and Australia the brisk development continued, whereas Hong Kong and Singapore stagnated at a low level.

1 Customized elevator for the V28 commercial building; Tokyo, Japan

2 17 elevators and 12 escalators in Ciro's Plaza commercial building; Shanghai, China

The elevator and escalator market was especially strong in China and South Korea, where low interest rates, government reforms, and a substantial need to catch up drove the markets to record heights. These positive developments were offset by contracting markets in the other markets of the region, where falling real-estate prices and a high quota of empty buildings braked construction activity. In this deflationary situation, pressure on prices for both new installations and maintenance was unabated. This trend will probably continue in 2003.

China's entry to the World Trade Organization WTO is expected to give a lasting impulse to its eco-

nomy and its construction industry in 2003. For the rest of the Asian region, it has to be assumed that demand for elevators and escalators will more or less stagnate at the previous year's level.

Strong order bookings and new products

In most markets in the region, Schindler increased its order bookings in the reporting year. There was especially strong progress in escalators, for which Schindler is



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the number 1 in various countries. The restructuring measures in China led to a major improvement in sales.

The research and development center in Shanghai developed a number of new products, which were successfully launched and contributed to increasing turnover. The SchindlerElegant elevator

enjoyed strong demand in China's growing residential buildings market. The new Schindler 300 P MRL elevator for application in the burgeoning machine room-less segment was successfully launched throughout Asia.

In the high-rise segment, contracts for important major projects with the new Schindler 700 high-rise elevator system were won in Hong Kong and China.

Improved competitiveness and profitability

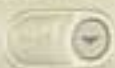
The continuing endeavors in innovation, and optimization of products and processes, brought a sharp improvement in competitiveness and profitability despite difficult market conditions.

The 100% takeover of China-Schindler Elevator Co. Ltd. made it possible to coordinate the business activities of the subsidiaries in China, and to introduce shared services. Costs were thereby reduced, duplication of functions eliminated, and sales activities coordinated. This strengthened the position in the market.

Within the scope of the Schindler R03 projects, measures were taken to improve competitiveness and accelerate growth. The manufacturing plants in Malaysia and Japan were closed, and the introduction of new products was supported by special sales activities to expand the key markets even further.

- 1 Hotel and apartments on Tomorrow Square, where 14 Schindler 700 elevators are in service; Shanghai, China**
- 2 Schindler was again the chosen supplier for the third phase of the Wan Quan Garden project. There are now more than 100 elevators and 6 escalators in operation; Beijing, China**
- 3 Schindler 9700: the escalator for the special requirements of public transportation. Tseung Kwan O line of the Hong Kong mass transit railway corporation (MTRC); China**

WHEN THERE IS
A FIRE DO NOT
USE THE LIFT



如遇火警
切勿使用升降机

24

24
樓層
樓層
樓層

DANGER
UNAUTHORIZED ACCESS PROHIBITED
MACHINE ROOM
CLOSE AND LOCK THIS DOOR

危險
未經授權
機房
請關閉並鎖好門

Major orders



1

Australia:

6 Schindler 300 H elevators and 3 Schindler 9300 escalators for the Convention Centre, Perth; 17 Schindler 300 H and 4 Schindler 300 P MRL elevators for Victoria Park apartments in Sydney; 7 Schindler 330 P and 2 Schindler 300 P MRL elevators with Lobby Vision for the Bureau of Meteorology, Melbourne; 8 Schindler 300 P MRL elevators for Proximity Apartments, Sydney; 6 Schindler 300 P elevators for the Cassia Gardens commercial and residential building, Perth

China:

75 elevators, including 12 Schindler 700 elevators and 63 Schindler-Elegant elevators for the Junefield Plaza hotel and residential building, Beijing; 43 Schindler 9300 escalators and 32 elevators for the Beijing Light Railway, Beijing; 22 Schindler 700 and 13 Schindler 300 PCL elevators for Walton Plaza commercial building, Shanghai; 60 Schindler 9700 escalators and 4 Schindler 9300 escalators for the Nanjing subway system; 26 Schindler 700 elevators and 30 Schindler 9300 escala-



2

tors for the Tianjin Xinda Plaza, Tianjin; 22 Schindler 700 elevators for the Shui-On 100 Commercial Ave commercial building, Shanghai; 22 Schindler 9300 escalators for the Hunan Exhibition Centre, Wuhan; 15 elevators, including 12 Schindler 700, for the Shangmao Century Plaza, Nanjing; 22 elevators, including 18 Schindler 700, and 12 Schindler 9300 escalators for the Oriental Kenzo Plaza commercial building, Beijing; 16 Schindler 500 elevators and 4 Schindler 300 PCL elevators for the Kerry Pavilion of Elegant Canticle residential building, Shenzhen; 24 Schindler 300 PCL elevators for the Guangzhou Qi Fu Xincun residential building, Guangzhou; 26 elevators, including 18 Schindler 500, 4 Schindler 300 PCL, and 4 Schindler 300 MRL, for the International Investment Building, Beijing

Hong Kong:

119 elevators, including 19 Schindler 700, 70 Schindler 500 P, and 17 Schindler 300 P, and 2 Schindler 9300 escalators for the Cyberport residential development; 40 elevators, including 8 Schindler 700, 8 Schindler 500 P, 11 Schindler 300 P, and 7 Schindler 300 P MRL, for the office and shopping center at 416-424 Kwun Tong Road; 23 elevators, including 17 Schindler 700 and 2 Schindler 300 P, 10 Schindler 9300 escalators, 3 Schindler 9500 moving walks, and 2 Schindler 9700 escalators for the Three Pacific Place office and shopping center; 17 elevators, including 15 Schindler 700, and 8 Schindler 9300 escalators for the AIG Tower office building; 16 elevators, including 11 Schindler 500 P and 3 Schindler 300 P, and 3 Schindler 9300 escalators for the Kennedy Town New Praya residential building; 9 Schindler 9500 moving walks for the railroad stations of KCRC East Rail Extension; modernization of 15 elevators at the Scenic Villa residential building

Indonesia:

4 Schindler 300 P elevators for the Studio 2 office building, Metro TV, Jakarta; 8 Schindler 9300 escalators for the Batavia Plaza shopping center, Jakarta

1 16 Schindler 9300 escalators and 30 elevators transport passengers in the All Seasons Place building complex; Bangkok, Thailand

2 37 Schindler 9700 escalators for extension of the Tseung Kwan O line of the Hong Kong mass transit railway corporation (MTRC); China

Elegant Schindler 300 P car in the Giorgio Armani boutique at Chater House; Hong Kong, China

Japan:

40 Schindler 9500 moving walks and 15 elevators for the Carrefour Hypermarket in Sayama, Minoo, Amagasaki, Higashi-Osaka; 4 Schindler 9300 escalators and 4 Schindler 300 J MRL elevators for the Okinawa Monorail; 8 Schindler *Smart J* elevators for the Shimoshinjo public housing complex renovation project, Osaka; 6 Schindler 9300 escalators and 2 Schindler 300 J MRL elevators for Japan Railway stations in Odawara and Tamachi; 8 Schindler 9300 escalators for the Hoshigaoka Terrace shopping center, Nagoya; 4 Schindler 9300 escalators and 4 elevators for Tobata station, Kitakyushu

Malaysia:

69 elevators, including 14 Schindler 500 P and 26 Schindler 300 P, and 8 Schindler 9300 escalators for the Putrajaya office, auditorium, and conference center, Selangor; 22 elevators, including 9 Schindler 100 P elevators, and 2 Schindler 9300 escalators for the hospital in Temerloh, Pahang; 19 elevators, including 6 Schindler 100 P, for the hospital and its associated apartment block in Sg Petani, Kedah; 12 Schindler 100 P elevators for the USM Asrama residential building in Pulau Pinang; 12 Schindler 300 P elevators for the Pyramid Hotel in Kuala Lumpur;

1 **A custom-built elevator car for the Elevator Tower office and commercial building in Atago Green Hills, Tokyo, Japan**

2 **In the Compass Point office building, the compass theme is also integrated into the elevator design; Singapore**



modernization of 4 elevators at the Templer's Flat residential building in Seremban, Negri Sembilan

Philippines:

3 Schindler 300 P MRL elevators and 4 Schindler 9300 escalators for the San Lazaro leisure park, Manila; 6 Schindler 300 P elevators for the Oriental Gardens residential building, Manila; 4 Schindler 9300 escalators for the Bangko Sentral ng Pilipinas commercial center, Manila

Singapore:

27 elevators, including 2 Schindler 500 P and 11 Schindler 300 P MRL, and 22 Schindler 9300 escalators for the Eu Tong Sen Street office and shopping center; 15 Schindler 300 P MRL elevators for the Whitewater EC Condominium residential building; 15 Schindler 300 P elevators for the Condominium residential building at West Coast Crescent; 13 Schindler 300 P elevators for the Condominium residential building at BT Batok East / Hillview

Taiwan:

10 elevators and 25 Schindler 9500 moving walks for the Tesco Chung-Li hypermarket at Chung-Li and the Tesco Sang-Ming hypermarket at Taipei; 12 Schindler 300 P elevators

for the FU Shin Private Elementary & Junior High School, Taipei

Thailand:

8 Schindler 9300 escalators and 4 Schindler 9500 moving walks for Tesco Lotus Bangkapi, Bangkok; 2 Schindler 9300 escalators and 2 Schindler 9500 moving walks for Tesco Lotus Nakornpathom, Bangkok; 2 elevators, 1 Schindler 9300 escalator, and 1 Schindler 9500 moving walk for the Homepro-Sukhapiban 3 retail center, Bangkok



Vietnam:

6 Schindler 300 P MRL elevators for the Hon Tre Resort Hotel, Nhatrang; 7 elevators for the Franco Vietnam Hospital, Ho Chi Minh City; 4 elevators, including 3 Schindler 300 MRL, for the office and residential building at 27 Huynh Thuc Khang, Hanoi

In the City Plaza building complex of Citic Shenzhen, 40 Schindler 9300 escalators and 20 elevators ensure that all passengers are transported to their correct destinations; Shenzhen, China



Eastern Europe, Middle East, India and Africa (EMIA)



1

Market presence strengthened

In the Eastern European countries, progress continued on the reforms needed to fulfill the criteria for entry to the EU. In Russia, political stability and reforms stimulated foreign investment. Added to this, high export prices for oil had a positive effect on the Russian economy.

Growth in Eastern Europe

Schindler secured a stake in the rapidly growing Russian market by acquiring the elevator company Liftremont. Renamed to ZAO Schindler, this company is mainly active in the greater Moscow area and St. Petersburg. Integration of this new subsidiary is proceeding well.

The slow economic recovery in Turkey and Poland did not yet show through into their construction indu-

stries. In Prague and other regions, the floods damaged not only the subway system, but also residential buildings and downtown areas. In Poland, the order for 14 elevators for the Intercontinental Hotel strengthened the market position of the local company. With 45 stories, this hotel is the tallest in the country.

With the aim of improving customer satisfaction and strengthening its market position in Eastern Europe even further, Schindler focused on standard products in the new installations business. This resulted in closure of the factories in Warsaw and Istanbul.



2

Stable market position in the Middle East

In the Persian Gulf region, the high oil price stimulated brisk investment activity in infrastructure, commercial centers, and hotels. By contrast, in Israel the few projects for high-class commercial buildings were fiercely contested. Here, Schindler not only held its position but expanded it further.

The trend to machine room-less elevators also gained momentum in the Middle East. Thanks to its flexibility, the new Schindler 300 P MRL machine room-less elevator is suitable not only for residential buildings, but also for commercial buildings.

1 The Mesa Kemerburgaz residential complex is served by 16 Schindler-Smart MRL 002 elevators; Istanbul, Turkey

2 The 5-star Esplanade Hotel is served by 4 Schindler-EuroLift elevators; Mariánské Lázně, Czech Republic



1

Market presence in Southern Asia expanded

Sales by the subsidiary in Bangladesh boomed, especially for high-class commercial properties. In the Indian market, Schindler strengthened its position in the rapidly growing residential buildings segment, thanks to intensive sales efforts and competitive standard products. The Schindler*Smart* MRL product line is particularly aimed at this segment, and makes a significant contribution to penetration of the Indian market.

Sales successes in Africa

In Morocco, Schindler improved its customer orientation and concentrated on standard products.



2

The Egyptian construction industry has not yet recovered from the year-long recession. Schindler, however, was working at full speed on the largest project the Group has ever won: the Golden Pyramids Plaza (GPP), which will be opened in 2003. This "mini-city in the desert" comprises an enormous complex of buildings with hotels, wellness amenities, shopping malls, offices, and residential accommodation close to Cairo's international airport. Schindler is supplying more than 100 high-rise elevators, and over 100 escalators.

The results of Schindler subsidiaries in South Africa, Kenya, Zimbabwe, Botswana, Mozambique and Namibia improved sharply, and their strong market position was maintained.

1 The historic Palace Hotel has been refurbished and fitted with 3 Schindler-EuroLift elevators; Budapest, Hungary

2 23 elevators and 15 escalators are in operation at the central bus station in Tel Aviv, Israel



Major orders

Algeria:

46 elevators for the University Hospital Center, Oran

Bahrain:

6 Schindler 500 P elevators with Miconic 10, and 2 Schindler 9300 escalators, for the Al Moayed Tower office building, Bahrain

Bangladesh:

5 elevators for the Eunoos Trade Center office building, Dhaka;
10 Schindler 9300 escalators for



the Khaddar Bazar commercial center, Dhaka; 6 elevators for the Water Garden Hotel, Dhaka

Czech Republic:

8 elevators, including 5 Schindler *EuroLift*, for the Bosco Hotel, Prague; 7 elevators for the Aquapark leisure center, Pruhonice; reconstruction of 10 escalators damaged by floods in the Prague subway system

Egypt:

11 Schindler *Smart* MRL 002 elevators for the El Rehab Administration Building, Cairo; 7 elevators for the Moharam Bek Pearl residential building, Alexandria; 5 elevators for the El Warrak Hospital, Cairo; modernization of 5 elevators at the Helnan Palestine Hotel, Alexandria

India:

16 Schindler 300 P elevators with Miconic 10, and 1 dumbwaiter, for the Cyber Gateway commercial building, Hyderabad; 6 Schindler 9300 escalators for the Fashion Lifestyles shopping mall, Mumbai; 22 Schindler *Smart* MRL 001 and 002 elevators for the Mantri Elegance & Mantri Pride residential complex, Bangalore; 12 Schindler 001 elevators for the Marathon Cosmos residential building, Mumbai; 6 Schind-

ler 9300 escalators and 3 Schindler *Smart* MRL 002 elevators for the Hatane Mall shopping mall, Mumbai

Iran:

77 elevators for the Tehran subway system

Jordan:

7 elevators with Miconic 10 for the Arab Bank office building, Jordan

Kenya:

3 Schindler *EuroLift* elevators with Miconic 10 for Shell BP House, Nairobi

Kuwait:

4 Schindler 9300 escalators for the Al Fanar commercial center, Hawally

1 In the Cyber Gateway commercial building, customers are transported by 16 Schindler 300 P elevators with the Miconic 10 hall call destination system; Hyderabad, India

2 The elevators in the Ararat Park Hyatt Hotel are maintained by employees of the new ZAO Schindler subsidiary; Moscow, Russia

For the Europark leisure and shopping center, Schindler supplied several elevators, escalators, and moving walks; Sterboholly, Czech Republic



1



2

Morocco:

31 Schindler *Smart* MRL 001 elevators for the Koutoubia residential building, Casablanca; 4 Schindler *Smart* MRL 002 elevators for the La Gazelle Hotel, Marrakesh; 7 elevators for the ABS Agadir Hotel, Agadir; 4 Schindler *Smart* MRL DE elevators for the SCI Philippines office building, Casablanca; 2 Schindler *EuroLift* elevators, and 2 Schindler *Smart* MRL 002 elevators, for the High Tech Center, Rabat

Pakistan:

6 Schindler 500 elevators with Miconic 10 for the Muslim Commercial Bank office building, Karachi

Poland:

5 elevators, including 2 Schindler *Smart* MRL 002, and 4 Schindler 9500 moving walks, for the Auchan Wola shopping center, Warsaw; 17 Schindler *Smart* MRL 001 elevators for the Inpro residential building, Gdansk; 8 Schindler *Smart* MRL 002 DE elevators for SGGW High School, Warsaw; 8 elevators and 6 moving walks for the Galaxy shopping center, Szczecin

Russia:

10 elevators, including 7 Schindler *EuroLift*, and 10 Schindler 9300 escalators for the Arbat business



3

center, Moscow; 9 elevators, including 1 Schindler *EuroLift*, and 13 Schindler 9300 escalators for the Ikea home furnishing store, Moscow; maintenance contract for 11 elevators at the Ararat Park Hyatt Hotel, Moscow

Saudi Arabia:

12 Schindler 9300 escalators and 4 elevators for the Al Nakheel shopping center, Riyadh; 16 elevators and 2 Schindler 9300 escalators for the Al-Hashmie residential building, Medina

South Africa:

8 Schindler 9300 escalators, 9 Schindler 9500 moving walks, and 3 elevators for the International Airport, Johannesburg; 4 elevators for the Melrose Arch Hotel, Johannesburg; 15 elevators for the Preto-

ria Academic Hospital, Pretoria; modernization of 3 elevators at the Arnot Electric Power Station, Witbank; modernization of 3 elevators at the Post Office, Church Street, Pretoria

Sudan:

3 Schindler 500 elevators for the Khartoum Tower office building, Khartoum

United Arab Emirates:

6 Schindler 9300 escalators and 7 elevators for the Gulf Library and Study Center, Abu Dhabi; 10 Schindler 9500 moving walks and 4 elevators for the Al Shafir Mall commercial center, Sharjah

1 Tradition combines with modern elevator technology in the refurbished 5-star Esplanade Hotel; Máriánské Lázně, Czech Republic

2 Various Schindler escalators and elevators aid shoppers at the Wola Park shopping mall; Warsaw, Poland

3 2 Schindler 001 elevators for the Gordon House Hotel; Mumbai, India

Schindler 700: the new elevator for the high-rise segment with travel heights up to 500 meters







Panoramic elevator in the Holland Casino; Utrecht, Netherlands

hp scanjet 2300c

hp scanner / scanner digitale a superficie piana /
scanner numérique à plat

semplice

perfetto per le realizzazioni di
progetti creativi - dimensioni di
foto, oggetti in 3-D, testi e grafici
presentati in alta qualità

immagini di alta qualità

risoluzione fino a 600 x 1.200 dpi
a scansione in 30 sec.

plug-and-play

semplice installazione e
funzionamento via USB

semplice

ideale per i progetti creativi -
numerare le foto, creare 3D,
testi e grafici, in qualsiasi
momento e in ogni luogo

images haute qualité

résolution jusqu'à 600 x 1.200
ppp et sans attendre 30 sec.

plug and play

installation et utilisation faciles
via USB

contenuto della confezione

- scanner hp scanjet 2300c
- cavo usb
- manuale dell'utente
- software hp scanjet
- software hp scanjet per
"Microsoft Windows"
- software hp scanjet per
"Microsoft Windows"
- software hp scanjet per
"Microsoft Windows"

contenuto

- scanner hp scanjet 2300c
- câble usb
- manuel de l'utilisateur
- CD-ROM d'installation du
"Microsoft Windows"
- logiciel hp scanjet pour
"Microsoft Windows"

hp scanjet 2300c

Digitales Flachbettscanner / scanner digitale a superficie plana /
scanner numérique à plat

Einfach

Versandobjekt-ID:

772933

Für den Typ:

Einweg-



772933

Pallet Tag 120419-0608 / Shipping

Interdiscount
Div. der Coop Einzelhandels AG
Bernstrasse 98
3303 JEGENSTORF

Fach-Nr.:

B27

Diese Sendung besteht aus
34 XP mit 2000 KT
Datum: 17.12.2002
Also ABC Trading AG
Emmen

Identifikations-Nr.:

3687

Ihre Ref. Bestell-Nr.: 3500059128



(S)CN2ATS406T



(S)CN2ASS408P



(S)CN2ASS408M



(S)CN2ARS612Z



(S)CN2ARS60VB



(S)CN2ARS60V8



(S)CN2ARS60V0



(S)CN2ARS60TW



(S)CN2ARS60V7



(S)CN2ARS60TV



(S)CN2ATS406V



(S)CN2ARS60VH



(S)CN2ARS60VC



(S)CN2ASS408K



(S)CN2ARS60VJ



(S)CN2ARS612Y



(S)CN2ARS60V3



(S)CN2ARS611M



(S)CN2ARS613S

ALSO more competitive

The overall economic situation, and especially the IT market, is still difficult. Contrary to many expectations, in some quarters of 2002 the market was even worse than in the previous year, with most companies implementing further cuts in their IT expenditure.

ALSO, which is active in the IT logistics and services business, successfully withstood this trend in the market. The Management Committee was quick to recognize the worsening prospects, and consequently concentrated in the reporting year on securing income and strengthening the balance sheet. As a result, net profit in the reporting year was substantially higher than the previous year.

Pleasing developments in the Group

Despite a contraction in the market of more than 10%, net sales of the ALSO Group fell by only 4.1%. Against the disappointing market backdrop, ALSO generated a pleasing operating profit of CHF 30.7 million (2001: CHF 19.9 million). Net income rose by 77.5% to CHF 19.7 million after the previous year's CHF 11.1 million. Personnel numbers decreased again in 2002. In the reporting year, ALSO had a total of 1112 employees (2001: 1355). There was a further substantial increase in the equity ratio to 45.3%.



Strategic expansion of Distribution

Net sales in 2002 rose by 0.6% from CHF 1514.7 million to CHF 1523.2 million. Thanks mainly to growth in services, operating profit rose by 3.3% from the previous year's CHF 30.4 million to CHF 31.4 million. The Distribution Division continued to expand its logistics services. Following Swisscom Mobile and Sunrise, a third mobile telephone customer was won with Orange. Also in its core business, ALSO acquired the logistics for Swisscom IT Services, the largest independent provider of IT services in Switzerland.

An independent survey of retailers confirmed again in 2002 that the company had set the right focus on quality, process reliability, and service optimization. For the third year in succession, the Distribution Division was elected Best Distributor by the leading trade journals in both Germany and Switzerland.

1 Despite technological progress, logistics processes still include manual operations. An ALSO employee scans a barcode; Emmen, Switzerland

No barcode, no shipment: in the ALSO logistics center at Emmen, Switzerland, working without these aids is no longer imaginable



2



1

In the course of the reporting year, the Distribution Division pursued its strategy of internationalization further. A first step was completed with establishment of a pan-European alliance in the form of the European Wholesale Group. The four partners in the alliance offer vendors a platform for efficient and consistent access to a broad spectrum of retailers across Europe. Finally, to increase productivity further, the Distribution Division has initiated transnational standardization of its processes.

Substantial improvement in Systems Business

In the Systems Business Division, demand from the large customers segment again declined. Net sales in 2002 were CHF 130.0 million (2001: CHF 209.0 million). Although sales were lower, the operating result at CHF -0.4 million only just missed being a profit. This operating



3

loss of CHF -0.4 million was a substantial improvement on the previous year's loss of CHF -10.4 million. This success was achieved by rigorous cost management and uncompromising adaptation of the structures.

Ecological consciousness in the ALSO Group

The ALSO Group has been promoting ecological consciousness for many years. For example, as early as 1992 the company changed from disposable cardboard packaging to reusable boxes. Ecological aspects were taken into consideration when constructing the office building at Emmen, for example, by fitting all

rooms with automatic light sensors. Even in the business processes, the burden on the environment is reduced by combining delivery of multiple orders for the same customer into a single vehicle trip.

Cautious outlook for 2003

The economic environment will probably remain weak, and no significant recovery in demand is in sight at present. The Distribution Division will concentrate on securing income and increasing sales, especially by development of the product portfolio in Germany. At the start of 2003, the ALSO Group announced its intention of separating from the Systems Business Division. Through this concentration, the Group expects to be able to make faster use of opportunities in distribution. The transition to new ownership will enhance the prospects of the Systems Business Division, and allow further development of its potential. In view of the rapid pace of the IT industry, it is too early to make a forecast regarding the current year. However, looking further ahead and especially in view of the demand for logistic services, ALSO is confident that it will be able to achieve sustainable growth in net sales and income.

1 The logistics center at Emmen, Switzerland, is like a beehive. What appears chaotic is in fact a highly structured activity

2 Checked, coded, and ready for shipping

3 An order is assembled by hand

Swisscom Mobile is one of ALSO's largest customers for logistics services



Das neue Effizienz- und Preisvorteilsprogramm ist ab dem 13. Dezember 2002 für alle Kunden der Swisscom mobile verfügbar. Weitere Informationen sind unter www.swisscom.ch zu finden.

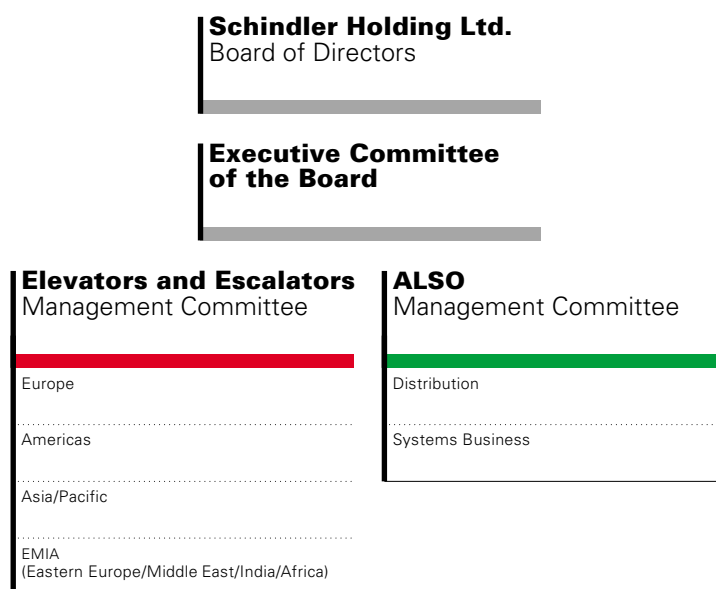
13.12.2002
11 70 488 88 83

Das neue Effizienz- und Preisvorteilsprogramm ist ab dem 13. Dezember 2002 für alle Kunden der Swisscom mobile verfügbar. Weitere Informationen sind unter www.swisscom.ch zu finden.

13.12.2002
11 70 488 88 83

Organization

Status January 1, 2003



Board of Directors Schindler Holding Ltd.

Term of office expires**

Alfred N. Schindler*

Chairman; Hergiswil, Switzerland 2005

Luc Bonnard*

Vice Chairman; Hergiswil, Switzerland 2005

Alfred Spörri*

Zug, Switzerland 2005

Prof. Dr. Dr. h.c. mult. Rolf Dubs

Professor emeritus at the University of St. Gallen; St. Gallen, Switzerland 2005

Walter G. Frehner

Formerly Chairman of the Board of Directors, Swiss Bank Corporation, Riehen, Switzerland 2005

Dr. Hubertus von Grünberg

Supervisory Chairman of the Board Continental AG; Hannover, Germany 2005

Scott D. Miller

President Hyatt Hotels Corporation; Chicago, USA 2005

Dr. Jenö C. A. Staehelin

New York, USA 2005

Robert Studer

Formerly Chairman of the Board of Directors, Union Bank of Switzerland, Schönenberg, Switzerland 2005

Lord Charles Powell of Bayswater KCMG, London, UK***

Former Advisor on Foreign Affairs and Defense to Prime Minister Margaret Thatcher

* Member of the Executive Committee of the Board

** Ordinary General Meeting in the year 2005

*** Nominated to be elected at the Annual General Meeting of March 24, 2003

Management Committee Elevators and Escalators

Peter J. Zbinden	President
David J. Bauhs	Deputy to the President; Americas
Miguel A. Rodríguez	Europe
Jürgen Tinggren	Asia/Pacific
Heikki Poutanen	Eastern Europe/Middle East/India/Africa (EMIA)
Jörgen Svenningsson	Technology and Strategic Supply Management
Brent Glendening	Chief Information Officer (CIO)
Erich Ammann*	Chief Financial Officer (CFO)
Dr. Rudolf W. Fischer*	Human Resources and Training
Prof. Dr. Karl Hofstetter	General Counsel

* Reporting directly to a member of the Executive Committee of the Board

Management Committee ALSO

Thomas C. Weissmann	President (CEO)
Jürgen Baumgartner	Chief Financial Officer (CFO)
Dr. Axel Keller	Distribution Germany
Marc Schnyder	Distribution Switzerland
Thomas Willenegger	Systems Business
Peter Zurbrügg	Chief Information Officer (CIO)

➤ For information regarding Corporate Governance according to the directive of the SWX Swiss Exchange, please refer to the chapter on Corporate Governance on page 60 of the separate Financial Statements and Corporate Governance.

Financial statements Group

Condensed

Operating panel of
Schindler Smart
MRL 002; Asturias,
Spain

The figures for 2002 are significantly affected by R03 project costs.
Further information is given on page 7 of the Financial Statements, and in the respective notes.

Balance sheet December 31	1998 [•]	1999 ^{••}	2000	2001	2002
In million CHF					
Current assets	2 978	3 335	3 381	3 436	3 621
Non-current assets	1 371	2 219	2 279	2 102	1 524
Total assets	4 349	5 554	5 660	5 538	5 145
Current liabilities	1 916	2 219	2 359	2 313	2 518
Non-current liabilities	1 316	2 000	1 847	1 777	1 437
Total liabilities	3 232	4 219	4 206	4 090	3 955
Minority interests	105	150	137	119	123
Shareholders' equity	1 012	1 185	1 317	1 329	1 067
Total liabilities and shareholders' equity	4 349	5 554	5 660	5 538	5 145

- After restatement and in compliance with IFRS
- As of 1999 in compliance with IFRS

Profit and loss statement	1998 [•]	1999 ^{••}	2000	2001	2002
In million CHF					
Operating revenue	6 594	7 657	8 530	8 327	7 888
Operating expenses	6 343	7 275	8 108	7 843	7 766
Operating profit	251	382	422	484	122
Financing activities	-17	-86	-53	-58	-62
Investing activities	84	29	5	17	2
Profit before taxes	318	325	374	443	62
Taxes	73	67	71	46	45
Profit before minority interests	245	258	303	397	17
Minority interests	21	20	4	18	9
Net profit	224	238	299	379	8

- Classified according to IFRS but not revalued
- As of 1999 in compliance with IFRS

Cash flow statements	1998	1999 [•]	2000	2001	2002
In million CHF					
Cash flow from operating activities	163	313	539	635	437
Cash flow from investing activities	-577	-694	-344	-94	90
Cash flow from financing activities	-7	488	-146	-251	-359
Translation exchange differences	-5	20	-10	-16	60
Change in net cash	-426	127	39	274	228

- As of 1999 in compliance with IFRS



Schindler

1	2	3
4	5	6
7	8	9
.	0	◀
▶	*	✖

Financial statements Schindler Holding Ltd.

Condensed

Balance sheet December 31	1998	1999	2000	2001	2002
In million CHF					
Current assets	397	679	465	701	836
Non-current assets	1 726	1 462	1 601	1 369	1 144
Total assets	2 123	2 141	2 066	2 070	1 980
Debtentures	350	800	785	785	590
Other liabilities	239	229	208	210	441
Total liabilities	589	1 029	993	995	1 031
Share capital	76	76	64	38	7
Bearer participation capital	61	61	50	29	6
Retained earnings	1 306	880	855	893	816
Net profit for the year	91	95	104	115	120
Shareholders' equity	1 534	1 112*	1 073	1 075	949
Total liabilities and shareholders' equity	2 123	2 141	2 066	2 070	1 980

* After extraordinary adjustment of investments in subsidiaries via elimination of other reserves (CHF 457 million)

Profit and loss statement	1998	1999	2000	2001	2002
In million CHF					
Income from subsidiaries	115	179	201	225	209
Other revenue	124	37	34	39	90
Total revenue	239	216	235	264	299
Depreciation and adjustments	97	57	85	108	139
Other expenses	51	64	46	41	40
Total expenses	148	121	131	149	179
Net profit for the year	91	95	104	115	120

Dividend payment	1998	1999	2000	2001	2002
In million CHF					
Registered shares	35	35	38	38	0*
Bearer participation certificates	27	27	29	29	0*
Total dividend payment	62	62	67	67	0*

* Proposal by the Board of Directors

Management Schindler Holding Ltd.

Erich Ammann

Peter E. Fraefel

Prof. Dr. Karl Hofstetter

Bernard Illi

Stephan Jud

Joachim Walker

Dr. Henry Zheng

Dividend Policy

The dividend policy approved and communicated by the Board of Directors is profit-related and provides for a payout ratio in the range from 25% to 35% (see also page 62).

The request not to pay a dividend for the reporting year was already announced at the last General Meeting on March 26, 2002, in association with plannend R03 project costs.

Information for shareholders

Charts

In the interest of greater transparency and comparability, the figures for 2002 which follow are, where relevant, also shown excluding R03 project costs.

Group	1998 [•]	1999 ^{••}	2000	2001	2002
In million CHF					
Orders received	6 604	7 695	8 750	8 426	8 029
Operating revenue	6 594	7 657	8 530	8 327	7 888
EBITDA ¹	451	532	624	680	349
in %	6.8	6.9	7.3	8.2	4.4
EBIT ²	251	382	422	484	122
in %	3.8	5.0	4.9	5.8	1.5
Net income from financing and investing activities	67	-57	-48	-41	-60
Profit before taxes	318	325	374	443	62
Profit before minority interests	245	258	303	397	17
in %	3.7	3.4	3.6	4.8	0.2
Net profit	224	238	299	379	8
Cash flow ³	394	329	417	555	430
Capital expenditure	177	158	157	122	105
Order backlog	2 954	3 689	3 713	4 039	3 486
Personnel at year-end	38 574	43 654	43 334	41 524	39 918
Shareholders' equity	1 012	1 185	1 317	1 329	1 067
Equity ratio	23.3	21.3	23.3	24.0	20.7
Equity ratio incl. minority interests in %	25.7	24.0	25.7	26.1	23.1

[•] Balance sheet positions after restatement and in compliance with IFRS

^{••} As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

² EBIT: Operating profit

³ Cash flow: Net profit before minorities interests plus depreciation/amortization and change in provisions

Key figures 2002 Group before charging R03 project costs

	2002
In million CHF	
EBITDA	665
in %	8.4
EBIT	498
in %	6.3
Net profit before taxes	448

Elevators and Escalators

	1998 [•]	1999 ^{••}	2000	2001	2002
In million CHF					
Orders received	5 325	6 028	6 852	6 658	6 344
Operating revenue	5 324	5 996	6 669	6 601	6 231
EBITDA ¹	427	482	612	654	313
in %	8.0	8.0	9.2	9.9	5.0
EBIT ²	236	342	422	471	95
in %	4.4	5.7	6.3	7.1	1.5
Personnel at year-end	37 543	42 140	41 763	40 169	38 806

[•] Balance sheet positions after restatement and in compliance with IFRS

^{••} As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

² EBIT: Operating profit

**Key figures 2002 Elevators and Escalators
before charging R03 project costs**

	2002
In million CHF	
EBITDA	629
in %	10.1
EBIT	471
in %	7.6

ALSO

	1998 [•]	1999 ^{••}	2000	2001	2002
In million CHF					
Orders received	1 279	1 667	1 898	1 768	1 685
Operating revenue	1 270	1 661	1 861	1 726	1 657
EBITDA ¹	40	46	18	33	40
in %	3.1	2.8	1.0	1.9	2.4
EBIT ²	31	36	6	20	31
in %	2.4	2.2	0.3	1.2	1.9
Personnel at year-end	1 031	1 514	1 571	1 355	1 112

• Balance sheet positions after restatement and in compliance with IFRS

•• As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

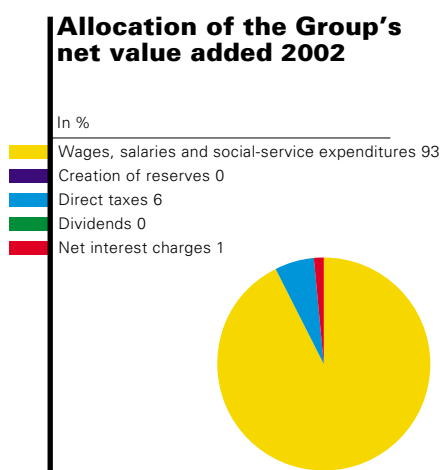
² EBIT: Operating profit

Holding

	1998	1999	2000	2001	2002
In million CHF					
Share capital	76	76	64	38	7
Bearer participation capital	61	61	50	29	6
Shareholders' equity	1 534	1 112 [•]	1 073	1 075	949
Debentures	350	800	785	785	590
Net profit for the year	91	95	104	115	120
Dividend payment	62	62	67	67	0^{••}

• After extraordinary adjustment of investments in subsidiaries via elimination of other reserves (CHF 457 million)

•• Proposal by the Board of Directors



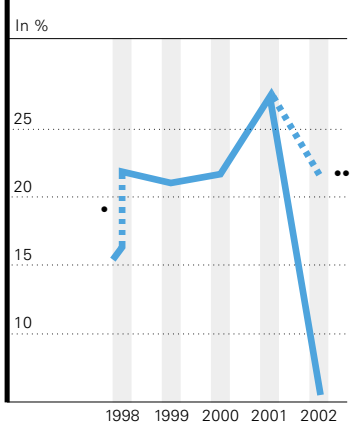
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

The net value added is calculated by subtracting the value of goods and services drawn on by other companies, as well as depreciations, from overall Group income.

The distribution of the Group's net value added shows how employees, the governments, the company itself, the shareholders, and other providers of finance participate in this economically relevant amount.

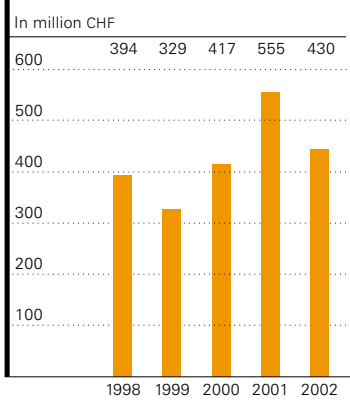
For complete information in compliance with IFRS please refer to the Financial Statements

Return on equity ROE

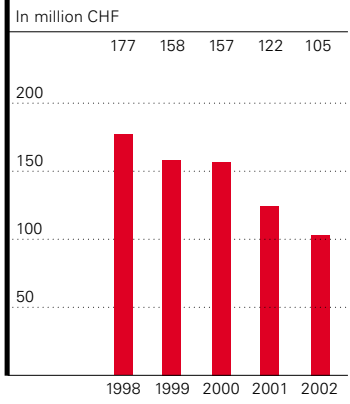


- 1998: IFRS-Restatement
- Before R03 project costs

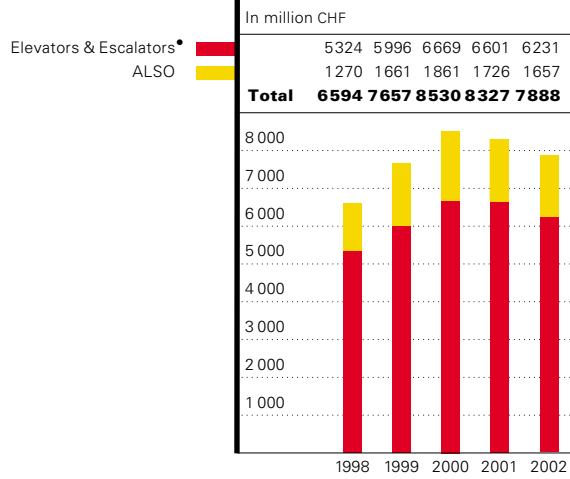
Cash flow



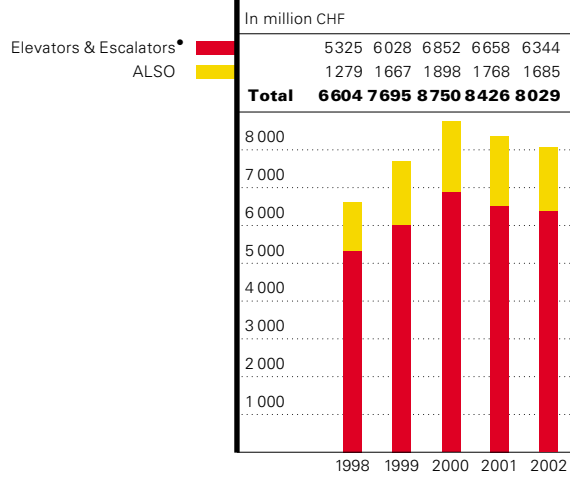
Capital expenditure



Operating revenue by product group



Orders received by product group

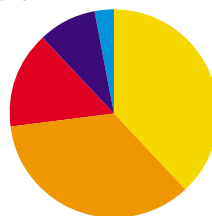


* Incl. other products

**Invoiced sales 2002
by market
Elevators & Escalators**

In %

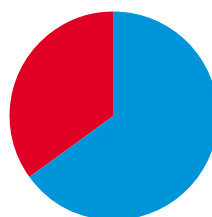
- Switzerland 9
- EU Countries 38
- Rest of Europe 3
- Americas 35
- Asia, Australia, Africa 15



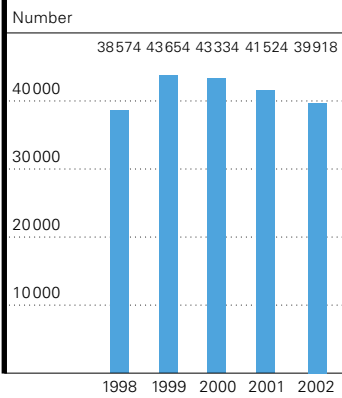
**Invoiced sales 2002
by market
ALSO**

In %

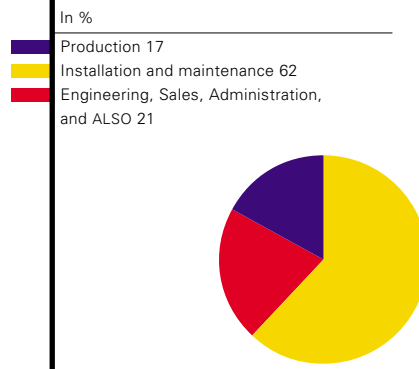
- Switzerland 65
- Germany 35



Personnel at the end of year

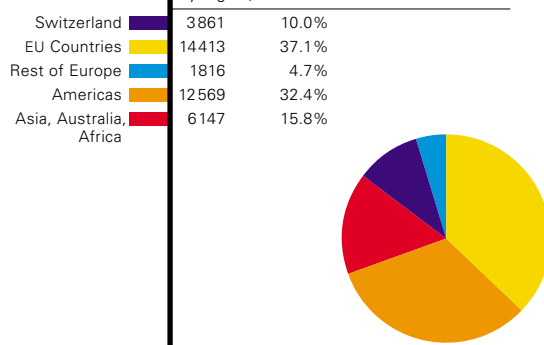


Personnel 2002 by sector



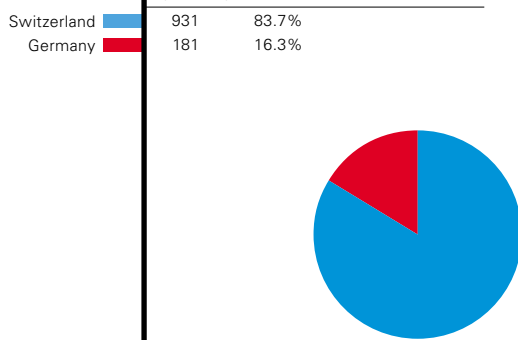
Personnel 2002 Elevators & Escalators

By region, total 38806



Personnel 2002 ALSO

By country, total 1112



The figures for 2002 are significantly affected by R03 project costs.
Further information is given on page 7 of the Financial Statements, and in the respective notes.

Information per registered share/ bearer participation certificate

	1998 [•]	1999 ^{••}	2000	2001	2002 [◦]
In CHF					
Net profit	164	174	222	282	0.62
Cash flow	288	240	310	413	33.43
Shareholders' equity at year-end	753	894	992	1 047	83.81
Gross dividend	45	45	50	50	0^{•••}
Pay-out ratio	% 27.5	25.9	22.5	17.7	-
Market capitalization (in million)	3 118	3 490	3 402	3 208	3 397

- Shareholders' equity after IFRS restatement
- As of 1999 in compliance with IFRS
- Proposal by the Board of Directors

Registered shares

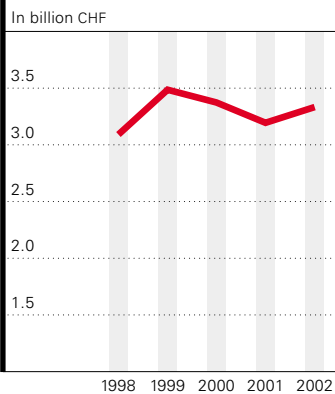
	1998	1999	2000	2001	2002 [◦]
In CHF					
Number of shares outstanding	763 066	763 066	752 866	752 866	7 356 820
Thereof in treasury stock	20 170	27 040	16 790	32 561	120 401
Nominal value	100	100	85	50	1
Price high	2 730	2 600	2 995	2 801	320.00
Price low	1 530	2 060	2 320	2 000	230.80
Price year-end	2 340	2 550	2 549	2 380	260.00
P/E ratio December 31	14.3 ×	14.7 ×	11.5 ×	8.4 ×	418.1 ×

Bearer participation certificates

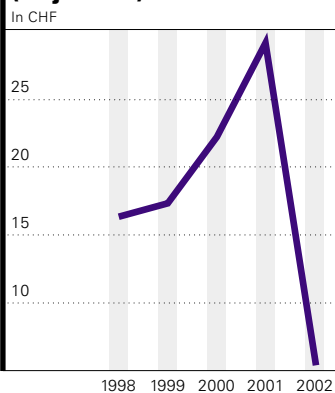
	1998	1999	2000	2001	2002 [◦]
In CHF					
Number of certificates outstanding	605 425	605 425	592 424	592 424	5 506 990
Thereof in treasury stock	4 004	15 444	1 410	42 880	11 550
Nominal value	100	100	85	50	1
Price high	2 710	2 620	2 925	2 700	321.80
Price low	1 209	2 050	2 320	2 050	225.00
Price year-end	2 200	2 550	2 503	2 390	269.50
P/E ratio December 31	13.4 ×	14.7 ×	11.3 ×	8.5 ×	433.3 ×

◦ After 10:1 split of registered shares and bearer participation certificates on June 11, 2002

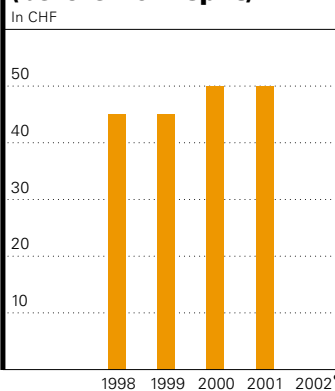
**Market capitalization
as of 31. 12.**



**Net profit per registered
share and bearer
participation certificate
(adjusted)**



**Dividends per registered
share and bearer
participation certificate
(before 10:1 split)**



* Proposal by the Board of Directors

Trading

	Registered share	Bearer participation certificate
Bloomberg	SCHN	SCHP
Reuters	SCHZN.S	SCHZP.S
Valor	1 391 412	1 391 410

Both the registered shares and the bearer participation certificates are traded on the SWX Swiss Exchange. The bearer participation certificates have the same rights as the registered shares with the exception of attendance at the Annual General Meeting and voting rights.

Significant shareholders

According to information published under stock exchange law, the Schindler and Bonnard families hold within the scope of a stockholder retainer contract 63.3% of the voting rights (4 654 680 registered shares) of the share capital of Schindler Holding Ltd. entered in the Register of Companies.

A further aspect of the shareholding structure is that other persons who have a close relationship to the parties to the stockholder retainer contract hold, together with these, more than two thirds of the voting rights. These other persons are not bound by a stockholder retainer contract. The voting rights held by shareholders who are not bound by a stockholder retainer contract are in each case less than 3%.

Ordinary General Meeting

Monday, March 24, 2003, 4.30 pm
at the Kultur- und Kongresszentrum
Luzern, Europaplatz 1,
CH-6005 Lucerne, Switzerland

Investor Relations

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www.schindler.com

**Operating panel of
the new Schindler-
EuroLift elevator;
Telenor Fornebu,
Oslo, Norway**



6

5

4

3

2

1



SCHLÜSSEL



Systematic development of environmentally-friendly products

An important entrepreneurial challenge is to match products and services not only to the requirements of the market, but also to those of the environment. This means extending relationships with internal and external partners beyond specialist disciplines to search for solutions which are innovative. Schindler has integrated the methodical approach needed to achieve this into its product development process. This is all the more important since studies have shown that the environmentally relevant burdens which arise while an elevator system is in service, and during the materials-preparation phase, are substantially greater than those which occur during manufacturing. For this reason, Schindler focuses on product development.

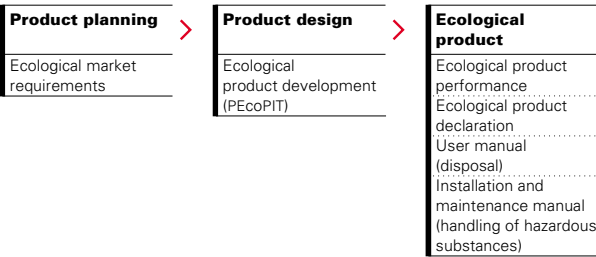
The objective of an environmentally compatible product management is to save raw materials and energy, avoid emissions which pollute the environment or are harmful to health, and to either avoid waste throughout the entire product life cycle, or reduce its impact if it cannot be avoided. This extends from the planning and development phase, through provision of materials, manufacture, installation, logistics, use, and maintenance, to disposal of the entire elevator installation or parts of it.

Planning and design of ecological products

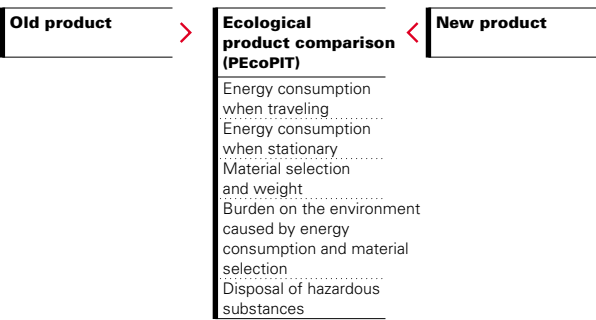
When products are being planned, the relevant ecological requirements and risks must be determined by considering both the needs of the market and the technologies available. The ecological criteria applying to the design of the elevator, its subsystems and components, are already defined in the respective specifications. Key requirements at the product planning stage are

energy and material efficiency, and the environmentally compatible disposal of individual components. During product design, environmental aspects are taken into account with respect to material preparation, manufacturing, installation, operation, maintenance, and dismantling. Comparisons are made between different solutions, lists of prohibited materials and materials to be avoided are taken into account, suppliers are informed of product-related environmental requirements, and instructions for disposal of materials are drawn up. The PEcoPIT ecological product performance method developed by Schindler is based on a comparison between the old and the new product. The results are used to improve the new products.

Ecological product development



Ecological product comparison (PEcoPIT)



Energy efficiency of elevators

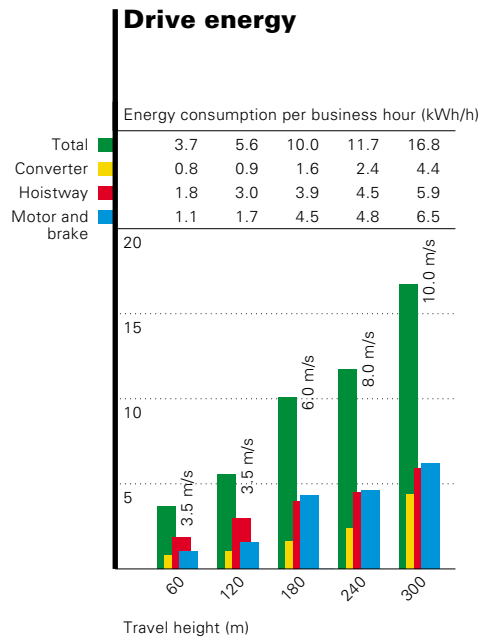
There is a need to find the best possible balance between the energy consumption of the drive, the traffic pattern, and the physiological well-being of passengers.

A program developed by Schindler can be used to calculate the energy consumption of a drive based on a particular traffic pattern and a number of parameters such as travel height, rated load, and rated speed. The energy in kWh/h consumed by the Schindler 700 elevator in five different operating situations, at a time of day when the traffic pattern is normal, is calculated for different travel heights. The lost energy is made up of losses from the motor, stopping brakes, power converter, and hoistway. Energy recuperated into the power supply is taken into account.

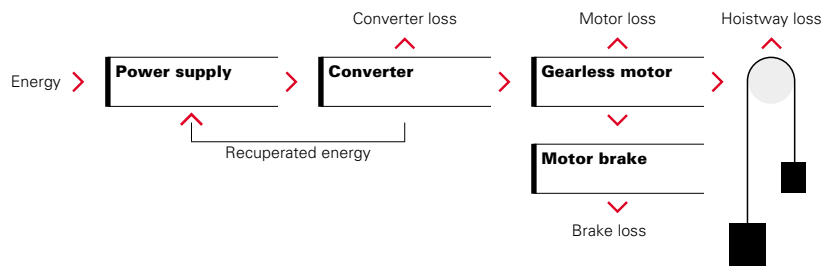
The traffic pattern is also measured, and a traffic matrix drawn up with information about the number of upward and downward trips, the distance traveled, and the load in the car. Elevator kinematics describes the motion of an elevator car in a hoistway, regardless of mass or force. The objective is to find the maximum acceleration and jerk (change in acceleration) which passengers can tolerate without discomfort, so as to guarantee maximum ride comfort.

1 + 2 = 3 Calculation program for drive energy

Energy consumed by an elevator during one business hour



1 System model

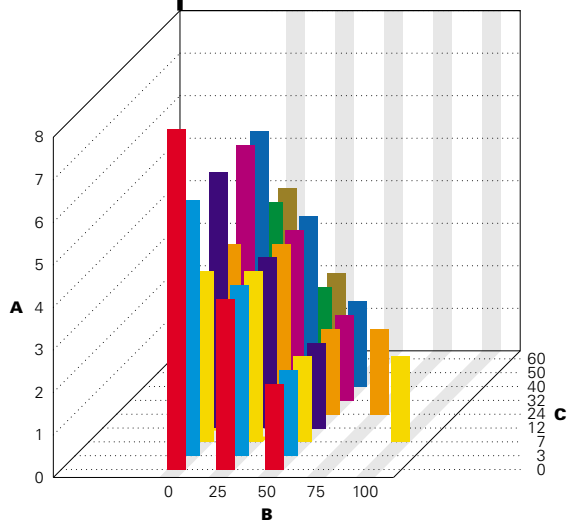


Components of the drive energy calculation

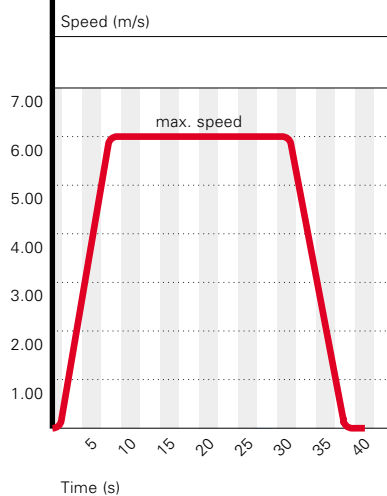
2 Traffic matrix

110 trips up and down per hour
In-operation time 50%
Travel height 180 m

- A** Number of trips during one business hour
- B** Load in car (%)
- C** Travel distance (number of stories)

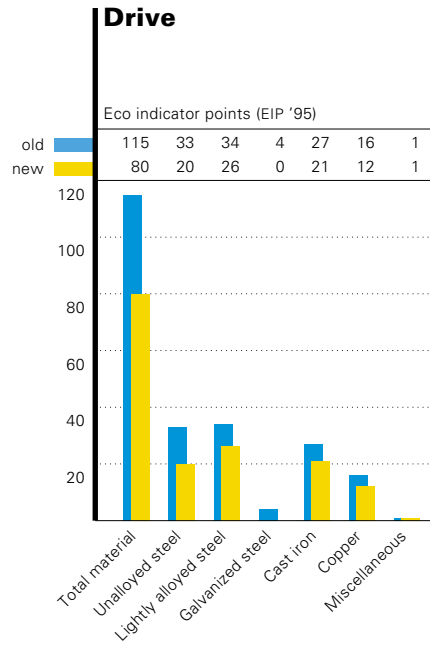
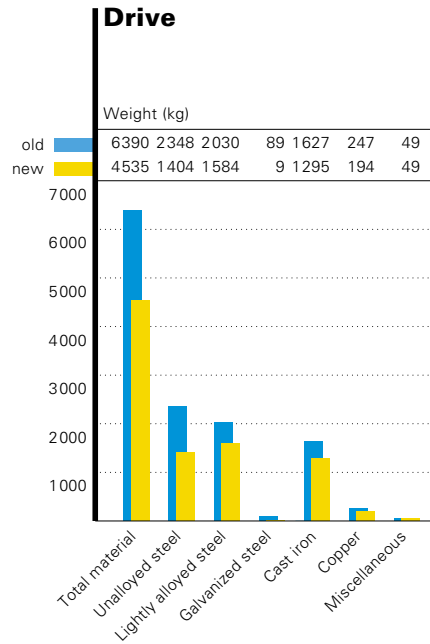


3 Trip profile



Environmentally-friendly drive machines for Schindler 700

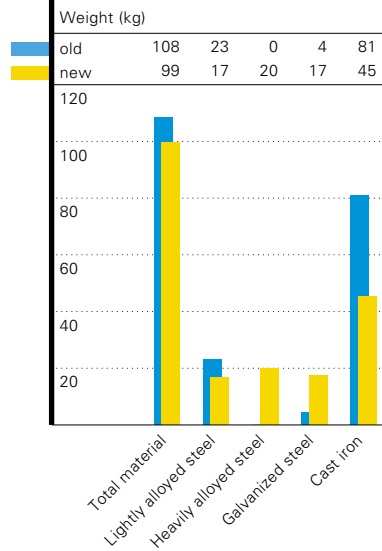
The drives Schindler has developed for its high-performance elevators are based on asynchronous motor technology. Although at full speed and partial load, less energy would be used by the alternative, synchronous type of motor, it was decided to use asynchronous technology after finding that more than three quarters of the energy consumed in a trip is used in the acceleration and braking phases. By systematically planning environmentally-friendly products, the environmental impact from the materials used in the drive was substantially reduced. Savings of about 30% on weight were also achieved. Besides this, the drives are easy to maintain and have a very long service life. Thanks to their compact design, the machines not only measure about 40% less around their circumference: they can also be dismantled, and then reassembled quickly and easily in very tight machine rooms.



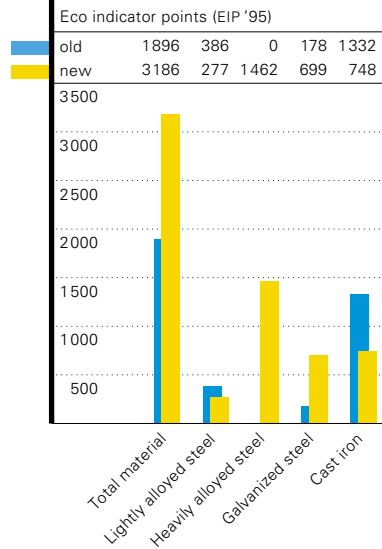
Positive environmental performance of ceramic safety gear

The most important safety component on every elevator is the safety gear, even though it is only intended for extreme emergencies. If the speed of the car exceeds a pre-defined nominal value, it is automatically brought to a controlled emergency stop by triggering the safety gear. In the case of a high-performance elevator such as the Schindler 700, the brake linings then reach temperatures up to 1200 degrees Celsius. Conventional steel brake linings cannot withstand this amount of heat, unless they are built much larger. For this reason, Schindler uses brake linings made from ceramic, which improve braking performance by more than 33%, with a 65% reduction in volume, and 35% less weight. Whereas safety gear with steel wedges damaged the guide-rails when prescribed safety tests were performed, the new brake linings do not cause wear or damage to the installation or elevator system when they are periodically tested, and they are also easy to install and adjust. These factors, as well as the much longer service life, have an overall positive effect on the energy balance of the elevator. The ceramic safety gear therefore fulfills the environmental requirements demanded of it.

Safety gear



Safety gear



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The Annual Report of the Schindler Group for 2002 consists of the Activity Report and the Financial Statements and Corporate Governance.

The original German language version is binding. English, French, and Spanish translations of the Activity Report are also available. The Financial Statements and Corporate Governance are published in German and English only.

Overall responsibility and concept

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«Good Corporate Governance
rests on individuals – regulatory activism
is like «nailing jelly to the wall».»

Alfred N. Schindler

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Annual Report 2002 Financial Statements
Corporate Governance



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Financial Statements

Consolidated balance sheet

Assets		31.12.2001		31.12.2002	
In million CHF	Notes		%		%
Current assets					
Cash on hand		960	17.3	1 181	23.0
Securities	3	125	2.3	231	4.5
Accounts receivable	4	1 331	24.0	1 282	24.9
Taxes receivable		40	0.7	47	0.9
Net assets of production orders in progress	5	481	8.7	414	8.1
Inventories	6	418	7.5	341	6.6
Prepaid expenses and accrued income		81	1.5	125	2.4
Total current assets		3 436	62.0	3 621	70.4
Non-current assets					
Fixed assets	7	743	13.4	600	11.7
Intangible assets	8	782	14.1	544	10.5
Investments in associates	9	56	1.0	42	0.8
Financial assets	10	247	4.5	65	1.3
Deferred taxes	11	220	4.0	226	4.4
Employee benefits	12	54	1.0	47	0.9
Total non-current assets		2 102	38.0	1 524	29.6
Total assets		5 538	100.0	5 145	100.0

Liabilities and shareholders' equity

		31.12.2001		31.12.2002	
In million CHF	Notes		%		%
Liabilities					
Current liabilities					
Financial debts	15	164	3.0	252	4.9
Accounts payable	13	793	14.3	768	14.9
Taxes payable		85	1.5	86	1.7
Net liabilities of production orders in progress	5	487	8.8	433	8.4
Accrued expenses and deferred income	14	613	11.1	744	14.5
Provisions	16	171	3.1	235	4.6
Total current liabilities		2 313	41.8	2 518	49.0
Non-current liabilities					
Financial debts	15	1 118	20.2	756	14.7
Provisions	16	202	3.6	269	5.2
Deferred taxes	11	86	1.6	67	1.3
Employee benefits	12	371	6.7	345	6.7
Total non-current liabilities		1 777	32.1	1 437	27.9
Total liabilities		4 090	73.9	3 955	76.9
Minority interests		119	2.1	123	2.4
Shareholders' equity					
Share capital and bearer participation certificate capital	29	67	1.2	13	0.3
Share premiums		259	4.7	133	2.6
Treasury stock		-166	-3.0	-28	-0.6
Fluctuations in value of financial instruments		-13	-0.2	11	0.2
Translation exchange differences		-193	-3.5	-381	-7.4
Retained earnings		1 375	24.8	1 319	25.6
Total shareholders' equity		1 329	24.0	1 067	20.7
Total liabilities and shareholders' equity		5 538	100.0	5 145	100.0

Consolidated profit and loss statement

In million CHF	Notes	2001		2002	
			%		%
Operating revenue	17	8 327	100.0	7 888	100.0
Material cost		3 223	38.7	3 123	39.6
Personnel cost	18	3 057	36.7	2 925	37.1
Other operating cost	19	1 405	16.9	1 305	16.5
Depreciation and amortization	7, 8	196	2.4	227	2.9
Change of provision	16	-38	-0.5	186	2.4
Total operating cost		7 843	94.2	7 766	98.5
Operating profit		484	5.8	122	1.5
Financing activities	20	-58	-0.7	-62	-0.8
Investing activities	21	17	0.2	2	0.0
Profit before taxes		443	5.3	62	0.8
Income taxes	22	46	0.5	45	0.6
Profit before minority interests		397	4.8	17	0.2
Minority interests		18	0.2	9	0.1
Net profit		379	4.6	8	0.1
Earnings per share					
Basic earnings per share and BPC	30	in CHF	28.90	0.63	
Diluted earnings per share and BPC	30	in CHF	28.90	0.61	

R03 (run rate 03) project costs in the consolidated financial statements for 2002

In the first quarter of 2002, a large number of important projects were approved by the Board of Directors. The purpose of these projects is to achieve further operational progress, and to increase the EBITDA margin of the elevators and escalators business to 14% in the medium term. This target reflects the expectation of corporate management, and does not form part of the report of the Group auditors.

The present strategic environment, characterized as it is by great geopolitical uncertainty, low growth, global overcapacity in many industries, falling prices, and unpredictability of many factors, has induced corporate management to drastically accelerate a number of projects along the time axis.

The annual results for 2002 are significantly affected by the costs of these special projects. As already announced at an earlier stage, almost one year's net profit is being invested in increasing productivity, improving geographical positioning, and in projects for expansion.

In the interest of transparency and comparability, the information following below is given. It shows key figures for the Group before charging the R03 project costs totaling CHF 386 million.

Key figures for the Group before charging R03 project costs

In million CHF	2001		2002		Δ %
		% operating revenue		% operating revenue	
EBITDA	680	8.2	665	8.4	-2.2
EBIT	484	5.8	498	6.3	+2.9
Profit before taxes	443	5.3	448	5.7	+1.1
Net profit	379	4.6	288	3.7	-24.0

More detailed information about the project costs and where they occurred is contained in the "Notes to the consolidated financial statements".

Because of the varying effects on cash flow of the individual projects, the different stages they have reached, and the corresponding accruals and provisions, only some of the costs incurred throughout the Group in the 2002 reporting year have an effect on liquidity.

	2002
In million CHF	
Costs affecting liquidity	135
Costs not affecting liquidity	251
of which provisions	156
depreciation on fixed assets and goodwill	60
other expenses	35
Total R03 project expenses (of level of profit before taxes)*	386

* equals the effect on "Elevators and Escalators"

Consolidated cash flow statement

In million CHF	Notes	2001	2002
Profit before minority interests		397	17
Depreciation and amortization		196	227
Change of provision		-38	186
Other positions with no effect on liquidity		-38	-4
Change of securities		-36	-117
Change of remaining net working capital		154	128
Cash flow from operating activities		635	437
Additions to			
Fixed assets		-122	-105
Intangible assets		-28	-11
Investments in associates		-4	-5
Financial assets		-20	-8
Disposals of			
Fixed assets		38	26
Intangible assets		-	1
Investments in associates		1	-
Financial assets		43	201
Additions/disposals of investments in subsidiaries	23	-2	-9
Cash flow from investing activities		-94	90
Change of financial debts		24	-243
Additions/disposals treasury stock		-128	8
Capital increase (minority interests)		-	6
Payment of dividends and partial repayment of nominal value by Schindler Holding Ltd.		-113	-115
Dividends paid to minority shareholders		-34	-15
Cash flow from financing activities		-251	-359
Translation exchange differences		-16	60
Change in net cash	23	274	228
Net cash at the beginning		620	894
Net cash at the end		894	1 122
Income taxes paid		115	103
Interests paid		81	72
Interests received		55	40
Dividends received from associated companies		31	15

Statement of shareholders' equity

In million CHF and BPC capital [•]	Share premiums [•]	Share stock ^{••}	Treasury exchange differences	Translation in value of financial instr.	Fluctuations earnings	Retained	Total
December 31, 2000	114	259	-38	-80		1 062	1 317
Restatement IAS 39					-4		-4
Dividends						-66	-66
Partial repayment of nominal value	-47						-47
Additions/disposals treasury stock			-128				-128
Net profit						379	379
Financial instruments available for sale					-1		-1
Hedging transactions					-8		-8
Translation exchange differences				-113			-113
December 31, 2001	67	259	-166	-193	-13	1 375	1 329
Dividends						-64	-64
Elimination of own shares and participation certificates	-3	-128	131				0
Partial repayment of nominal value	-51						-51
Additions/disposals treasury stock		1	7				8
Options for participation plan (fair value)		1					1
Net profit						8	8
Financial instruments available for sale					2		2
Hedging transactions					22		22
Translation exchange differences				-188			-188
December 31, 2002	13	133	-28	-381	11	1 319	1 067

[•] See also Note 29

^{••} The acquisition value of the shares and bearer participation certificates included in treasury stock is deducted openly from equity

Notes

to the consolidated financial statements

1 Activities of the company

In its core business (79% of consolidated turnover) Schindler is the world's largest supplier of escalators and second largest supplier of elevators, with local companies for production, installation, maintenance, and modernization in the most important markets worldwide. In 2002, turnover in this segment was CHF 6.2 billion. Schindler also owns 64.5% of the ALSO Group, which is active in the IT logistics and services field, listed on the Swiss Exchange, and in 2002 had net revenue of CHF 1.7 billion. ALSO is the leading company in the IT industry as a logistics and service company in Switzerland, and also holds a strong position in Germany.

2 Principles of consolidation and valuation

2.1 General principles

The accounting and reporting principles applied to these consolidated financial statements comply with Swiss corporation law as well as with "International Financial Reporting Standards" (IFRS), formerly IAS.

Newly enacted interpretations of the International Financial Reporting Interpretations Committee (IFRIC) were also applied.

The financial statements based on IFRS contain assumptions and estimates which affect the figures shown in the present report. The true results may differ from these estimates.

2.2 Changes to the accounting principles

For the first time in the reporting year, the fair value of the option premium from the capital participation plan (see Note 28) as calculated by the Black-Scholes method is recognized in the profit and loss account and charged to personnel expenses over the vesting period of three years. The value of options allocated in 2001 was CHF 0.3 million, and the previous year has been adjusted retrospectively.

2.3 Scope of consolidation

The consolidated financial statements include the annual financial statements of Schindler Holding Ltd., Hergiswil, Switzerland, and all subsidiaries in which Schindler Holding Ltd. directly or indirectly holds a majority of voting rights or which Schindler Holding Ltd. otherwise controls. The essential affiliated companies and unconsolidated subsidiaries are listed on pages 56 to 58.

During the reporting year ZAO Schindler, Moscow, was added to the scope of consolidation, as well as a number of smaller companies with no material effect. The effect of these first-time consolidations on Group operating revenue and Group operating profit is less than 0.5%.

Also in the reporting year, the remaining Chinese shareholdings in China-Schindler Elevator Co. Ltd., Beijing/Shanghai, were acquired. This company is now owned to 92.8% by Schindler Holding Ltd., and to 7.2% by Jardine Schindler (Pacific) N.V.

2.4 Method of consolidation

The consolidated accounts are based on the annual financial statements of the individual subsidiaries. All companies follow uniform valuation and reporting practices prescribed by the Group.

Applying the full consolidation method, the assets, liabilities, income, and expenses of all affiliates are included in their entirety. Minority interests in equity and profit are disclosed separately in the consolidated balance sheet and the consolidated profit and loss statement.

Intercompany revenues and expenses, as well as assets and liabilities, are eliminated in the consolidation process. Profits on intercompany inventory and supplies not yet realized through sales to third parties are eliminated within the framework of consolidation.

Investments in companies with voting rights between 20% and 50% are defined as "investments in associates" and are accounted for according to the equity method.

This difference between the acquisition price and the net asset value of holdings in associated companies is recognized and reported as goodwill.

2.5 Acquisitions and goodwill

Companies are consolidated from the date at which control is acquired. The identifiable assets and accounts payable are revalued and included according to the purchase method. Any difference between the cost of acquisition and the net assets acquired constitutes goodwill and is amortized straight-line over the expected useful life of maximum 20 years. Wherever possible, goodwill is transferred to the acquired company by push-down accounting, and therefore recognized in local currency. The value of recorded goodwill is reviewed periodically, and if management determines that an impairment in the net book value of the goodwill exists, an impairment loss is recognized if this should be necessary.

If a subsidiary is sold, the difference between the selling price and the net assets plus the accumulated translation exchange differences is reported as operating profit in the consolidated profit and loss statement.

2.6 Translation of foreign currency

Foreign currency transactions are recorded at the spot rate as of the transaction date. Gains and losses resulting from foreign currency transactions and from the adjustment of foreign currency assets and liabilities at the balance sheet date are recognized in the profit and loss statement.

The annual statements of the Group's foreign subsidiaries are translated into Swiss francs as follows:

- balance sheet at the year-end exchange rate
- profit and loss statement at the annual average exchange rate
- cash flow statement at the annual average exchange rate

Currency translation differences which arise when calculating the consolidated net profit at average and year-end exchange rates, or from transactions in shareholders' equity, are included in consolidated shareholders' equity.

The following exchange rates have been applied for the most significant foreign currencies concerned:

			2001	2002	2001	2002
			Year-end exchange rates	Year-end exchange rates	Average exchange rates	Average exchange rates
USA	USD	1	1.68	1.39	1.69	1.56
Euro countries	EUR	1	1.48	1.45	1.51	1.47
Great Britain	GBP	1	2.43	2.23	2.44	2.34
Brazil	BRL	100	70.54	39.23	73.17	55.31
China	CNY	100	20.28	16.78	20.41	18.82

2.7 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

- Financial assets held for trading. These are acquired principally for the purpose of generating a profit from short-term fluctuations in price.
- Financial investments held to maturity. These are investments with a fixed term which the company has the positive intent and ability to hold to maturity.
- Financial instruments originated by the company. These comprise loans and receivables created by the company.
- Financial instruments available for sale, which include all financial instruments not assignable to one of the above-mentioned categories.
- Financial liabilities mainly comprise financial debts, which are valued at their (discounted) costs. Liabilities arising from trading activities, and derivatives, are valued at market values.

The first-time valuation of the financial assets are recognized at purchase cost, including transaction costs. All purchases and sales of financial assets are recognized on their trading date. Financial assets held for trading are valued at their market value. Any value adjustments are recorded in financial income/expense for the respective reporting period. Financial instruments held to maturity are valued by the effective interest method, or at purchase cost. Financial instruments available for sale are recognized at market value, changes in market value (after tax) being recorded in shareholders' equity. At the time of sale, impairment, or other disposal, the accumulated gains and losses recorded in shareholders' equity are reported in financial income/expense for the current period.

Assets included in the balance sheet other than at their market value and through the profit and loss statement are tested for impairment according to Note 2.22, "Impairment of assets". Financial assets are derecognized when Schindler gives up its control over them, i.e. when the rights associated with them are sold or expire. Financial liabilities are derecognized when they are repaid.

Long-term financial liabilities are valued by the effective interest method. The interest expense therefore includes not only the actual interest payments, but also the annual discounted amounts and pro rata transaction costs.

Derivative financial instruments are initially recognized at their purchase price including transaction costs. Sales and purchases are recorded on the date of trading and subsequently carried at market value. Schindler only uses hedge accounting selectively for individual transactions. The foreign currency transaction risk is generally hedged, but such transactions are not recorded as cash flow hedges.

Fluctuations in value of items held for the purpose of hedging future cash flows are recorded in shareholders' equity if the requirements regarding documentation, probability, effectiveness, and reliability of measurement are fulfilled. When the hedged asset or liability is recorded for the first time, the fluctuations in value recorded in shareholders' equity are included in the underlying transactions or, if expense or income is involved, taken out of equity and included in the profit and loss statement at the time of recognition. Fluctuations in value of items which do not fulfil the requirements for hedging transactions are recorded in the financial result directly.

If the hedging relates to investments in subsidiaries, the fluctuations in value of the hedging transaction which are recorded in shareholders' equity are only included in the financial result if the subsidiary is sold.

2.8 Segment reporting

The segment reporting reflects the structure of the Schindler Group.

The primary segmentation covers the business units "Elevators and Escalators (E&E)" and "ALSO" as well as central financing activities which are included in "Finance" (including eliminations). The unit "Elevators and Escalators" includes production and installations of new equipment as well as modernization, maintenance and repairs of existing installations. "ALSO" is operating in the IT industry as a logistics and service company.

The secondary segmentation represents geographical areas (continents). Because the area comprising Eastern Europe, Middle East, India, and Africa (EMIA) represents only a relatively low portion of the Group, it is consoli-

dated in the segments Europe and Asia/Australia/Africa respectively. The ALSO Group is only active in Europe; thus, this unit is excluded from the geographical segmentation.

Assets and liabilities cover all balance sheet positions which are directly, or on a reasonable basis, attributable to a segment.

2.9 Cash on hand

Cash on hand includes cash, bank deposits and time deposits with an original maturity of maximum three months.

2.10 Securities

Marketable securities within current assets include all securities which can be readily realized, including time deposits with a maturity ranging from 3 to 12 months.

Time deposits in Swiss francs are recorded at original cost. Time deposits in foreign currencies are translated at the exchange rate on the date of the balance sheet.

Securities within non-current assets are composed of investments in companies in which there is an intention of lasting participation as well as time deposits with a maturity of more than 12 months.

Marketable securities included in current assets are valued at market value. Fluctuations in value are recorded in the profit and loss statement.

Securities included in non-current assets are mainly held as "financial instruments available for sale". They are valued at market value, and fluctuations in value are recorded in shareholders' equity. When such securities are sold, impaired, or otherwise disposed of, the accumulated gains or losses since they were purchased which have been recorded in shareholders' equity are reported in the financial result for the current period.

2.11 Accounts receivable

Trade accounts receivable, as well as other receivables, are reported at nominal values less adjustments necessary for commercial reasons.

2.12 Inventories

Inventories are valued at the lower of purchase or manufacturing cost and net realizable value.

Costs are evaluated according to the weighted average cost method. Pro rata direct overheads are included in inventories. Slow-moving items are partially amortized; obsolete items are fully written off.

2.13 Production orders in progress, revenue and profit recognition

Both in-plant and on-site production orders are accounted for according to the percentage of completion method. The respective stage of completion is evaluated via individual progress calculations or through cost estimates.

Accordingly, the pro rata revenue is recognized in the profit and loss statement. In the balance sheet, work in progress offset by customers' down payments is recognized as net assets or net liabilities of production orders in progress.

Foreseeable losses on production orders in progress are provided for immediately (see also Note 16).

Revenue from other customers' orders (e.g. service) is recognized as operating revenue at the time of performance.

2.14 Fixed assets

Fixed assets are carried at acquisition value less accumulated depreciation. The cost of liabilities is not included in the acquisition value.

Planned straight-line depreciation is allocated systematically over the estimated useful lives of the assets. As a rule, land is not depreciated.

Losses in value due to impairment (see Note 2.22) are recognized as depreciation and reported separately.

Non-operating real estate is recorded under fixed assets where it is carried and depreciated according to the same criteria as operating real estate. Non-operating real estate is real estate (land and/or buildings, or parts thereof) which is held for the purpose of generating rental income and/or for a currently undetermined future use.

The market values of this real estate listed separately in Note 7 are based on estimates and/or assumptions (external valuations, discounted cash flow calculations, comparisons with values of similar properties, etc.).

Maintenance costs are recognized in the balance sheet if they increase the useful life or production capacity.

Non value-adding costs of maintenance and repairs are recognized immediately as expenses in the profit and loss statement.

The estimated useful lives in years of the major classes of fixed assets are as follows:

Buildings	20–40
Machines and tools	5–10
Furniture	10
EDP	3–5
Vehicles	5–10

2.15 Intangible assets

Intangible assets consist of goodwill, service contracts purchased from third parties, licenses, patents, trademarks and similar rights as well as software.

Other classes of intangible assets are amortized straight-line over their estimated useful lives, which usually do not exceed 5 years. Goodwill and service contracts are amortized over a period of maximum 20 years.

Losses in value due to impairment (see Note 2.22) are recognized as depreciation and reported separately.

2.16 Provisions

Provisions for commitments and contingencies are recognized if the Group has a present obligation to a third party, which has arisen from a past event, and if a reasonable estimate of that obligation can be made. Possible losses from future events are not recognized in the balance sheet.

2.17 Employee benefits

There are various employee benefit plans in existence within the Group, which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension/insurance funds, or by recognition as employee benefit liabilities in the balance sheets of the respective Group companies.

For defined contribution plans as well as for multiemployer plans for which the costs associated with the defined benefit plan are not known, the net periodic cost to be recognized in the profit and loss statement equals the contributions made by the employer.

In the case of defined benefit plans the net periodic cost is determined by an actuarial valuation by external experts, performed at a minimum every 3 years, using the projected unit credit method. Obligations under defined benefit plans are covered either by plans with separate capital (funded), in which the assets are managed separately from those of the Group by autonomous benefit funds, or by plans without capital (unfunded) but with corresponding liabilities in the balance sheet.

For defined benefit plans with separate capital (funded), the under- or over-coverage of the cash value of the rights by the capital at market values is reported in the balance sheet as a liability or asset, taking into account any unrecorded actuarial gains or losses or outstanding rights. Any assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions or repayments; liabilities, on the other hand, are included at their full value.

Actuarial gains and losses result mainly from changes in actuarial assumptions, or from differences between actuarial assumptions and effective values. Actuarial adjustments or effects resulting from changes to plans which exceed the so-called corridor of 10% are credited or debited to employee benefit costs of the average remaining working life of the insured employees.

Other employee benefits (e.g. service anniversary awards) are valued by the same method and included in the balance sheet under employee benefits.

2.18 Deferred taxes

Deferred taxes are recognized in accordance with the comprehensive liability method. Thus, the impact on income taxes from temporary differences arising from differences between Group values and the corresponding tax basis is recorded as either non-current liability or non-current asset, using the effective or the expected local tax rates. The change in deferred tax assets and liabilities is recognized as income tax.

Passive deferred taxes are calculated on all taxable temporary differences.

Deferred tax assets including assets for unused tax loss carryforwards and expected tax credits are only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

2.19 Financial Risk Management

Group accounting guidelines regulate all affiliates' management of liquidity as well as the procurement of short- and long-term financing. In order to optimize the Group's financing requirements, the management of non-operating liquidity as well as long-term Group financing is centralized. Schindler is thereby ensured both a means to cost-efficient financing as well as optimized liquidity levels based on the Group's overall payment obligations.

Interest rate risk

Interest rate risks result from changes in interest rates which could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and cost of interest-bearing assets or liabilities. They can also, as explained below under Market risk, affect the

market value of certain financial assets, liabilities, and financial instruments. The management of long-term interest rate risk is achieved centrally. Presently, the major part of the Group's long-term refinancing is at fixed interest rates (see Note 15). Local, short-term interest rate risk is generally not hedged by Group companies.

Foreign exchange risk

The Group is active all over the world and therefore exposed to fluctuations in exchange rates which affect the value of Group assets and income reported in Swiss francs.

Foreign exchange transaction rate risk is hedged and minimized via the Group-wide limitation to two internal invoicing currencies (EUR/USD); netting offsetting risks is thus achieved to the fullest possible extent. A significant portion of expenditures and revenues occur in local currencies, such that the entire transaction rate risk of the Group is markedly less than 10% of sales. Foreign exchange translation differences arising in consolidation are recorded and disclosed within shareholders' equity of the Group.

Market risk

Changes in the market value of financial assets, liabilities, or financial instruments can affect the capital or income of the Group. Changes in the market value of long-term investments held for strategic reasons, except where a permanent loss in value can be foreseen, do not affect the book value of the investment. In connection with the management of its liquid resources, the Group holds securities. The risk of loss in value is minimized by very thorough analysis before purchase, and by continuously monitoring the performance and risks of the investments.

Credit loss risk

Credit risks arise from the possibility that the counterpartner to a transaction is unable or unwilling to fulfil its obligations and that the Group thereby suffers financial damage.

Counterparty risks are minimized and monitored via strictly limiting our associations to first-class business partners.

Trade receivables are monitored on an ongoing basis via Group management reporting procedures. Based on consistent Group accounting guidelines, the necessary valuation adjustments are made locally and reviewed by Group management.

Derivative financial instruments

Derivative financial instruments are utilized in the scope of Group asset and liability management in order to optimize and hedge the flow of goods and financial positions. The table on page 35 shows the contract value of financial instruments outstanding at the balance sheet date. The positive/negative gross repurchasing values are calculated by reference to the respective market parameters using price calculation models for options and the discounted cash flow method and reflect the market value of the financial instruments as of the balance sheet date.

2.20 Shareholders' equity

The capital reserves consist of amounts paid in by shareholders and holders of bearer participation certificates in excess of the nominal value. They therefore comprise the share premium account of Schindler Holding Ltd., reduced by the amount greater than the nominal value resulting from the elimination of own shares and bearer participation certificates. Also recognized in the capital reserves are realized gains and losses on the sale of own shares and participation certificates, as well as the fair value at the time they are allocated of options from the participation plans over the vesting period of 3 years.

Retained earnings consist of accumulated profits of the Group which are freely available.

2.21 Leases

Fixed assets acquired under leasing contracts which in relation to use and risk treat subsidiaries as the owner, are classified as finance leases. Such assets are recorded at the lower of the estimated net present value of future minimum lease payments and the estimated fair value of the asset at the inception of the lease. Assets under finance lease are amortized over their estimated useful lives. Unrealized gains on sale and leaseback transactions resulting in finance leases are deferred and amortized over the term of the lease.

Operating lease payments are treated as operating cost and charged to the income statement as incurred.

2.22 Impairment of assets

The value of fixed assets and other non-current assets, including goodwill and other intangible assets, is assessed to ensure the respective carrying value is no more than the recoverable amount. If it is determined that an asset is carried at more than its recoverable amount, the asset is depreciated (recognized as an impairment loss) to the extent that the resulting carrying value represents the expected estimated future cash flows.

2.23 Research and development costs

Contract-related engineering costs are capitalized in work in progress. Other research and development expenses are immediately recognized in the profit and loss statement. Development costs for new products are not capitalized, since a future economic benefit can only be proven after successful market introduction.

3 Securities	2001	2002
In million CHF		
Marketable securities	30	55
Time deposits with a maturity ranging from 3 to 12 months	95	176
Total securities	125	231
4 Accounts receivable	2001	2002
In million CHF		
Supplies and services, gross	1 368	1 314
Allowance for doubtful accounts	-141	-119
Supplies and services, net	1 227	1 195
Associates and other related parties	7	6
Other accounts receivable	97	81
Total accounts receivable	1 331	1 282
5 Production orders in progress	2001	2002
In million CHF		
Work in progress	948	762
Down payments from customers	-467	-348
Net assets of production orders in progress	481	414
Work in progress	454	415
Down payments from customers	-941	-848
Net liabilities of production orders in progress	-487	-433
6 Inventories	2001	2002
In million CHF		
Raw material and trading material	258	225
Semifinished and finished goods	143	108
Down payments to suppliers	17	8
Total inventories	418	341

Write-downs totaling CHF 126 million (in 2001: CHF 144 million) were recognized for slow-moving and obsolete items.

7 Fixed assets

In million CHF	Non-operational land and buildings	Operational land	Operational buildings	Equipment and machines	Other fixed assets	Total
Acquisition cost						
December 31, 2001	170	51	515	639	542	1 917
Additions	2*	1	5	36	61	105
Disposals	-2	-2	-14	-49	-58	-125
Reclassifications	5	6	20	-5	11	37
Change in scope of consolidation	-1	1	-8	-5	-1	-14
Translation exchange differences	-2	-3	-37	-62	-42	-146
December 31, 2002	172	54	481	554	513	1 774
Accumulated depreciation						
December 31, 2001	64	11	261	446	392	1 174
Additions	9	4	42	44	57	156
of which impairment	2	3	27	1	1	34
Disposals	-1	-1	-14	-43	-45	-104
Reclassifications	6	5	20	-6	10	35
Translation exchange differences	-	-	-16	-42	-29	-87
December 31, 2002	78	19	293	399	385	1 174
Net book value						
as of December 31, 2002	94	35	188	155	128	600
Fire insurance value						2 210
Net book value						
of fixed assets under finance lease	-	-	7	1	7	15
* Includes capitalized goods and services for own account of 0						
Market value	161					
Rental income	16					
Operating expenses:						
Real estate with rental income	14					
Real estate without rental income	1					

There are no material restrictions regarding realization or collection of rental income or sales proceeds.

Other fixed assets include EDP equipment, furniture, vehicles and assets currently under construction. Assets under construction amounted to CHF 19 million in the year under review (previous year CHF 15 million).

Gains and losses resulting from the sale of fixed assets have been directly included in depreciation. In the year under review, a gain of CHF 5 million was recognized (previous year CHF 7 million).

Depreciation incurred in the reporting year as R03 project costs is CHF 40 million, of which CHF 34 million is impairment. The impairment was caused mainly by closure of the factory in Malaysia.

8 Intangible assets

In million CHF	Goodwill	Other intangible assets [•]	Total
Net book value			
December 31, 2001	734	48	782
Additions	53	10	63
Disposals	–	–1	–1
Amortization	–62	–14	–76
of which impairment	–21	–	–21
Reclassifications	–2	–	–2
Translation exchange differences	–214	–8	–222
December 31, 2002	509	35	544
Overview as of December 31, 2001			
Gross carrying amount	892	143	1 035
Accumulated amortization	158	95	253
Net book value	734	48	782
Overview as of December 31, 2002			
Gross carrying amount	687	117	804
Accumulated amortization	178	82	260
Net book value	509	35	544

• Other intangible assets consist of service contracts, patents, licenses and software

The net book value of goodwill consists to approximately 49% (previous year 65%) of the goodwill acquired with the purchase of Elevadores Atlas Schindler S.A., São Paulo, in 1999. The remaining life for the goodwill of Elevadores Atlas Schindler S.A. is 16 years. The exchange difference relates mainly to this company.

The impairment of CHF 21 million includes CHF 20 million from the depreciation arising in the reporting year of goodwill in China-Schindler Elevator Co. Ltd., because the expected discounted free cash flows indicate that the goodwill is only partially of value.

9 Investments in associates2001 **2002**

In million CHF

Net book value

January 1	86	56
Additions	4	5
Disposals	-1	-
Share of net profit	18	-2
Dividends received	-31	-15
Reclassifications	-19	2
Exchange differences	-1	-4
December 31	56	42

In the consolidated profit and loss statement, the Group's share in the profit of associates is reported as income from investing activities (equity method).

10 Financial assets2001 **2002**

In million CHF

Loans to associates and other related parties	12	6
Securities	25	19
Time deposits with a term longer than 12 months	180	-
Other financial assets	30	40
Total financial assets	247	65

The time deposits of CHF 180 million reported in the previous year related to a financial investment in Swiss francs with a term longer than 12 months. Repayment took place in May 2002. The average interest rate was 3.9% (previous year 3.9%).

11 | Deferred taxes

11.1 Net book values of deferred tax assets and liabilities	2001	2002
In million CHF		
Deferred taxes on account of temporary differences		
Current assets	33	46
Fixed assets	-20	-19
Provisions	55	55
Employee benefits	39	33
Tax loss carryforwards	39	50
Other temporary differences	-12	-6
Total net book value	134	159
Thereof recognized in the balance sheet as deferred tax liabilities	-86	-67
Thereof recognized in the balance sheet as deferred tax assets	220	226

No material additional tax liabilities due to dividend payments from subsidiaries and associates are expected.

11.2 Statement of changes in net deferred tax assets and liabilities	2001	2002
In million CHF		
January 1	68	134
Set up and reversal of temporary differences	67	60
Translation exchange differences	-1	-35
December 31	134	159

11.3 Unrecognized deferred tax assets

Deferred tax assets including assets for unused tax loss carryforwards and expected tax credits are only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Timing differences (temporary differences between balance sheet values according to IFRS and taxable balance sheet values) for which no deferred tax assets have been capitalized amount to CHF 234 million (previous year CHF 272 million).

11.4 Tax loss carryforwards

In million CHF	2001	2002
Total tax loss carryforwards	328	433
Includes tax loss carryforwards in deferred taxes of	135	145
Total unused tax loss carryforwards	193	288
These can be carried forward as follows:		
Within one year	6	1
In two to five years	49	129
In more than five years	138	158
Tax effect of unused tax loss carryforwards	59	81

An analysis of income taxes and the effective income tax rate are contained in Notes 22 and 22.1.

12 Employee benefit plans

12.1 Defined benefit plans

In million CHF	Funded	Unfunded	Others	Total
Net assets at market value	1 717			1 717
Present value of defined benefit obligation	-1 745	-173	-161	-2 079
Financial surplus/shortfall	-28	-173	-161	-362
Unrecognized actuarial loss	33	-	16	49
Assets not shown in the balance sheet	-4			-4
Total net book value 2001	1	-173	-145	-317
Amount reported as employee benefits under assets				54
Amount reported as employee benefits under liabilities				-371

12.2 Defined benefit plans

				2002
In million CHF	Funded	Unfunded	Others	Total
Net assets at market value	1 607			1 607
Present value of defined benefit obligation	-1 686	-192	-128	-2 006
Financial surplus/shortfall	-79	-192	-128	-399
Unrecognized actuarial loss	114	-	6	120
Assets not shown in the balance sheet	-19			-19
Total net book value 2002	16	-192	-122	-298
Amount reported as employee benefits under assets				47
Amount reported as employee benefits under liabilities				-345

There are no shares or bearer participation certificates of Schindler Holding Ltd. included in net plan assets. The Group uses net plan assets (fixed assets) of the defined benefit plans amounting to CHF 5 million (in 2001: CHF 5 million).

12.3 Statement of changes

	2001	2002
In million CHF		
January 1	-320	-317
Periodic pension cost	-71	-79
Contributions paid	58	76
Translation exchange differences	16	22
December 31	-317	-298

12.4 Periodic pension cost for defined benefit plans

	2001	2002
In million CHF		
Current service cost	83	86
Interest cost on present value of defined benefit obligation	97	79
Expected return on plan assets	-95	-78
Amortization of actuarial gains/losses or past service cost	2	-2
Less employee contributions	-21	-21
Change in assets not shown in the balance sheet	5	15
Periodic pension cost	71	79
Actual return on plan assets	3.8%	-4.3%

12.5 Basis of actuarial calculations	2001	2002
Weighted averages	%	%
Technical interest rate	5.7	4.8
Expected return on assets	5.8	5.2
Increase in salaries/wages	3.5	2.9
Increase in pensions	1.7	1.2
Fluctuation rate	4.6	3.2

13 Accounts payable	2001	2002
In million CHF		
Supplies and services	546	475
Associates and other related parties	7	32
Social security institutions	66	59
Indirect taxes and capital taxes	71	75
Other accounts payable	103	127
Total accounts payable	793	768

14 Accrued expenses and deferred income	2001	2002
In million CHF		
Personnel cost	241	249
Late cost	51	52
Service contracts	44	183
Other accrued expenses and deferred income	277	260
Total accrued expenses and deferred income	613	744

15 Financial debts	2001	2002
15.1 Current financial debts		
In million CHF		
Bank overdrafts	66	59
Current portion of non-current financial debts of bank loans	91	65
Current portion of non-current financial debts of financial leases	7	4
2½% bond issue with warrants 1996–2003, nominal value CHF 170 million (Schindler Finance, Cayman Islands), repayment on 10. 5. 2003	–	124
Total current portion of non-current financial debts	98	193
Total current financial debts	164	252

15.2 Non-current financial debts

	2001	2002
In million CHF		
4% debenture 1997–2004, nominal value CHF 200 million	185	-
3½% debenture 1999–2009, nominal value CHF 300 million	296	287
4⅛% debenture 1999–2006, nominal value CHF 300 million	296	297
2½% bond issue with warrants 1996–2003, nominal value CHF 170 million (Schindler Finance, Cayman Islands)	122	-
0% convertible loan 1999–2004, nominal value CHF 51 million (ALSO Holding Ltd.)	39	31
Total outstanding debentures and bonds	938	615
Bank loans	156	122
Finance leases	23	18
Other non-current financial debts	1	1
Total non-current financial debts	1 118	756
Thereof CHF portion	84.7%	78.3%

The 4% debenture 1997–2004 with nominal value CHF 200 million was repaid early at par on 28. 5. 2002.

The 2½% bond issue with warrants 1996–2003 with nominal value CHF 170 million is reported on the balance sheet date under current financial debts. Repayment will take place on 10. 5. 2003.

In the reporting year, there was a partial repurchase of the 3½% debenture 1999–2009 with nominal value CHF 300 million. The CHF 10 million nominal value, or proportional carrying value, of this partial repurchase is offset against the debenture value.

On 25. 11. 1999, ALSO Holding AG issued 0% convertible bonds for the amount of CHF 51 million, repayable after 5 years in 2004 at 114.5%. One convertible bond with a nominal value of CHF 5 125.– carries the right to 5 ALSO registered shares. On 31. 12. 2002 the price of the convertible bond was 104.5%. Measurement according to IFRS results in an interest rate of 5.1%.

The individual Group companies are in compliance with all “Debt Covenants”.

Synopsis of maturity

15.3 and average interest rate on financial debts

In million CHF	2001 Book value	2002 Book value	2001 Effective interest rate in %	2002 Effective interest rate in %
Within one year	164	252	8.7	6.7
Within two to five years	786	459	4.3	4.9
Greater than five years	332	297	4.7	4.1
Total financial debts	1 282	1 008	4.9	4.9

16 Provisions

In million CHF	Loss jobs	Guarantees	Structure adaptation cost	Product liabilities	Other provisions	Total
Current provisions	31	47	84	39	34	235
Non-current provisions	36	13	18	91	111	269
Total provisions	67	60	102	130	145	504
Statement of changes						
December 31, 2001	66	59	24	123	101	373
Statement of profit and loss						
Set up	52	15	145	65	78	355
Usage	-37	-8	-60	-33	-18	-156
Reversal	-1	-4	-1	-	-7	-13
Translation exchange differences	-13	-2	-6	-25	-9	-55
December 31, 2002	67	60	102	130	145	504

Provisions for loss jobs are made to cover losses on production orders contained in the order backlog.

Provisions for structure adaptation cost are only recognized if a formal social plan has been communicated to all concerned. Of the amount reported, CHF 71 million is attributable to R03 project costs.

Provisions for product liability are based on actuarial calculations by independent experts for cases which have arisen but are not yet closed.

In the reporting year, "Other provisions" for the amount of CHF 50.0 million were created in association with the R03 program. This amount reflects the estimated expenditure which will be required to perform a preventive quality check on some older installations in the maintenance portfolio, and to replace individual parts where necessary. The objective of this Group-wide campaign is to ensure proactively that our products and services are of the high quality expected of them.

17 Operating revenue	2001	2002
In million CHF		
Billings	8 056	7 882
Sundry operating revenue	58	48
Change in balance of work in progress	210	-45
Capitalized own production of fixed assets	3	3
Total operating revenue	8 327	7 888

CHF 2 888 million (2001: CHF 3 095 million) of the operating revenue were calculated according to the percentage of completion method.

18 Personnel cost and headcount

18.1 Personnel cost	2001	2002
In million CHF		
Salaries and wages	2 352	2 286
Social charges	705	639
Total personnel cost	3 057	2 925

18.2 Headcount	2001	2002
Average headcount	42 327	40 478
Headcount at year-end	41 524	39 918

19 Other operating cost	2001	2002
In million CHF		
Special cost	417	392
Employee-related expenses	222	195
Rent, leasing	126	120
Maintenance and repairs	86	78
Energy supply, consumables and packing material	121	126
Insurance, fees and capital taxes	95	79
General administration and advertising	203	189
Other operating expenses	135	126
Total other operating cost	1 405	1 305

Research and development cost of CHF 129 million (in 2001: CHF 125 million) have been charged to the profit and loss statement.

20 Financing activities	2001	2002
In million CHF		
Interest income third parties	56	35
Interest expense third parties	83	79
Net interest income/expense	-27	-44
Foreign exchange income/loss	-15	1
Revaluation of available-for-sale items	-	-7
Other financial income/expense	-16	-12
Total financing activities	-58	-62

21 Investing activities	2001	2002
In million CHF		
Income from investments in associates	18	-2
Other investing activities	-1	4
Total investing activities	17	2

Other investing activities comprise gains and losses from the sale of unconsolidated subsidiaries and holdings in associates.

22 Income taxes	2001	2002
In million CHF		
Current income taxes of the reporting period	110	101
Current income taxes of previous period	-	-
Deferred income taxes	-64	-56
Total income taxes	46	45

Deferred income taxes are reduced in the reporting year by the incidence of R03 project costs, and in the previous year by a special influence from the USA.

22.1 Reconciliation of income taxes

2001 **2002**

In million CHF

Net profit before taxes	443	62
Weighted average income tax rate <i>in %</i>	36	36
Expected income tax expense	158	22
Set up/use of unrecognized tax loss carryforwards	-5	-2
New inclusion of deferred taxes	-98	10
Other	-9	15
Effective income taxes	46	45
Effective income taxes <i>in %</i> of profit before taxes	10	73

The weighted average tax rate is calculated using expected income tax rates of the individual Group companies in each jurisdiction.

23 Additional information concerning the consolidated cash flow statement

23.1 Additions/Disposals of subsidiaries

When calculating the cash flow from additions/disposals of subsidiaries and holdings, the value of the net cash inflow resulting from a new consolidation is deducted from the respective purchase price.

At the date of acquisition, the market value of the net assets acquired was:

2001 **2002**

In million CHF

Current assets	1	3
Fixed assets	1	16
Current liabilities	-3	-12
Non-current liabilities	-	-4
Net assets acquired	-1	3
Goodwill	3	8
Total acquisition	2	11
Less acquired cash	-	-2
Cash used for the acquisition	2	9

The goodwill of CHF 45 million arising from acquisition of the remaining holdings in China-Schindler Elevator Co. Ltd. is offset by disposals of current and non-current assets of the same amount. This transaction has no net effect on liquidity.

23.2 Total net cash	2001	2002
In million CHF		
Cash on hand	960	1 181
Less bank overdrafts (see also Note 15.1)	-66	-59
Total net cash	894	1 122

24 Off-balance sheet transactions

24.1 Contingent liabilities	2001	2002
In million CHF		
Total value of guarantees, pledges and guarantee obligations in favor of third parties	12	13

All contingent liabilities which will probably result in an obligation are included in the balance sheet under provisions.

A number of subsidiaries are involved in judicial proceedings and litigation which have arisen from operational business activities. At the present time it is not possible to make a reliable prediction of the outcome of these proceedings. Wherever a reliable assessment of a past event is possible and can be confirmed by independent experts, a corresponding provision is made.

24.2 Other commitments	2001	2002
In million CHF		
Irrevocable payment commitments resulting from contracts not to be shown in the balance sheet	84	83

24.3 Synopsis of maturity of rental and lease payments 2001

In million CHF	Rental contracts	Operating leases	Finance leases
Within one year	17	48	9
Within two to five years	46	101	17
Greater than five years	20	62	10
Total payments	83	211	36
Less interests			-6
Total finance lease borrowings 2001			30

24.4 Synopsis of maturity of rental and lease payments 2002

In million CHF	Rental contracts	Operating leases	Finance leases
Within one year	18	57	5
Within two to five years	38	119	14
Greater than five years	26	56	7
Total payments	82	232	26
Less interests			4
Total finance lease borrowings 2002			22

25 Financial instruments

25.1 Market value of financial assets and liabilities

In million CHF	2001 Net book value	2001 Fair value	2002 Net book value	2002 Fair value
Financial assets				
Cash on hand	960	960	1 181	1 181
Marketable securities	125	125	231	231
Accounts receivable	1 331	1 331	1 282	1 282
Financial assets (non-current)	247	247	65	65
Financial liabilities				
Current and non-current financial debts	1 282	1 282	1 008	1 033
Accounts payable	878	878	854	854

25.2 Carrying amount by currency

Cash, cash equivalents and securities in current assets

In million CHF	2001	2002
CHF	484	647
EUR	339	492
USD	95	87
Other	167	186
Total	1 085	1 412

Wherever possible, the market value is determined from the current market price or, for OTC transactions, from own calculations.

25.3 Open derivative financial instruments 2001

In million CHF	Gross replacement values		Contract values	Contract values by expiry date			
	positive	negative		within 3 months	3 to 12 months	1 to 5 years	over 5 years
Forward	9	29	1 238	567	511	160	–
Options	–	–	8	5	3	–	–
Foreign exchange	9	29	1 246	572	514	160	–
Forward	1	1	104	–	30	74	–
Options	–	–	–	–	–	–	–
Interest	1	1	104	–	30	74	–
Forward	–	–	–	–	–	–	–
Options	–	–	1	–	–	1	–
Other derivatives	–	–	1	–	–	1	–
Total derivatives	10	30	1 351	572	544	235	–

25.4 Open derivative financial instruments 2002

In million CHF	Gross replacement values		Contract values	Contract values by expiry date			
	positive	negative		within 3 months	3 to 12 months	1 to 5 years	over 5 years
Forward	58	8	1 103	607	440	56	–
Options	–	–	26	–	–	26	–
Foreign exchange	58	8	1 129	607	440	82	–
Forward	–	3	72	–	–	72	–
Options	–	–	–	–	–	–	–
Interest	–	3	72	–	–	72	–
Forward	–	–	–	–	–	–	–
Options	–	–	1	–	1	–	–
Other derivatives	–	–	1	–	1	–	–
Total derivatives	58	11	1 202	607	441	154	–

The main currencies are the Swiss franc, the US dollar, and the euro.

25.5 Hedging transactions 2001

In million CHF	Market value	Purchase cost	Risk	Hedging instrument	Positive replacement value	Negative replacement value
Underlying transaction						
Net investm. in foreign subsidiaries	220	208	Foreign currency	Forward exchange transaction	–	12

25.6 Hedging transactions 2002

In million CHF	Market value	Purchase cost	Risk	Hedging instrument	Positive replacement value	Negative replacement value
Underlying transaction						
Net investm. in foreign subsidiaries	52	58	Foreign currency	Forward exchange transaction	6	–
Cash flow	–71	–64	Foreign currency	Forward exchange transaction	7	–

For financing purposes, the ALSO Group sold trade accounts receivable of CHF 55 million (previous year CHF 45 million) to a foreign bank. These receivables, excluding an unutilized reserve, were eliminated from the accounts, since significant risks were transferred.

Assets pledged or assigned as security

26 against the company's own liabilities (pledged assets)

In million CHF	2001	2002
Securities	35	25
Accounts receivable	20	15
Inventories	25	22
Fixed assets	63	51
Total pledged assets	143	113

27 Segment reporting

The Group consists of the traditional core business of "Elevators and Escalators", and the ALSO Group, which is operating in the IT industry as a logistic and service company.

The results of the business segments have been presented on a management reporting basis (Management Approach). They include all revenues and expenses which are directly attributable to a segment plus a Group overhead cost which has been assigned to each segment.

Intercompany charges have been included in the individual values and are based on market prices (at arm's length). "Services/Eliminations E&E" contains values of management and service companies as well as eliminations within the "Elevators and Escalators" business. Intercompany sales of ALSO to "Elevators and Escalators" are included in "Finance/Eliminations".

Allocation of operating revenue to geographical regions is based on the location where invoicing occurs.

The assets include cash, trade accounts receivable, inventories, tangible fixed assets, and intangible assets. The liabilities comprise trade accounts payable, provisions, and assignable financial debt. Assets and liabilities which cannot be divided between the two segments, especially financial liabilities for Group financing, are reported under "Finance/Eliminations".

27.1 Segment information 2001

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E&E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue								
third parties	3 188	2 493	907	13	6 601	1 726	–	8 327
Intercompany sales	839	38	92	–969	–	3	–3	–
Total operating revenue	4 027	2 531	999	–956	6 601	1 729	–3	8 327
Operating profit								
					471	20	–7	484
Assets								
	2 247	1 591	716	16	4 570	384	584	5 538
Of which investments								
in associated companies	21	10	13	–	44	–	12	56
Liabilities	1 320	876	456	47	2 699	242	1 149	4 090
Additions of fixed assets								
	70	24	16	4	114	8	–	122
Depreciation								
and amortization	94	59	26	4	183	13	–	196
Share in profits of								
associated companies					18	–	–	18
Personnel at year-end	19 684	13 433	6 794	258	40 169	1 355	–	41 524

27.2 Segment information 2002

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E&E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue								
third parties	3 242	2 152	829	8	6 231	1 657	–	7 888
Intercompany sales	875	35	78	–988	–	–	–	–
Total operating revenue	4 117	2 187	907	–980	6 231	1 657	–	7 888
Operating profit								
					95	31	–4	122
before charging R03 project costs					471	31	–4	498
Assets								
	2 075	1 132	544	22	3 773	338	1 034	5 145
Of which investments								
in associated companies	21	2	11	–	34	–	8	42
Liabilities	1 590	744	377	186	2 897	179	879	3 955
Additions of fixed assets								
	54	27	8	13	102	3	–	105
Depreciation								
and amortization	85	54	74	5	218	9	–	227
Of which impairment	5	2	48	–	55	–	–	55
Share in profits of								
associated companies					0	–	–2	–2
Personnel at year-end	19 815	12 569	6 147	275	38 806	1 112	–	39 918

28 Capital participation plans

A capital participation plan for the top management employees of the Group has been in existence since 2000. The plan has a lifetime of six years and provides for entitled employees to receive a predefined portion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined valuation. These shares and bearer participation certificates carry all associated rights, but are subject to the restriction that for a period of three years they may not be sold. The awards under the participation plan made in April 2002 (before 10:1 split) for the financial results of 31.12.2001 required 1000 shares (previous year 573 shares) with a market value on December 31, 2001, of CHF 2.4 million (previous year CHF 1.4 million). The corresponding number of shares was withdrawn from treasury. The equivalent value is charged to personnel expenses.

In addition, the Board of Directors can decide on an annual basis whether, and to what extent, the group of employees mentioned above shall be awarded additional option rights for the purchase of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined price. This plan, which will be renewed each year, has a lifetime of six years, and the option rights can only be exercised after a waiting period of three years. To hedge this obligation, i. e. to cover all potentially outstanding shares and bearer participation certificates, the Group holds the necessary number of shares and bearer participation certificates in treasury until the options are exercised or expire. This capital participation plan does not require the issue of any additional shares or bearer participation certificates.

The changes and the numbers of open stock options, which were issued for the first time in 2001 give the right to acquire Schindler registered shares, are listed below.

28.1 Allocations of options	2001	2002
Number		
Balance on January 1	0	1 542
Options awarded	1 542	1 319
Options exercised	-	-
Subtotal before 10:1 split	1 542	2 861
Subtotal after 10:1 split		28 610
Expired: through redemption	-	-
through date	-	-
Balance on December 31	1 542	28 610

28.2 Option conditions

Year of issue	Exercise period	Exercise price then applicable in CHF
2001	April 30, 2004 until April 29, 2007	268.70
2002	April 30, 2005 until April 29, 2008	270.60

One option gives the right to purchase one registered share of Schindler Holding Ltd.

In the reporting year, the fair value of the options is recognized in the profit and loss statement for the first time, with one third (3-year vesting period) of the amount being charged to personnel expenses. The value of the options awarded in 2001 was CHF 0.3 million, the previous year has been adjusted.

29 Share capital and bearer participation certificate capital

29.1 Number of shares and bearer participation certificates

The share capital as of December 31, 2002, amounts to CHF 7 million (previous year CHF 38 million) and consists of 7 356 820 (previous year 7 528 666, before 10:1 split) registered shares with a nominal value of CHF 1 (previous year CHF 50) per share.

As of December 31, 2002, the bearer participation capital consists of 5 506 990 (previous year 592 424, before 10:1 split) with a nominal value of CHF 1 (previous year CHF 50) each, and thereby amounts to CHF 6 million (previous year CHF 29 million).

29.2 Treasury stock

In million CHF	Registered shares Number	Registered shares Value	Bearer participation certificates Number	Bearer participation certificates Value
December 31, 2000	16 790	35	1 410	3
Net repurchases	19 185	43	41 725	93
Sales	-2 841	-6	-255	-1
Withdrawals for employee stock plan	-573	-1	-	-
December 31, 2001	32 561	70	42 880	96
Withdrawals for employee stock plan	-1 000	-2	-	-
Elimination	-17 184	-38	-41 725	-93
Repurchases	57	-	-	-
Sales	-2 559	-7	-	-
Subtotal before 10:1 split	11 875		1 155	
Subtotal after 10:1 split	118 750		11 550	
Repurchases	1 911	1	-	-
Sales	-260	-	-	-
December 31, 2002	120 401	25	11 550	3
Number of shares reserved for capital participation plan	28 610		-	

30 Earnings per share and bearer participation certificate

2001

2002

In CHF

Net profit	379 000 000	8 000 000
Outstanding number of shares and BPC	1 345 290	12 863 810
Less number of treasury stock (weighted average)	33 825	138 724
Outstanding number of shares and BPC (weighted average) for calculation	1 311 465	12 725 086
Basic earnings per share and BPC	28.90*	0.63
Diluted net profit	379 000 000	7 797 920
Diluted number of shares and BPC	1 311 465	12 725 086
Diluted earnings per share and BPC	28.90*	0.61

*adjusted, after 10:1 split, as of June 11, 2002

The basic earnings per share are calculated as follows: Net profit divided by the weighted average number of outstanding shares and bearer participation certificates (BPC).

31 Related parties

According to information published under stock exchange law, the Schindler and Bonnard families hold within the scope of a stockholder retainer contract 4 654 680 registered shares, i.e. 63.3% of the voting rights of the share capital of Schindler Holding Ltd. entered in the Register of Companies.

A further aspect of the shareholding structure is that other persons who have a close relationship with the parties to the stockholder retainer contract hold, together with these, more than two thirds of the voting rights. These other persons are not bound by a stockholder retainer contract. The voting rights held by shareholders who are not bound by a stockholder retainer contract are in each case less than 3%.

The members of the Board of Directors receive for their work a fee and reimbursement of expenses amounting in total to CHF 1.5 million (previous year CHF 1.3 million). In addition, the members of the Executive Committee of the Board, and of the Management Committee, receive a fixed salary plus performance-related compensation usual for the industry.

Receivables and payables due from and to associated companies and other related parties are disclosed separately in the respective notes. All business transactions with related parties have been held "at arm's length". Neither with the major shareholders nor with other related parties have unusual transactions taken place during the periods reported.

32 Proposal of the Board of Directors

The Board of Directors proposes to the General Meeting that for the financial year 2002 no dividend be paid (previous year CHF 50.– per registered share and bearer participation certificate, before 10:1 split). The request not to pay a dividend was already announced at the last General Meeting on March 26, 2002, in association with the planned R03 project costs.

33 Release of the consolidated financial statements for publication

The consolidated financial statements were released for publication by the Board of Directors of Schindler Holding Ltd. on February 21, 2003.

34 Events after balance sheet date and outlook

On January 14, 2003, ALSO Holding AG, of which Schindler Holding Ltd. owns 64.5%, publicly announced that it intends to separate from the Systems Business segment (net sales in 2002, CHF 130 million). By means of this concentration, the ALSO Group expects to take more rapid advantage of opportunities in the Distribution segment.

Report of the Group auditors

To the General Meeting of Schindler Holding Ltd., Hergiswil

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of shareholders' equity and notes, pages 4 to 41) of Schindler Holding Ltd. for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations, the changes in equity and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

Bern, February 21, 2003

ERNST&YOUNG LTD.

Peter Bühler
Certified accountant
(in charge of the audit)

Roland Ruprecht
Certified accountant

Balance sheet

of Schindler Holding Ltd. before appropriation of profits

Assets		31.12. 2001		31.12. 2002	
In 1000 CHF	Notes		%		%
Current assets					
Cash and cash equivalents	1	409 731		582 359	
Securities	1	166 587		30 236	
Accounts receivable from subsidiaries	2	108 379		199 865	
Accounts receivable from third parties	3	7 806		4 012	
Prepaid expenses and accrued income	4	8 271		19 761	
Total current assets		700 774	33.9	836 233	42.2
Non-current assets					
Investments in subsidiaries	5	1 028 000		957 000	
Loans to subsidiaries	6	159 264		184 966	
Financial assets	7	182 000		1 626	
Total non-current assets		1 369 264	66.1	1 143 592	57.8
Total assets		2 070 038	100.0	1 979 825	100.0

Liabilities and shareholders' equity

In 1000 CHF	Notes	31.12.2001	%	31.12.2002	%
Liabilities					
Accounts payable to subsidiaries	8	105 943		335 140	
Accounts payable to third parties	9	20 975		26 901	
Debentures	10	784 530		590 000	
Provisions	11	63 187		64 340	
Accrued expenses and deferred income	12	20 377		14 295	
Total liabilities		995 012	48.1	1 030 676	52.1
Shareholders' equity					
Share capital	13	37 643		7 357	
Bearer participation capital	13	29 621		5 507	
Statutory reserves	14	317 121		317 121	
Reserves for treasury stock	15	166 240		28 062	
Other reserves	16	405 242		465 459	
Brought forward from previous year		4 265		5 548	
Net profit for the year		114 894		120 095	
Total shareholders' equity	17	1 075 026	51.9	949 149	47.9
Total liabilities and shareholders' equity		2 070 038	100.0	1 979 825	100.0

Profit and loss statement

of Schindler Holding Ltd.

Revenue		2001	2002
In 1000 CHF	Notes		
Income from subsidiaries	18	225 006	208 869
Extraordinary income	19	6 500	67 462
Income from financial operations	20	32 640	22 501
Total revenue		264 146	298 832
Expenses			
Financial expenses	21	34 482	32 973
Depreciation and adjustments	22	108 454	139 280
Administration expenses and taxes	23	6 316	6 484
Total expenses		149 252	178 737
Net profit for the year		114 894	120 095

Appropriation of profits

Proposals to the General Meeting

31.12.2001 **31.12.2002**

In 1000 CHF

Total available profit			
Net profit for the year	114 894	120 095	
Brought forward from previous year	4 265	5 548	
Profits as per balance sheet	119 159	125 643	
Appropriation of net profit			
Gross dividends proposed			
per registered share	CHF -- (previous year CHF 50*)	36 134**	0
per bearer participation certificate	CHF -- (previous year CHF 50*)	27 477**	0
Total dividend	63 611**	0	
Appropriation to other reserves	50 000	120 000	
Total appropriation of net profit	113 611	120 000	
Balance carried forward to new account	5 548	5 643	

* Before 10:1 split as of June 11, 2002

** Distribution excludes dividend on treasury stock (see also Note 29 to the consolidated financial statements)

Notes

to the financial statements of Schindler Holding Ltd.

Principles of valuation

The financial statements as at December 31, 2002, comply with Swiss corporation law. Regarding inclusion of Schindler Holding Ltd. in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

Notes and explanations

The numbering corresponds to the numbering under "Notes" in the balance sheet and profit and loss statement.

1 Cash, cash equivalents and securities

At the end of the year under review, the total value of cash, cash equivalents and securities was CHF 612.6 million (30.9% of total assets). On 31.12.2001, the comparable value was CHF 576.3 million, or 27.8% of total assets. The slight increase of CHF 36.3 million relative to the previous year is mainly attributable to the positive cash flow, repayments of capital by subsidiaries (see Note 5, page 49), changes in long-term investments, and higher short-term cash flows from subsidiaries and affiliated companies. These inflows were offset by outflows for early repayment of the 4% debenture, increases in shareholdings and other provision of capital to subsidiaries, the repayment of nominal value, the dividend paid from the previous year's profit, and reduction in securities caused by elimination of own shares and participation certificates.

On October 14, 1998, Schindler Holding Ltd. commenced a program for repurchasing registered shares and bearer participation certificates, which was prolonged until March 29, 2002, and successfully completed on November 9, 2001. Schindler repurchased a total of 27 384 registered shares and 54 726 bearer participation certificates to reduce its capital. This was 6.0% of the number of shares and participation certificates the company originally had outstanding.

In a first phase, 1.7% of the shares and participation certificates were repurchased by the company up to the end of 1999, and released for elimination by the General Meeting on May 8, 2000. The capital was correspondingly reduced on July 27, 2000, on expiry of the legally required notice period. After that date, a further 17 184 registered shares and 41 725 bearer participation certificates were repurchased over the "second line". These amounted to 4.3% of the shares and participation certificates outstanding when repurchasing was commenced. At the General Meeting on March 26, 2002, these securities were also released for elimination. The capital was reduced on June 11, 2002, on expiry of the legally required notice period.

On the date of the balance sheet, Schindler Holding Ltd. holds 120 401 own registered shares (previous year 32 561, before 10 : 1 split) and 11 550 own bearer participation certificates (previous year 42 880, before 10 : 1 split), of which 28 610 registered shares are reserved for the stock plan and stock option plan of the Group's top management.

All items in treasury are valued at acquisition value.

The treasury stock of registered shares and bearer participation certificates, and the respective movements, are shown in the Notes to the Consolidated Financial Statements (Note 29).

2 Accounts receivable from subsidiaries

Accounts receivable from affiliated and associated companies amount to CHF 199.9 million, compared with CHF 108.4 million at the end of 2001. The increase of CHF 91.5 million per year-end is attributable to changes in investments in a finance company, and decreased use of current account borrowing by the operating subsidiaries.

3 Accounts receivable from third parties

Accounts receivable from third parties closed at CHF 4.0 million (previous year CHF 7.8 million). The decrease is due to lower balances of taxes collected at source, as well as other reductions in accounts receivable.

4 Prepaid expenses and accrued income

Prepaid expenses amount to CHF 19.8 million (previous year CHF 8.3 million) and comprise accrued interest as well as accruals from the valuation of forward exchange transactions, which are substantially higher than the previous year.

5 Investments in subsidiaries

At the end of the reporting year, the balance sheet value of investments in subsidiaries is CHF 957.0 million. This is a net reduction of CHF 71.0 million on the previous year's value of CHF 1,028.0 million. The gross increase of CHF 178.6 million includes increases in capital, payments into reserves by subsidiary companies, and purchases of further shares in existing holdings. Against this, repayments of capital by subsidiaries totaling CHF 90.2 million (previous year CHF 209.6 million), liquidation of investments in subsidiaries, and depreciation of CHF 139.3 million as described in the notes to the profit and loss statement, result in the reported net value for investments in subsidiaries.

The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 56 to 58 of the Financial Statements.

6 Loans to subsidiaries

Loans to subsidiaries and associated companies amount to CHF 185.0 million compared with CHF 159.3 million at the end of the previous year. The higher value reflects an increase in the long-term financing of a subsidiary.

7 Financial assets

Time deposits of CHF 180.0 million with a term longer than 12 months which were reported under this heading in the previous year (CHF 182.0 million) matured during the reporting year and were reinvested in short-term investments. This resulted in a net balance at the end of 2002 of CHF 1.6 million.

8 Accounts payable to subsidiaries

Accounts payable to subsidiaries, including associated companies, amount to CHF 331.6 million, which is CHF 225.7 million above the previous year's value of CHF 105.9 million. This increase is partly attributable to increased positive cash flows from the operating companies, but mainly to investment transactions of a subholding, which were decided at the end of the reporting year but not yet completed with regard to liquidity, as well as payment into the reserves of a finance company.

9 Accounts payable to third parties

At CHF 26.9 million, accounts payable to third parties are above the previous year's value of CHF 21.0 million. The increase of CHF 5.9 million results from the addition of a number of creditors to this balance sheet item.

10 Debentures

2001 **2002**

In 1000 CHF

4% debenture 1997–2004, due 28.05.2004*	184 530	–
3½% debenture 1999–2009, due 02.06.2009	300 000	290 000
4¼% debenture 1999–2006, due 26.10.2006	300 000	300 000
Total debentures outstanding	748 530	590 000

* Early redemption possible on 28.05.2002

During the reporting year, there was a partial repurchase of the 3½% debenture. The nominal value of CHF 10.0 million of this partial repurchase is offset against the debenture value of CHF 300.0 million.

11 Provisions

The existing provisions to cover financial risks in conjunction with international business commitments amount to CHF 64.3 million (previous year CHF 63.2 million). They consist mainly of provisions for guarantees, bad debts, and currency risks, as well as provisions to cover commitments entered into. Schindler Holding Ltd. pays to four former executive members of the Board of Directors (one living, and in three cases their widow) pensions totaling CHF 0.3 million annually. The actuarially determined cash value of these pension benefits is recalculated annually, and on December 31, 2002, amounts to CHF 2.7 million. This amount is reported as a provision.

12 Accrued expenses and deferred income

Accrued liabilities amount to CHF 14.3 million (previous year CHF 20.4 million), and include negative replacement values of derivative financial instruments, as well as accrued interest for the outstanding debentures which is less than the previous year's amount.

13 Share capital/participation certificate capital

Relative to 31.12.1999, the following changes in the share capital and participation certificate capital have taken place:

13.1 Share capital

	Number	Nominal value CHF	Share capital CHF
31.12.1999	763 066	100	76 306 600
Elimination on July 27, 2000	-10 200		-1 020 000
Partial repayment of nominal value on July 27, 2000		-15	-11 292 990
31.12.2000	752 866	85	63 993 610
Partial repayment of nominal value on June 22, 2001		-35	-26 350 310
31.12.2001	752 866	50	37 643 300
Elimination on June 11, 2002	-17 184		-859 200
Partial repayment of nominal value on June 11, 2002		-40	-29 427 280
Subtotal	735 682	10	7 356 820
10 :1 split on June 11, 2002	7 356 820	1	
31.12.2002	7 356 820	1	7 356 820

13.2 Participation certificate capital

	Number	Nominal value CHF	PC capital CHF
31.12.1999	605 425	100	60 542 500
Elimination on July 27, 2000	-13 001		-1 300 100
Partial repayment of nominal value on July 27, 2000		-15	-8 886 360
31.12.2000	592 424	85	50 356 040
Partial repayment of nominal value on June 22, 2001		-35	-20 734 840
31.12.2001	529 424	50	29 621 200
Elimination on June 11, 2002	-41 725		-2 086 250
Partial repayment of nominal value on June 11, 2002		-40	-22 027 960
Subtotal	550 699	10	5 506 990
10 :1 split on June 11, 2002	5 506 990	1	
31.12.2002	5 506 990	1	5 506 990

14 Statutory reserves

The value of the statutory reserves, including unchanged share premiums of CHF 311.3 million, is CHF 317.1 million, the same as in the previous year.

15 Reserves for treasury stock

The reserves for treasury stock, which stood at CHF 166.2 million at the end of the previous year, decreased to CHF 28.1 million on 31.12.2002 as a result of the elimination of own shares and participation certificates (CHF 131.4 million) described under Note 1 on page 48 of the Financial Statements, and the net sales in the reporting year with a value of CHF 6.7 million. This amount covers the purchase value of the holdings in treasury of registered shares of CHF 25.3 million (previous year CHF 70.7 million) and bearer participation certificates of CHF 2.8 million (previous year CHF 95.5 million).

16 Other reserves

Other reserves, which amounted to CHF 455.2 million at the end of 2001 after the approved appropriation of profits, stand at CHF 465.5 million on 31.12.2002. The increase of CHF 10.3 million reflects the purchase of own shares in 2002, as well as the return to other reserves of the reduction in the nominal value of shares and bearer participation certificates held in treasury.

17 Shareholders' equity

Including profits brought forward from the previous year, the reduction in nominal value and elimination of own shares and bearer participation certificates described in Note 13, dividends paid, and the net profit for 2002, shareholders' equity prior to appropriation of net profits amounts to CHF 949.1 million, as against the previous year's value of CHF 1075.0 million. The equity ratio is 47.9% (previous year 51.9%).

18 Income from subsidiaries

The income from subsidiaries, totaling CHF 208.9 million (previous year CHF 225.0 million), includes the ordinary dividends of the subsidiaries and associated companies, in addition to contractually agreed payments for services rendered by the holding company.

19 Extraordinary income

The extraordinary income of CHF 67.5 million results from liquidation of affiliated and associated companies.

20 Income from financial operations

Income from financial operations, consisting of interest on investments in third parties and subsidiaries, together with income received from other financial investments, amounts to CHF 22.5 million. This is CHF 10.1 million lower than the previous year's level of CHF 32.6 million. The decrease is mainly due to lower interest income, even though liquidity was higher.

21 Financial expenses

The financial expenses of CHF 33.0 million (previous year CHF 34.5 million) include payment of interest to subsidiaries for current account loans, interest on long-term liabilities in the form of outstanding debentures, charges for short-term bridging loans, together with realized losses and adjustments on derivative financial instruments. Reduced interest payments on the debentures repaid on May 28, 2002, cause expenses in the reporting period to be lower than the previous year.

22 Depreciation and adjustments

Depreciation and adjustments on investments in subsidiaries and loans amount to CHF 139.3 million in the year under review, by comparison with CHF 108.5 million in the previous year. The increase is mainly due to the prudent assessment of economic, political, and currency risks associated with investments in the subsidiaries and affiliated companies.

23 Administration expenses and taxes

The main items included under this heading, amounting to CHF 6.5 million (previous year CHF 6.3 million), are personnel costs, general business expenses, and taxes accrued to the period under review.

24 Contingent liabilities

2001 **2002**

In 1000 CHF

Total contingent liabilities in favor of

affiliated companies for bank guarantees,

loans, and supply contracts

810 600 **713 600**

There are also unquantifiable letters of comfort in favor of subsidiaries and affiliates.

The contingent liabilities of Schindler Holding Ltd. cover obligations of subsidiaries and affiliates which are recorded and reported in the consolidated balance sheet either as liabilities, or as corresponding provisions. Contingent liabilities in favor of unconsolidated subsidiaries amount to less than CHF 1.0 million.

25 Liabilities to employee benefit schemes

2001 **2002**

In 1000 CHF

Total liabilities

1 225 **825**

The liabilities to employee benefit schemes consist entirely of current account overdrafts.

26 Treasury stock

Information concerning the inventory of shares and bearer participation certificates held in treasury by Schindler Holding Ltd., together with details of the purchases and redemptions made, is contained in the Notes to the Consolidated Financial Statements on page 39.

27 Significant shareholders

Regarding the existence of a stockholder retainer contract, and other aspects of the shareholding structure, see Note 31 to the Consolidated Financial Statements, "Related parties".

Report of the statutory auditors

To the General Meeting of Schindler Holding Ltd., Hergiswil

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss statement, and notes) of Schindler Holding Ltd., Hergiswil, for the year ended December 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made, and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements, as well as the proposed appropriation of available earnings, comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Bern, February 21, 2003

ERNST & YOUNG LTD.

Peter Bühler
Certified Accountant
(in charge of the audit)

Roland Ruprecht
Certified Accountant

Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2002

Europe

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)	Elevators	Escalators	Other products	Sales, Installation, Maintenance	Other services
Austria	Ternitz	Ternitz Druckguss GmbH	80	291 EUR	●				
	Vienna	Köberl-Haushahn GmbH	100	291 EUR					○
		Schindler Aufzüge und Fahrtreppen AG	96.9	4 362 EUR	●				○
		Schinac Verwaltungs AG	100	70 070 EUR					○
Belgium	Brussels	S.A. Schindler N.V.	100	6 250 EUR	●			○	
Czech Republic	Prague	Vytahy Schindler A.S.	88	227 408 CZK	●			○	
Denmark	Herlev	Schindler Elevatorer A/S	100	1 000 DKK				○	
	Kibaek	Kibaek Specialfabrik Aps	100	200 DKK				○	
Finland	Helsinki	Schindler Oy	100	100 EUR				○	
France	Illzach	Elevator Car System	99.9	9 000 EUR	●			○	
		Etablissements Henri Peignen S.A.	99.9	1 220 EUR	●			○	
	Vélizy-Villacoublay	Roux Combaluzier Schindler	99.9	22 500 EUR				○	
		Schindler	99.9	7 500 EUR	●			○	
Germany	Berlin	Schindler Deutschland Holding GmbH	100	59 129 EUR				○	
		Schindler Aufzüge und Fahrtreppen GmbH	100	9 715 EUR				○	
	Stuttgart	C. Haushahn GmbH & Co.	100	6 947 EUR				○	
Great Britain	Feltham	Schindler Ltd.	100	48 800 GBP				○	
		Schinvest Ltd.	100	67 460 GBP				○	
Greece	Athens	Schindler Hellas S.A.	100	1 555 EUR				○	
Hungary	Budapest	Schindler Hungária KFT	100	460 000 HUF				○	
Iceland	Reykjavik	HÉDINN Schindler Lyftur hf.	51	20 000 ISK				○	
Ireland	Dublin	Schindler Ltd.	100	25 EUR				○	
Italy	Concorezzo	Schindler S.p.A.	100	8 400 EUR	●			○	
Jersey	St. Helier	Schinvest (Jersey) Ltd.	100	213 EUR				○	
Latvia	Riga	A.S. Latvijas Lifts Schindler	97	123 LAT				○	
Liechtenstein	Vaduz	Reassur AG	100	10 000 CHF				○	
Lithuania	Vilnius	UAB Schindler Liftas	100	1 365 LIT				○	
Luxembourg	Luxembourg	Schindler S.à r.l.	100	175 EUR				○	
Monaco	Fontvieille	Schindler Monaco	98	150 EUR				○	
Netherlands	The Hague	Hovanes B.V.	100	67 EUR				○	
		Schindler Liften B.V.	100	565 EUR				○	
Norway	Bergen	Schindler Stahl Heiser A/S	100	550 NOK				○	
	Vennesla	Reber-Schindler Heis A/S	100	8 000 NOK				○	
Poland	Warsaw	Schindler Polska sp. z. o.o.	100	5 000 PLZ				○	
Portugal	Lisbon	Schindler S.A.	100	4 000 EUR				○	
Rumania	Bucharest	Schindler Romania S. R. L.	100	1 250 000 LEI				○	
Russia	Moscow	ZAO Schindler	51	21 RUR				○	

● Production
○ Services

Europe

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)	Elevators	Escalators	Other products	Sales, Installation, Maintenance	Other services	
Slovakia	Bratislava	Schindler vytahy a eskalatory a.s.	100	29 000 SKK					○	
	Dunajská	Streda Schindler Eskalatory s.r.o.	100	37 244 SKK	●					
Slovenia	Ljubljana	Schindler Slovenja d.o.o.	100	73 012 SIT					○	
Spain	Zaragoza	Schindler S.A.	99.5	18 028 EUR	●				○	
Sweden	Stockholm	Schindler Hiss AB	100	9 440 SEK					○	
		Schindler Scandinavian Holding AB	100	28 000 SEK					○	
Switzerland	Ebikon	EbiSquare AG	74	500 CHF					○	
		Schindler Aufzüge AG	100	25 000 CHF	●				○	
		SchindlerConsulting AG	100	250 CHF					○	
			Schindler Informatik AG	100	1 000 CHF					○
			Schindler Management AG	100	1 000 CHF					○
			SchindlerRepro AG	52	150 CHF					○
		Hergiswil	ALSO Holding AG	64.5	6 000 CHF					○
			Inventio AG	100	11 000 CHF					○
			Pars Handel AG	100	5 000 CHF					○
			Schindler Trading AG	100	50 CHF					○
		Locarno	Schindler Elettronica S.A.	100	2 000 CHF	●				○
		Pratteln	Schindler Technik AG	100	1 000 CHF			●		○
		Zug	AS Aufzüge AG	100	7 000 CHF					○
		ORBO Finanz AG	100	100 CHF					○	
Turkey	Istanbul	Schindler Türkeli Asansör san. a.s.	100	3 599 Mia. TRL	●				○	

The Americas

Argentina	Buenos Aires	Ascensores Schindler S.A.	90	1 372 ARS					○
Brazil	Rio de Janeiro	Administração e Comércio Jaguar Ltda.	100	446 181 BRL					○
	São Paulo	Elevadores Atlas Schindler S.A.	99.4	377 969 BRL	●	●			○
British Virgin Islands, Tortola		Jardine Schindler Holdings Ltd.	50	100 USD					○
Canada	Scarborough	Schindler Elevator Corporation	100	34 600 CAD					○
Cayman Islands, George Town		Schindler Finance (Cayman Islands) Ltd.	100	1 CHF					○
Chile	Santiago de Chile	Ascensores Schindler (Chile) S.A.	99.7	906 689 CLP					○
Colombia	Bogotá	Ascensores Schindler de Colombia S.A.	100	120 139 COP					○
Mexico	Mexico City	Elevadores Schindler S.A. de C.V.	100	150 MXP					○
Paraguay	Asunción	Elevadores Atlas Schindler S.A.	100	3 150 PYG					○
Peru	Lima	Ascensores Schindler del Perú S.A.	100	2 228 PEN					○
Uruguay	Montevideo	Ascensores Schindler S.A.	100	698 URU					○
USA	Guaynabo	Schindler Corp. of Puerto Rico	100	4 039 USD					○
	Morristown	Schindler Elevator Corporation	100	142 954 USD	●	●			○
	New York City	Millar Elevator Industries, Inc.	100	13 692 USD					○
	Niles	Adams Elevator Equipment Company	100	1 625 USD	●				○
	Philadelphia	Schindler Enterprises, Inc.	100	488 434 USD					○
	Wilmington	Horizon Investment Corp.	100	344 176 USD					○
		Universal Technology Corp.	100	3 286 USD					○
Venezuela	Caracas	Ascensores Schindler de Venezuela S.A.	100	40 000 VEB					○

● Production
○ Services

Africa

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)	Elevators	Escalators	Other products	Sales, Installation, Maintenance	Other services
Botswana	Gaborone	Schindler Lifts (Botswana) (PTY) Ltd.	100	0.1 BWP					○
Egypt	Cairo	Schindler Ltd.	100	2 500 EGP					○
Ghana	Accra	Elesca Engineering Ltd.	20	28 000 GHC					○
Kenya	Nairobi	Schindler Ltd.	100	5 000 KES					○
Morocco	Casablanca	Schindler Maroc S.A.	98.5	10 MAD					○
Mozambique	Maputo	Schindler Moçambique Lda	49	1 535 500 MZM					○
Namibia	Windhoek	Schindler Lifts (Namibia) (PTY) Ltd.	100	0.001 ZAR					○
South Africa	Johannesburg	Schindler Lifts (S.A.) (PTY) Ltd.	100	4 250 ZAR					○
Zimbabwe	Harare	Schindler Lifts (Zimbabwe) (PVT) Ltd.	100	4 ZWD					○

Asia/Australia

Australia	Sydney	Deve Hydraulic Lifts Pty. Ltd.	100	2 AUD					○
		Schindler Lifts Australia Pty. Ltd.	100	22 950 AUD					○
Brunei, Bandar Seri Begawan		Schindler Liftec Sdn. Bhd.*	50	500 B\$					○
China	Beijing/Shanghai	China-Schindler Elevator Co. Ltd.	96.4	564 602 RMB	●	●			○
	Shanghai	Shanghai Schindler Elevator Technology Service Co. Ltd.	100	90 330 RMB					○
	Suzhou	Suzhou Schindler Elevator Co. Ltd.	55	155 373 RMB	●	●			○
		Suzhou Esca Step Co. Ltd.	100	38 914 RMB			●		
		Schindler Electronics (Suzhou) Co. Ltd.	100	71 426 RMB	●	●			
Hong Kong	Hong Kong	Schindler Lifts (Hong Kong) Ltd.*	100	25 000 HKD					○
India	Bombay	Schindler India PVT Ltd.	100	812 685 INR					○
Iran	Tehran	Iran Schindler Lift Manufacturing Company Ltd.	22	4 000 000 IRR	●				○
Israel	Kfar Yona	Schindler Nechushtan Elevators Ltd.	100	7 045 ILS	●				○
Japan	Tokyo	Schindler Elevator K.K.	96.7	500 000 JPY	●				○
Lebanon	Antelias/Beirut	Schindler Lebanon S.A. L.	70	600 000 LBP					○
Malaysia	Ipoh	Schindler Manufacturing (Malaysia) Sdn. Bhd.	50	78 245 MYR					○
	Kuala Lumpur	Antah Schindler Sdn. Bhd.*	70	10 450 MYR					○
		Titi Maju Sdn. Bhd.*	70	1 000 MYR					○
Myanmar	Yangoon	Myanmar Jardine Schindler Ltd.*	100	300 KYAT					○
New Zealand	Auckland	Schindler Lifts NZ Ltd.	100	1 010 NZD					○
Philippines	Manila	Jardine Schindler Elevator Corp.*	100	277 000 PHP					○
Singapore	Singapore	Schindler Lifts (Singapore) Pte. Ltd.*	100	16 714 SGD					○
Taiwan	Taipei	Jardine Schindler Lifts*	100	246 000 TWD					○
Thailand	Bangkok	Jardine Schindler (Thai) Ltd.*	100	90 268 THB					○
Vietnam	Ho Chi Minh City	SGE-Schindler Ltd.*	70	1 700 USD					○ ○

* Participations of Jardine Schindler Holdings Ltd., BVI

● Production

○ Services

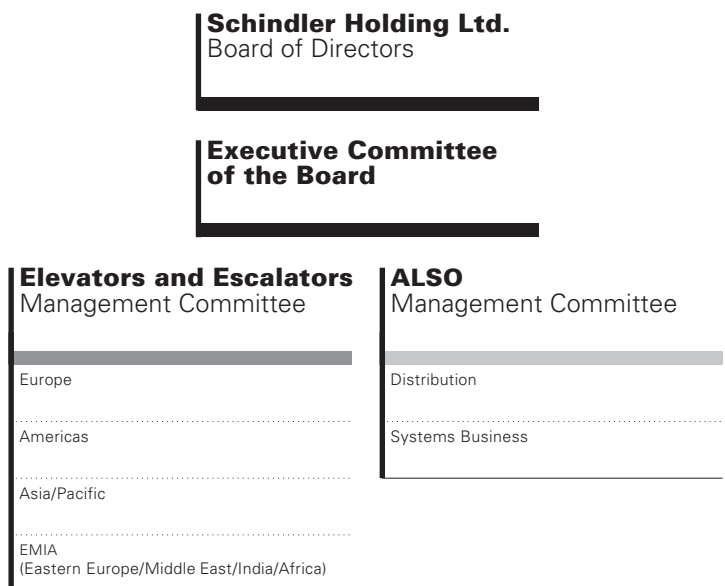
Corporate Governance

Corporate Governance

The report on corporate governance describes the management structure and control at the highest corporate level of the Schindler Group. The report's content and structure fulfil the requirements of the "Directive on Information Relating to Corporate Governance" of the SWX Swiss Exchange, which came into force on July 1, 2002.

Structure of the Group and its shareholders

Operational structure of the Group



The operational structure of the Group corresponds to the segment reporting presented on pages 36 and 37 of the Financial Statements. Essential affiliated companies and unconsolidated subsidiaries are listed on pages 56 to 58 of the Financial Statements.

ALSO Holding AG, Hergiswil/Switzerland, 64.5% of whose shares were held by Schindler Holding Ltd. at the end of 2002, has been listed on the Swiss Exchange SWX since 1986 and publishes its own annual report. That annual report also fulfils the requirements of IFRS (formerly IAS). On 31.12.2002, the market capitalization of ALSO was CHF 180 million (security number Na 155143). In view of the extent of the information, ALSO's comments on its own corporate governance are not repeated here, since they are available in the ALSO annual report.

Shareholders

At the end of 2002, shares were held by 2 852 shareholders.

According to information published under stock exchange law, the Schindler and Bonnard families hold within the scope of a stockholder retainer contract 63.3% of the voting rights of the share capital of Schindler Holding Ltd. entered in the Register of Companies.

A further aspect of the shareholding structure is that other persons who have a close relationship with the parties to the stockholder retainer contract hold, together with these, more than two thirds of the voting rights. These other persons are not bound by a stockholder retainer contract. The voting rights held by shareholders who are not bound by a stockholder retainer contract are in each case less than three percent.

Cross shareholdings

Schindler Holding Ltd. has no cross shareholdings in companies outside the Schindler Group which exceed a limit of 5% of the voting rights or capital.

Capital structure

Capital

The share capital on December 31, 2002, was CHF 7 356 820. This is divided into 7 356 820 fully paid shares registered by name, each with a nominal value of CHF 1.00. Each share carries the right to one vote, as well as the right to a share in the profits reported in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value.

The bearer participation capital on December 31, 2002, was CHF 5 506 990. This is divided into 5 506 990 fully paid bearer participation certificates, each with a nominal value of CHF 1.00. Each bearer participation certificate carries the right to a share in the profits contained in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value. It does not, however, carry any voting rights, nor any other rights of membership, such as participation at General Meetings of Shareholders.

Details of the value of the capital of Schindler Holding Ltd. on December 31, 2002, as well as how it has changed in the last three reporting years, are presented on page 51 of the Financial Statements.

On December 31, 2002, Schindler Holding Ltd. did not own any authorized or conditional capital.

Bonus certificates

There are no outstanding bonus certificates.

Limitations on share transferability and nominee registrations

Registration of shares

According to Art.13 of the statutes, the Board of Directors shall refuse registration of an applicant as a full shareholder:

- if the applicant has not purchased the share(s) in his/her own name and on his/her own account, or
- registration would result in the applicant holding more than 3% of the voting rights. The voting rights of associated shareholders shall be accumulated. This does not apply to institutional representatives, or deposit agreements with banks.

In accordance with Swiss federal law requiring the ability to demonstrate Swiss control of the company, the registration of foreign applicants can be refused if, as a result of their registration, all foreign shareholders together would hold more than 10% of the voting rights.

The statutory restrictions on registration do not apply if:

- on June 15, 1992, the applicant, or the applicant's spouse, child, brother, sister, or other such person, was already recorded in the share register as holding 3% of the voting rights, or
- the voting rights were acquired directly by inheritance or marriage contract.

The General Meeting of Shareholders may determine further exceptions. Applicants have the right to pursue their application at the General Meeting of Shareholders. The General Meeting of Shareholders was not required to rule on any such cases in the reporting year 2002.

Nominee registrations

The statutes contain no special regulations regarding nominee registrations.

Convertible bonds and debentures

Schindler Holding Ltd. has no outstanding convertible bonds.

Information regarding convertible bonds of ALSO Holding AG is contained in the annual report of that company.

Details of outstanding debentures, including amounts, interest rates, and maturity dates, are presented on page 28 of the Financial Statements.

Employee options

All values *after* 10:1 share split on June 11, 2002.

	Options awarded Number	Exercise price in CHF	Barred period ends	Exercise period ends	Expired as at 31.12.2002 Number	Exercised as at 31.12.2002 Number
2001	15 420	268.70	30.04.04	29.04.07	0	0
2002	13 190	270.60	30.04.05	29.04.08	0	0

One option gives entitlement to purchase one registered share of Schindler Holding Ltd.

Board of Directors, Executive Committee of the Board, and other committees

According to Art. 716a of the Swiss Code of Obligations, the *Board of Directors* of Schindler Holding Ltd. exercises ultimate direction and ultimate supervision over the entire Schindler Group, i. e. over the Elevators and Escalators business and over ALSO.

The Board of Directors, which according to its statutes comprises between 5 and 10 members, currently has 9 members. Of these, three are executive members, who form the Executive Committee of the Board, while the remaining six are non-executive members.

The *Executive Committee of the Board* is elected for a term of 3 years. According to the management bylaws, it is responsible for the immediate supervision of the two Management Committees. Members of the Executive Committee of the Board are not members of the Management Committees.

To assist the Board of Directors, there are also *other committees*, all of which have as their respective chairman a member of the Board of Directors.

Board of Directors of Schindler Holding Ltd.

			Term of office expires*
Alfred N. Schindler			
Chairman; Hergiswil, Switzerland	Executive member		2005
Luc Bonnard			
Vice Chairman; Hergiswil, Switzerland	Executive member		2005
Alfred Spörri			
Zug, Switzerland	Executive member		2005
Prof. Dr. Dr. h.c. mult. Rolf Dubs			
St. Gallen, Switzerland	Non-executive member		2005
Walter G. Frehner			
Riehen, Switzerland	Non-executive member		2005
Dr. Hubertus von Grünberg			
Hanover, Germany	Non-executive member		2005
Scott D. Miller			
Chicago, USA	Non-executive member		2005
Dr. Jenö C. A. Staehelin			
New York, USA	Non-executive member		2005
Robert Studer			
Schönenberg, Switzerland	Non-executive member		2005

* Annual General Meeting of Shareholders to be held in 2005

Alfred N. Schindler (1949, Switzerland)

has been a member of the Board of Directors since July 1977, and CEO of the Schindler Group since 1985. Since 1995, Alfred N. Schindler has also been Chairman of the Board of Directors. Before joining the Schindler Group, he was employed by Neutra AG in Bern, later becoming CFO of Notz AG in Biel. He is a member of the supervisory board of Deutsche Post AG, and a member of the board of directors of the Swiss-American Chamber of Commerce. He is also a member of the European advisory board of the Wharton School. Alfred N. Schindler holds a degree in law from the University of Basel, and an MBA from the Wharton School of Finance of the University of Pennsylvania, USA.

Luc Bonnard (1946, Switzerland)

has been a member of the Board of Directors since August 1984, and a member of the Executive Committee of the Board since 1991. Since 1996 he has been Vice Chairman of the Board of Directors. Luc Bonnard joined Schindler in 1972, and from 1983 was a member of the Management Committee with responsibility for northern Europe. From 1986 until 1990 he was head of the Group's elevators and escalators business. He is Vice Chairman of the Board of Directors of Bobst AG, Prilly. Luc Bonnard holds a master's degree in electrical engineering from the Swiss Federal Institute of Technology, Zurich.

Alfred Spörri (1938, Switzerland)

has been a member of the Board of Directors, and of the Executive Committee of the Board, since 1995. From 1991 to 1995 he was a member of the former Executive Management Committee. He joined the Schindler Group in 1968 as CFO of Schindler Mexico and Area Controller for Latin America. From 1975 he was head of the subsidiary company in Mexico, before returning to Switzerland in 1979 as Group Controller and Treasurer. From 1988 to 1997 he was CFO of the Group. Alfred Spörri is a member of the Swiss Take-over Board. He is a Swiss Certified Public Accountant, and in 1970 gained an MBA from Las Américas University, Mexico.

Prof. Dr. Dr. h.c. mult. Rolf Dubs (1935, Switzerland)

has been a member of the Board of Directors since August 1989. From 1969 until 2000 he was a professor at the University of St. Gallen, and from 1989 to 1993 Rector of that university. He is chairman of the board of directors of Hoffmann Neopac AG, Thun, and of St. Galler Tagblatt AG, St. Gallen. Rolf Dubs is also a member of the board of directors of Underberg AG, Zurich, Integra Holding AG, Wallisellen, and Fischbacher AG, St. Gallen. In Germany, he is a member of the supervisory boards of ARAG Versicherung, Düsseldorf, and Underberg Semper Idem, Rheinberg. At the Swiss Federal Department of Economic Affairs he is an advisor to the Office of Professional Education and Technology on universities of applied science, and at the Swiss Federal Department of Foreign Affairs an advisor on scientific matters to the Swiss Agency for Development and Cooperation. After training as a commercial teacher at the University of St. Gallen, Rolf Dubs gained a doctorate in economics from the same university in 1962. He was awarded honorary doctorates in both 1993 and 1994.

Walter G. Fehner (1933, Switzerland)

was elected to membership of the Board of Directors in August 1984. After attending commercial school in the French-speaking part of Switzerland, he completed a banking apprenticeship at the Bernese Cantonal Bank. Follow-

ing a period in England, he joined Swiss Bank Corporation (now UBS), of which he became a member of the management committee in 1974. He was president of the management committee of Swiss Bank Corporation from 1987 to 1993, and chairman of its board of directors until his retirement in 1996. Walter G. Frehner is a member of the board of directors of Novartis, and a member of the Novartis audit and compliance committee. He is also vice chairman of the board of directors of Baloise Insurance, where he is additionally chairman of the audit committee, as well as a member of the chairman's committee and the compensation committee.

Dr. Hubertus von Grünberg (1942, Germany)

has been a member of the Board of Directors since October 1999. On completing his education, he first worked for Teves GmbH, a subsidiary of ITT, in Frankfurt. In 1989 he became president and CEO of ITT Automotive Inc., at Auburn Hills, Michigan, USA, and a senior vice president of ITT Corporation. From 1991 to 1999 he was president of the executive management committee of Continental AG, of Hanover, Germany. Since June 1999 he has been chairman of the supervisory board of Continental AG. He is also a member of the supervisory boards of Allianz Versicherungs AG, Munich, Deutsche Telekom AG, Bonn, SAI Automotive AG, Frankfurt, and MAN Aktiengesellschaft, Munich, all in Germany. He is also an advisor to ING BHF Bank AG, and to Dresdner Bank AG, both of Frankfurt. Hubertus von Grünberg is a doctor of physics.

Scott D. Miller (1952, USA)

was elected a member of the Board of Directors in March 2002. From 1991 to 1993 he was a partner in the John Buck Company, Chicago, USA, and from 1994 to 1997 president of the United Infrastructure Company, also of Chicago. Since 1997 he has been president of Hyatt Hotels Corporation, Chicago. Scott D. Miller holds a degree in human biology from Stanford University, California, and an MBA in finance from the University of Chicago.

Dr. Jenö C. A. Staehelin (1940, Switzerland)

was elected to the Board of Directors in June 1980. From 1977 to 1984 he was Vice President of the European Patent Office in Munich. He subsequently became a minister and deputy director of the Department for International Organization at the Swiss Federal Department of Foreign Affairs. In 1987 he was appointed an ambassador, and head of the department for Europe and North America. At the same time, starting 1991, he was a special ambassador to the Vatican. In 1993 he was appointed Swiss ambassador to Japan. In June 1997 he was appointed permanent Swiss observer at the United Nations in New York. On entry of Switzerland to the United Nations in September 2002, he became the first permanent representative of Switzerland to this organization. He holds a master of law degree from Harvard University, USA, as well as a doctorate in law, and is a licensed attorney.

Robert Studer (1938, Switzerland)

has been a member of the Board of Directors since July 1981. From 1991 to 1996 he was president of the executive committee of the Union Bank of Switzerland, and from 1996 to 1998 chairman of the board of directors of the same bank. Robert Studer is a member of the boards of directors of BASF AG, Ludwigshafen; Total Fina Elf SA, Paris; Renault SA, Paris; and the Espirito Santo Financial Group SA, Luxembourg. Robert Studer is also a member of the European Advisory Committee of the New York Stock Exchange.

Board of Directors of ALSO Holding AG

Thomas C. Weissmann

Chairman of the Board of Directors and President of the Management Committee – Executive member

René Dreier

Non-executive member

Prof. Dr. Karl Hofstetter

Non-executive member

Prof. Dr. Rudolf Marty

Non-executive member

Further information is contained in the annual report of ALSO Holding AG.

Cross involvement

There are no cross-memberships between the Board of Directors of Schindler Holding Ltd. and any other listed company.

Election and term of office

The Board of Directors of Schindler Holding Ltd. is elected by the General Meeting for a term of three years, on completion of which it can be re-elected for a further period of the same duration.

Elections are held according to the principle of phased renewal. According to the statutes, the Chairman of the Board of Directors is elected by the General Meeting. The Vice Chairman is elected by the Board of Directors from among its members for a term of three years.

Members of the Board of Directors are required to retire on the date of the Annual General Meeting in the year in which they attain the age of 70 years. In exceptional cases, the Board of Directors may depart from this rule.

Internal organization and regulation of authorities

According to the law, the Board of Directors is responsible for the ultimate direction and ultimate supervision of the entire Schindler Group. It is required to resolve all matters which are not defined by the law, statutes, or management bylaws as being the responsibility of any other governing body. According to the Swiss Code of Obligations, Article 716a, Paragraph 1, the following non-transferable and inalienable responsibilities are incumbent on the Board of Directors:

- ultimate direction of the company and issuance of necessary instructions,
- definition of the organization,
- establishment of systems and procedures for accounting, financial control, and financial planning,
- appointment and discharge of persons charged with managing and representing the business,

- ultimate supervision of the persons charged with managing the business, especially with regard to compliance with the law, statutes, bylaws, and instructions,
- preparation of the Annual Report, and preparation of General Meetings of Shareholders and execution of their resolutions,
- notification of the legal authorities in case of insolvency.

- It is also incumbent on the Board of Directors to decide on the following:
- the objectives and strategies of the Group as a whole, and of its two businesses,
 - the essential prerequisites for business activity,
 - staffing of the management committees according to the management bylaws,
 - business transactions whose financial value exceeds certain amounts.

Decisions are made by the full Board of Directors. To assist it, it has available four standing committees: the *Executive Committee of the Board*, the *Nominations Committee*, the *Compensation Committee*, and the *Audit Committee*.

Committees

The committees designated by the Board of Directors are governed by regulations which define their responsibilities and authorities. For each committee, the Board of Directors appoints a chairman. The committees minute the proceedings of their meetings, and on matters which they are not authorized to decide themselves, submit proposals to the full Board of Directors.

Executive Committee of the Board

The Board of Directors appoints from among its members a standing Executive Committee of the Board, with three or four members, for a term of three years. The Chairman and Vice Chairman of the Board are members of the Executive Committee.

Members of the Executive Committee of the Board:

Alfred N. Schindler	Chairman
Luc Bonnard	Vice Chairman
Alfred Spörri	Member

Responsibilities:

The Executive Committee of the Board prepares all matters for the Board of Directors (in particular those according to the Swiss Code of Obligations, Article 716a, Paragraph 1), provides the Board with relevant documentation, and submits proposals to the Board.

It creates the prerequisites for ultimate direction by the Board of Directors. It exercises supervision of the Group as a whole, and thereby creates the prerequisites for the exercise of ultimate supervision by the Board of Directors.

The Executive Committee of the Board ensures that the Board of Directors is informed, and that its resolutions are executed. For this purpose, it is assisted by various committees.

Responsibilities of the Executive Committee of the Board relative to the Management Committees

The Executive Committee of the Board creates a uniform entrepreneurial will, ensures cohesion of the Group in its entirety, and continuously monitors the managerial competence of the members of the two Management Committees, as well as other holders of key staff and line functions.

For this purpose, it particularly appoints the responsible persons in the Group – depending on their position – to supervisory, directive, and managerial bodies of the affiliated companies. These persons are required to act in accordance with the management bylaws, and receive instructions from the Executive Committee of the Board.

In close collaboration with the two Management Committees, the Executive Committee of the Board formulates and submits to the Board of Directors the goals and strategies of the Group as a whole, and of its two businesses, and defines the financial and human resources.

Nomination Committee

The Executive Committee of the Board is responsible for nominating candidates for election to the Board of Directors, each member of the Board of Directors having the right to make nominations of their own to the Chairman. In the structure of the Board of Directors, attention is paid not only to competence, but also to professional and cultural diversity.

The Board of Directors makes the final decision regarding nominations to be proposed to the General Meeting.

The Nomination Committee is also responsible to the Board of Directors for planning succession, and for nomination of the top management of the Group.

Compensation Committee

Members:

Prof. Dr. Dr. h.c. mult. Rolf Dubs	Non-executive member of the Board of Directors
Walter G. Frehner	Non-executive member of the Board of Directors

According to the management bylaws, the Board of Directors convenes a Compensation Committee composed of two external members of the Board of Directors who are not members of the Executive Committee of the Board.

The Compensation Committee definitively determines the remuneration, and all other compensation, of the Chairman of the Board of Directors. It also approves all compensation of other members of the Board of Directors, based on proposals submitted by the Chairman of the Board.

The compensation of the members of both Management Committees, and of other managers of the Group with compensation of a similar amount, is also submitted to the Compensation Committee for approval.

The Compensation Committee provides information to the full Board of Directors once per year.

Audit Committee

Within the scope of its ultimate supervision, the *Executive Committee of the Board* also exercises the function of an auditing body at board level. It maintains contact with the external auditors and is also supported by an *Audit Committee*, whose members as listed below are all persons who do not hold line management functions:

Alfred Spörri	
Member of the Executive Committee of the Board	Chairman
Prof. Dr. Karl Hofstetter	
General Counsel, Member of the Management Committee Elevators and Escalators	Member
Peter Fraefel	
Member of the Management of Schindler Holding Ltd.	Member

The Audit Committee assists the Board of Directors and its Executive Committee in fulfilling its supervisory functions over the Management Committees of Elevators and Escalators and ALSO.

The Audit Committee coordinates the following controlling instruments of the Executive Committee of the Board:

- *Internal Audits*, for the purpose of verifying compliance with rules and processes in the business and financial area,
- *Code of Conduct Compliance*, for the purpose of verifying and enforcing the Code of Conduct enacted by the Board of Directors in 1997, which is binding for all employees worldwide,
- *Technical Compliance*, for the purpose of verifying compliance with safety-relevant standards and processes in the elevators and escalators business.

The Audit Committee is particularly responsible for the following:

- review and determination of audit programs,
- discussion of all reports prepared by the auditing bodies,
- issuance of recommendations and instructions regarding organization, employees, and auditing activities within the Schindler Group,
- review of the appropriateness of sanctions which are proposed in consequence of detected behavior or infringements of internal guidelines,
- enactment of new guidelines, instructions, clarifications, or other instructions in connection with the Code of Conduct.

The Audit Committee reports directly to the Chairman of the Board of Directors. Provision of information to the Board of Directors on the work of the Audit Committee takes place at the request of the Chairman of the Board, and in any case at least once per year.

Frequency of meetings of the full Board of Directors and its committees

The *Board of Directors* holds six regular half- or whole-day meetings per year, and additional ad hoc meetings as necessary. A two-day meeting is held in September of each year.

The *Executive Committee of the Board* holds whole-day meetings at least once every two weeks.

The *other committees* meet for half or whole days according to need, the Audit Committee usually every two months.

The agendas of the meetings are determined by the respective chairmen. Minutes are taken of all discussions and resolutions at the meetings.

Coordination between the full Board of Directors and committees is ensured by there being at least one member of the Board of Directors on each committee.

The President of the Management Committee Elevators and Escalators attends all meetings of the Board of Directors; the attendance of other members of the Management Committees, or persons from outside, may be required on the instructions of the Chairman.

Information and control instruments vis-a-vis the Management Committees

The Schindler Group has at its disposal a comprehensive electronic management information system (MIS). Each month, the Board of Directors receives a written report.

Forecast, budget, semi-annual, and annual financial statements of Schindler Holding Ltd., and of the Group, are delivered in writing to the Board of Directors, fully explained at its meetings, and submitted for its approval.

Information regarding the current state of the business is provided continuously at the meetings of the Board of Directors and the Executive Committee of the Board, in a form appropriate for those bodies, and with the participation of the persons bearing the respective responsibilities.

Management Committees

According to Art. 716b of the Swiss Code of Obligations and the company's management bylaws, the management of the operational business of the Schindler Group rests in the hands of the two Management Committees.

Management Committee Elevators and Escalators

Peter J. Zbinden	Chairman
David J. Bauhs	Deputy to the President; Americas
Miguel A. Rodríguez	Europe
Jürgen Tinggren	Asia/Pacific
Heikki Poutanen	Eastern Europe/Middle East/India/Africa (EMIA)
Jörgen Svenningsson	Technology and Procurement
Brent Glendening	Chief Information Officer (CIO)
Erich Ammann	Chief Financial Officer (CFO)
Dr. Rudolf W. Fischer	Human Resources and Training
Prof. Dr. Karl Hofstetter	General Counsel

For further information, see also "Changes in the Management Committee" in the Statement of the Board of Directors on pages 10 and 11 of the Activity Report.

Peter J. Zbinden (1948, Switzerland)

was appointed to membership of the Management Committee in 1991, with responsibility for the Americas and the escalators business. He has been President of the Management Committee since January 1, 1996. He joined the Schindler Group in the Corporate Planning department in 1975, and from 1976 undertook special assignments in Brazil. In 1978, Peter J. Zbinden was appointed to the management committee of Schindler France, becoming deputy to the president in 1982. From 1996 he was area manager responsible for North America and southern Africa. Peter J. Zbinden graduated from the Swiss Federal Institute of Technology, Zurich, with a master's degree in mechanical engineering, and undertook further studies in business administration and finance both there and at the University of Zurich.

David J. Bauhs (1938, USA)

has been a member of the Management Committee since January 1, 1996, and since July 1, 1997, Deputy to the President of the Management Committee. He is responsible for the Americas and southern Africa. He joined Westinghouse Electric Corp. in 1967, whose elevator division was acquired by the Schindler Group in 1989. David J. Bauhs is a member of the board of directors of the Swiss American Foundation. He holds a degree in physics from the University of Wisconsin, USA, and a Master of Science in nuclear engineering from the Massachusetts Institute of Technology.

Miguel A. Rodríguez (1953, Spain)

has been a member of the Management Committee since December 1, 1998, with responsibility initially for Europe South West, and since November 1, 2001, for all of Europe. From 1991 to 1998 he managed the Schindler subsidiaries in Spain and Portugal. From 1981 to 1988 he was a member of the

corporate management of the Armstrong Group, managing its companies in Spain from 1988 to 1991. Miguel A. Rodríguez studied at the University of Deusto, Bilbao, Spain, graduating as an industrial engineer.

Jürgen Tinggren (1958, Sweden)

joined the Management Committee on April 1, 1997, initially with responsibility for Field Operations Europe 1, and since 1999 for the Asia/Pacific region. From 1985 to 1997 he worked for the Sika Group, ultimately as a member of the Management Committee with responsibility for North America. Jürgen Tinggren studied at the Stockholm School of Economics, Sweden, and at the New York School of Business. He is an MBA.

Heikki Poutanen (1945, Finland)

has been a member of the Management Committee with responsibility for Central Europe since December 1, 1998, and since November 1, 2001, for the area comprising Eastern Europe, the Middle East, India, and Africa (EMIA). He has worked in the elevator industry since 1971, and from 1995 until 1998 was in charge of Millar Elevator Service Co., USA, which was integrated into the Schindler organization in the USA in the reporting year. Heikki Poutanen holds a Master of Science degree in engineering.

Jörgen Svenningsson (1952, Sweden)

joined the Schindler Group on May 1, 2000, since when he has been responsible for Technology and Procurement. Previously, he worked for 24 years in the automobile industry, where he held various managerial positions at Saab and General Motors. He holds a Master of Science degree in engineering.

Brent L. Glendening (1954, USA)

has since September 1, 2001, held the function of CIO at Management Committee level. From 1994 to 2000 he was responsible for information technology at Schindler USA. For 16 years prior to that, Brent L. Glendening held managerial positions in information technology and manufacturing at Schlumberger Ltd. Before joining Schlumberger, he was a consultant with PriceWaterhouse. Brent L. Glendening holds a Bachelor of Science degree in business administration from Ferris State University, USA.

Erich Ammann (1957, Switzerland)

has been a member of the Management Committee, and Chief Financial Officer of the Group, since November 1, 2001. From 1997 he was Head of Group Controlling, and from 1992 to 1997 CFO of Schindler USA. Erich Ammann, joined the Schindler Group in 1988 as an Area Controller. Prior to that, he was a treasurer with Intershop Holding, and before that an auditor with Schweizerische Treuhandgesellschaft (STG) in Geneva. He obtained a degree in economics and business administration from St. Gallen University of Applied Sciences, Switzerland, and in 1994 gained an Executive MBA from the Wharton School, University of Pennsylvania, USA.

Dr. Rudolf W. Fischer (1952, Switzerland)

has been a member of the Management Committee with responsibility for Human Resources and Training since January 1, 1996. From 1994 to 1995 he was a partner in an executive search company in Zurich, prior to which from 1991 to 1994 he was General Manager of Jockey Vollmöller AG in Uster, a subsidiary of the Austrian Huber Tricot Group, and later of Hanro AG

in Liestal. Previously, for almost nine years he held various managerial positions in human resources and trade marketing with Jacobs Suchard in Switzerland and Belgium. Rudolf W. Fischer completed his studies in 1979 with a doctorate in economics at the University of Zurich. He is a member of the board of directors of Vetropack Holding AG, Bülach.

Prof. Dr. Karl Hofstetter (1956, Switzerland) was appointed to the Management Committee as General Counsel on March 1, 2002, with responsibility for the legal, M & A, taxation, and compliance areas. He has worked for Schindler since 1990. He studied law and business at the universities of Zurich (Switzerland), and Stanford, UCLA, and Harvard in the USA, and is a licensed attorney in Zurich and New York, as well as an honorary professor for private and business law at the University of Zurich. Karl Hofstetter is a member of the board of directors of ALSO Holding AG, and of Venture Incubator AG, Zug.

Management Committee ALSO

Thomas C. Weissmann	Chairman of the Board of Directors and President of the Management Committee
Jürgen Baumgartner	Chief Financial Officer
Dr. Axel Keller	Managing Director, ALSO ABC Trading GmbH, Straubing, Germany
Marc Schnyder	Managing Director, ALSO ABC Trading AG, Emmen, Switzerland
Thomas Willenegger	Managing Director, ALSO COMSYT AG, Emmen, Switzerland
Peter Zurbrügg	Chief Information Officer, ALSO FINANZ AG, Emmen, Switzerland

Further information is contained in the annual report of ALSO Holding AG.

Management contracts

Schindler Holding AG has not entered into any management contracts with third parties outside the Group.

Compensation, participation, and loans

Content and method of determining the compensation and participation programs

Members of the Board of Directors receive for their work compensation of a fixed amount which is determined at the request of the Chairman of the Board of Directors.

The executive members of the Board of Directors (members of the Executive Committee of the Board), members of the Management Committees, and managerial employees, are compensated according to performance. The variable component of from 15% to 50% of their total compensation depends on fulfilment of their individual performance targets, the results of the area for which they are responsible, and the Group's net profit. The Compensation Committee approves the compensation of the highest governing bodies (see pages 68 and 69 of the Financial Statements, "Compensation Committee").

According to the method described on page 38 of the Financial Statements under "Capital Participation Plans", and starting April 2001 for the business year 2000, executive members of the Board of Directors (the Executive Committee of the Board), members of the Management Committee Elevators and Escalators, and members of the top level of management, receive a predefined proportion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined exercise price, and with a bar on selling for three years.

In addition, the Board of Directors can decide each year whether, and to what extent, the group of employees mentioned above shall be awarded additional option rights for the purchase of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined price and with a bar on selling for three years.

Compensation of active members of governing bodies

Highest total compensation

Alfred N. Schindler, Chairman of the Board of Directors and of the Executive Committee of the Board, received the following compensation:

In CHF	2001	2002
Compensation fixed by contract*	3 252 450	3 252 450
Bonus**	2 085 000	2 589 500
Voluntarily foregone within the R03 program	-500 000	-1 242 500
Actual payment	4 837 450	4 599 450
Taxes paid in Switzerland	4 100 000	4 700 000
Payments to charitable organizations	440 438	1 000 000

* Board membership fee, salary, fixed expenses, contributions to managerial insurance plan

** The variable bonus relates in each case to the previous year, and includes the value of shares contained in the bonus.

Within the scope of the existing capital participation plans, shares and options were awarded to Alfred N. Schindler as follows:

	2001	2002
Number		
Number of <i>shares</i> allocated*	400	600
(value included in total compensation)		
Number of <i>options</i> allocated*	1 170	790
Barred period ends	30. 04. 2004	30. 04. 2005
Exercise period ends	29. 04. 2007	29. 04. 2008
Exercise price in CHF	268.70	270.60
Allocation ratio options : shares	1:1	1:1

* Numbers shown in both years are *after* the 10:1 split on June 11, 2002

Compensation of the Executive Committee of the Board

In CHF	2001	2002
Total compensation (incl. Chairman of the Board of Directors) 3 persons	9 904 700	10 066 700
Average per annum	3 301 567	3 355 567

The total compensation includes salaries, bonuses (including the value of shares contained in them), fixed expenses, contributions to the managerial insurance plan, and board membership fees of the Chairman, Vice Chairman, and one other member of the Board of Directors.

Compensation of members of the Management Committee Elevators and Escalators

In CHF	2001	2002
Total compensation 10 persons	8 399 362	10 036 500
Average per annum	900 253	1 003 650

The total compensation includes salaries, bonuses (including the value of shares contained in them), fixed expenses, and contributions to the managerial insurance plan. In 2001, one person was included for four months only.

Compensation of non-executive members of the Board of Directors

In CHF	2001	2002
Total compensation 6 persons	727 375	668 693
Average per annum	121 229	111 449

The total compensation includes fees and fixed expenses. The difference between 2002 and 2001 results from changes in membership during the year; the compensation of CHF 126 500 per member and year did not change.

No severance payments were made.

Compensation of former members of governing bodies

Schindler Holding Ltd. pays to four former executive members of the Board of Directors (one living, and in three cases their widows), pensions amounting to a total of CHF 336 000 annually. The actuarially determined cash value of these pension benefits is recalculated annually, and on December 31, 2002, amounted to CHF 2.7 million. This amount is reported by the issuer as a provision.

Allocation of shares

(The number of shares in both years is *after* the 10:1 split, and the nominal value is CHF 1.00)

Number of shares	2001	2002
Executive members of the Board of Directors		
(incl. Board Chairman) 3 persons	1 200	1 800
Members of the Management Committee		
Elevators and Escalators 10 persons	2 090	3 960

At their own wish, the non-executive members of the Board of Directors are not included in the capital participation plan. They therefore received no shares. There were also no allocations of shares to related parties.

Share holdings as at December 31

According to the share register of Schindler Holding Ltd., members of the governing bodies held the following numbers of shares:

Number of shares	2001	2002
Executive members of the Board of Directors		
incl. parties to the stockholder retainer contract	4 654 300	4 656 220
Members of the Management Committee		
Elevators and Escalators 10 persons	2 200	6 350
Non-executive members of the Board of Directors	3 500	3 074

Option holdings as at December 31

(The number of options in both years is *after* the 10:1 share split)

As at December 31, 2002, holdings of options by members of the governing bodies were as follows:

Number of options	Allocated in 2001	Allocated in 2002	Holding on 31.12.2002
Executive members of the Board of Directors			
(incl. Board Chairman) 3 persons	3 510	2 370	5 880
Members of the Management Committee			
Elevators and Escalators 10 persons	6 060	5 190	11 250
Barred period ends	30.04.2004	30.04.2005	
Exercise period ends	29.04.2007	29.04.2008	
Exercise price in CHF	268.70	270.60	
Allocation ratio options : shares	1:1	1:1	

No options were allocated to non-executive members of the Board of Directors.

Additional fees and other compensation

In the reporting year, no members of the Board of Directors or Management Committees, nor any related parties, received fees or other compensation for additional services to Schindler Holding Ltd. or any subsidiary or affiliated company.

Credit available to members of the governing bodies

No loans were made by the issuer, or any subsidiary or affiliate, to any active or former member of the governing bodies, nor were any such loans outstanding on December 31, 2002.

The Chairman of the Board of Directors has been granted borrowing rights. On December 31, 2002, the unutilized credit limit was CHF 15 million, which was secured by own shares with a value of over CHF 80 million.

Shareholders' rights of participation

Restrictions on voting rights

Subject to the registration of shares, the statutes do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

Right of participation at the General Meeting

Shareholders' rights of participation at General Meetings of Shareholders are in accordance with the law and the statutes. Shareholders may be represented by third parties who are themselves shareholders, by institutional representatives, by the independent proxy, or by depositary representatives.

Quorum

Art. 19 of the statutes stipulates that for the resolutions of the General Meeting of Shareholders stated below, the presence of shareholders representing at least half of the share capital recorded in the Swiss Register of Companies is required:

- election and discharge of members of the Board of Directors,
- conversion of registered shares into bearer shares and vice versa, and, subject to the individual voting rights of the shareholders, conversion of shares into bearer participation certificates,
- issuance of bonus certificates, or conversion of bearer participation certificates into bonus certificates,
- exceptions to the statutory share-registration regulations,
- resolutions for which there is a legal or statutory requirement for a qualified decision-making quorum.

Decision-making majority

Resolutions by the General Meeting of Shareholders are normally determined by the relative majority of the votes cast.

The following resolutions require the agreement of at least two thirds of the voting rights represented at the meeting, and of the absolute majority of the nominal value of shares represented at the meeting:

- all resolutions according to Art. 704 of the Swiss Code of Obligations,
- resolutions regarding changes to the company, issuance of bonus certificates, and any change in the share capital or bearer participation capital.

Notification of General Meetings of Shareholders

Notification of General Meetings of Shareholders is given by non-registered letter to the address of registered shareholders recorded in the share register, and by publication once only in the Swiss Official Gazette of Commerce. Although not required by statute, it is also customary to publish notification in selected Swiss daily newspapers. The period of notification is 20 days.

Agenda

The right to propose items for the agenda is governed by the stipulations of Swiss corporation law.

Closing date for entry in the share register

Only those shareholders with voting rights whose names were recorded in the company's register of shareholders on the respective closing date may attend the General Meeting of Shareholders and exercise their voting rights. The Board of Directors endeavors to set the closing date for registration as close as possible to the date of the General Meeting, i.e. not more than 5 to 10 days before the General Meeting. There are no exceptions to this rule regarding the closing date for registration.

Change of control and defensive measures

Duty to submit an offer

According to Art. 33 of the statutes, the obligation to submit a public offer to purchase under Art. 32 and 52 of the Swiss Securities Exchanges and Securities Trading Act (SESTA) of March 24, 1995, has been foregone ("*opting out*").

"Change of control" clauses

Contracts of employment between Schindler Holding Ltd. and members of the governing bodies do not contain any clauses applying to the case of a change of control (e.g. "golden parachutes").

Auditors

Duration of mandate and term of office of the head auditor

Ernst & Young AG, of Bern, have been the statutory auditors of Schindler Holding Ltd., as well as Group auditors, since 1999. Neutra Treuhand AG, which is associated with Ernst & Young AG, were the statutory auditors from 1991, and Group auditors from 1992.

The head auditor has been responsible for the audit of Schindler Holding Ltd. since 1991, and of the Group's consolidated financial statements since 1992.

Audit and other fees

The fees applicable to, and charged in, the reporting year by Ernst & Young as auditors of the Group's consolidated financial statements, and as statutory auditors of both Schindler Holding Ltd. and the majority of subsidiary and affiliated companies in Switzerland and abroad, were as follows:

CHF thousand	2002
Audit fees (audit of the Group's Consolidated Financial Statements, and statutory audit of the Financial Statements of the holding company and of subsidiary and affiliated companies in Switzerland and abroad)	2 676
Additional fees (corporate, legal, and taxation advice, and special projects)	1 120

Including other auditors, the *total audit fees* incurred by the Group in the reporting year amounted to CHF 4.9 million.

Supervision and control of the auditors

The Executive Committee of the Board evaluates the performance, fees, and independence of the statutory auditors and Group auditors each year. It discusses and reviews the scope of the audits, and the feedback resulting from them. Based on this information, it determines changes and improvements as necessary.

Information policy

The Schindler Group pursues an information policy which is based on truthfulness, timeliness, and continuity. Matters affecting the share price are published immediately as ad hoc announcements, in accordance with the obligation to publish of the SWX Swiss Exchange. Key dates are:

Closing of the business year	December 31
Annual results media and analysts conference	End of February
Publication of the Annual Report	End of February
Annual General Meeting	March
Interim Report	As at June 30
Publication of the Interim Report	August

Exact details of key dates for the current year and the next two years are available at www.schindler.com under Investor Relations – Key Dates.

Also available at www.schindler.com are the Annual Report, press releases, and the current share price, as well as general information about the Group. Interested persons from the financial markets, or members of the public, may also communicate with the Group directly through the following contacts:

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The Annual Report of the Schindler Group for 2002 consists of the Activity Report and the Financial Statements and Corporate Governance.

The original German language version is binding. English, French, and Spanish translations of the Activity Report are also available. The Financial Statements and Corporate Governance are published in German and English only.

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