

Annual Report 2003 Activity Report

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Illustration concept The illustrations show Schindler's latest products in typical applications.

The back cover of the Annual Report is devoted to the work of young artists whose creativity enlivens our business premises.

Activity Report 2003

of the Board of Directors of
Schindler Holding Ltd.,
CH-6052 Hergiswil NW, Switzerland,
to the Ordinary General Meeting
of March 18, 2004

76th Financial Year



**Every day, all over the world, Schindler elevators
and escalators transport more than 700 000 000 people
Photos: Maya Torgler, Lucerne, Switzerland**

Key figures 2003

The financial results for 2003 and 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, and where relevant, the key figures which follow are in each case also shown excluding R03 project costs.

Group	2002	2003	Δ %	Δ % local currency
In million CHF				
Operating revenue	7 888	7 725	-2.1	+2.1
EBITDA* Group	349	566	+62.2	
EBITDA Elevators and Escalators in %	5.0	8.8		
EBITDA ALSO in %	2.4	1.8		
Profit before taxes	62	344		
Net profit	8	184		
Cash flow**	430	368	-14.4	
Orders received Elevators and Escalators	6 344	6 246	-1.5	+4.1
Orders received ALSO	1 685	1 620	-3.9	-5.0
Shareholders' equity	1 067	1 165	+9.2	
Personnel at year-end	39 918	39 617	-0.8	

Key figures before charging R03 project costs

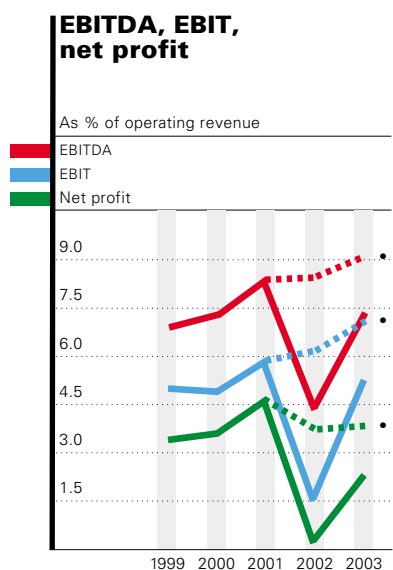
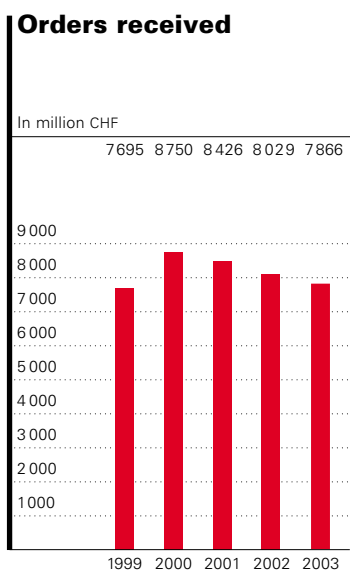
	2002	2003	Δ %
In million CHF			
EBITDA* Group	665	702	+5.6
EBITDA Elevators and Escalators in %	10.1	11.1	
Net profit before taxes	448	481	+7.4

* 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.

	2002	2003
Registered share	CHF 0.–	CHF 6.–
Bearer participation certificate	CHF 0.–	CHF 6.–



• Before R03 project costs

Better result

Brighter economy but no perceptible recovery in the construction sector

After the early part of 2003 was dominated by the war in Iraq and SARS, the fourth quarter of the year showed increasing signs of economic recovery. Except in China, this positive trend did not yet spread to the construction sector. Although various companies reported improved growth and earnings, employment levels in the OECD countries fell further. Consequently, there was a reduction in demand for office accommodation, and the volume of empty space increased. By contrast, residential building construction remained stable, helped partly by low interest rates. The resulting competition put further pressure on prices in the elevators and escalators industry with its burden of overcapacities. It must be assumed that the elevator industry will, as in the past, only react to the economic upswing with some delay, since the empty building space must first be absorbed. Despite these difficult conditions, as well as continuing negative effects of currency fluctuations, in the reporting year Schindler's performance – both before and after special costs for the R03 projects – improved.

Burdened by special projects and currency effects

As already in the previous year, the result for 2003 is affected by the R03 (run rate 03) special projects launched early in 2002. These aim to attain a substantial increase in productivity in the elevators and escalators business, as well as improved geographical positioning, and should contribute to raising the EBITDA margin of this business to 14% by the end of 2005. In the reporting year, improvements became clearly visible.

At the level of consolidated profit before taxes, the R03 project costs incurred in the reporting year were CHF 137 million, which is slightly above the announced range of approximately CHF 100 million to CHF 130 million.

In addition to costs for the R03 projects, the financial results for the year were burdened by negative exchange rate effects. These reduced consolidated operating revenue by a total of CHF 324 million, and operating profit by CHF 16 million. Over the last three years, the Group has therefore lost CHF 1 006 million of operating revenue, and CHF 84 million of operating profit, due to exchange rates.

Operating performance improves

During the reporting year, the scope of the consolidation was expanded to include Schindler Monaco, Monaco, Schindler Joong Ang Elevator Co. Ltd., South Korea, Doppelmayr Aufzüge AG, Wolfurt, Austria

(9 months), and a number of smaller companies of minor significance. The effect of all first-time consolidations is approximately 1% on both Group operating revenue and Group operating profit.

Consolidated operating revenue fell by 2.1% from CHF 7 888 million to CHF 7 725 million. In local currencies, there was an increase of 2.1%. At the level of operating revenue, there were exchange rate losses of CHF 294 million accruing from the US dollar, CHF 76 million from the Brazilian real, and CHF 35 million from other currencies. By contrast, there was an exchange rate gain of CHF 81 million derived from the euro. Net of exchange losses, the decline in consolidated operating revenue is therefore entirely attributable to lower net sales by ALSO.

Nanjing Shang-mao International Plaza, served by 13 Schindler 700 high-rise elevators with Miconic 10 hall call destination system; Nanjing, Jiangsu Province, China



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Consolidated operating profit EBITDA **before** charging R03 project costs increased by 5.6% to CHF 702 million. This reflects the operational improvement in the elevators and escalators business, while the operating result of the ALSO Group declined sharply. EBITDA **after** charging R03 project costs rose from CHF 349 million to CHF 566 million (+62%).

Consolidated net profit **before** taxes but **after** charging R03 project costs of CHF 137 million was CHF 344 million compared with CHF 62 million the previous year. Consolidated net profit **before** taxes and **before** charging R03 project costs was CHF 481 million, which is 7.4% above the previous year's amount. Consolidated net profit **after** taxes and minority interests, and **after** charging R03 project costs, was substantially higher than the previous year at CHF 184 million.

At CHF 7 866 million, consolidated orders received were 2.0% below the previous year's amount of CHF 8 029 million. In local currency values, there was an increase of 2.2%. The consolidated order backlog at the end of 2003 was 6.5% above the previous year's value (+9.2% in local currencies) at CHF 3 712 million.

Since the end of 2002, the number of employees went down by 301, or 0.8%, to 39 617. In the elevators and escalators business, the number of people employed declined by 163, or 0.4%. The workforce of ALSO contracted by a total of 138, or 12.4%.



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Elevators and escalators business

The results for the elevators and escalators business were affected by R03 special project costs. Most of the more than 50 individual projects in all were completed, and already delivered first improvements. In Europe, the standardized IT platform (one single client), as well as business processes standardized in accordance with best demonstrated practices, were tested successfully in pilot projects. Phased introduction at the Group companies begins early in 2004, so that the full impact of R03 on improving income will start in 2005.

Consolidated operating revenue fell by 1.6% from CHF 6 231 million to CHF 6 133 million. In local currencies, however, it rose by 4.0%.

Operating profit EBITDA was CHF 542 million **after** charging R03 project costs (previous year CHF 313 million), and CHF 678 million **before** R03 project costs (previous year CHF 629 million). The EBITDA margin **before** charging R03 project costs rose from 10.1% in the previous year to 11.1%, which demonstrates that despite heavy pressure on prices, a respectable improvement in performance was achieved. The corresponding EBIT margin rose by as much as 14%, i.e. from 7.6% to 8.7%.

Order bookings for elevators and escalators closed at CHF 6 246 million, which was 1.5% less than the preceding year. In local currencies, however, there was growth of 4.1%.

1 Atrium of Queen Mary 2: the largest passenger ship of all time. 45 elevators and 4 escalators take passengers to their desired deck
Photo: Yves Guillotin, Saint-Nazaire, Loire-Atlantique, France

2 FieldLink: the new tool for service technicians in which all key information about every installation is stored
Photo: E.T. Studhalter, Schachen, Switzerland



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With its now completely renewed product range, Schindler is in a strong position and defended its market position well. As measured by unit sales and local currency values, there was growth in all regions except some European countries. The proportion of new products contained in orders received is now over 80% (previous year 80%). In the escalators business, the Group maintained its position as world leader again in the reporting year.

Schindler 700 high-rise elevator

Approximately 60% of the high-rise market is in the Asia/Pacific region. Europe also has a number of significant projects in the pipeline, but in North America demand in this segment has collapsed. In the reporting year, Schindler made great efforts to present the new Schindler 700 high-rise elevator at numerous well attended customer events in China and Europe, and will continue these in the current year. The product was very well received by customers as well as the professional world. Especially in China, but also in Europe, Schindler won many orders for major projects, such as the LDC-K2 hotel and office tower in Hong Kong, Grand Gateway office tower, Shanghai, Holloway Circus office tower, Birmingham UK, and the Blue Heaven hotel complex, Frankfurt. In



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addition, these contacts with customers also yielded major orders for other Schindler product lines.

ALSO

For the fourth year in succession, the IT market contracted and thereby slowed business for the ALSO Group. Falling prices, pressure on margins, and declining demand for IT services caused the result of this subsidiary company, which is active in the IT logistics and services industry, to be sharply lower than in the previous year.

1 For Seiersberg Shopping City, Schindler supplied 13 SchindlerEuroLift elevators, 8 further elevators, and 17 Schindler 9300 escalators; Seiersberg, near Graz, Austria

2 Reading bar codes is one of many tasks in the logistics process of ALSO; Emmen, Switzerland



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In the Distribution Division, net sales amounted to CHF 1 516 million (–0.5%) and the operating profit of CHF 25.5 million was CHF 5.9 million (18.8%) below the previous year. ALSO strengthened its market leadership in Switzerland with the acquisition of ACS Trading AG, the third-largest distributor of IT consumables, and by expanding its logistics services.

Although the Systems Business Division was systematically adapted to the drastically shrunk key markets, it nevertheless produced an operating loss of CHF 9.9 million, including exceptional charges of CHF 6.8 million. These relate to the sale of the systems business to the German Bechtel Group which was announced at the start of 2003 and completed on February 5, 2004.

With net sales of CHF 1 598 million (–3.3%), the ALSO Group earned a net profit of CHF 1.8 million (previous year CHF 19.7 million) which includes exceptional charges of CHF 11.3 million.

Changes in the Management Committee Elevators and Escalators

On October 31, 2003, Jörgen Svenningsson relinquished his position as a member of the Management Committee Elevators and Escalators, as well as his responsibility for technology and strategic supply management, and left the Group by mutual agreement. The Board of Directors thanks him for his work in setting up a platform management and central purchasing function. His successor is David J. Bauhs, Deputy to the President of the Management Committee, and previously responsible for the Americas. Member of the Management Committee Heikki Poutanen took over responsibility for the Americas on January 1, 2004.

Dividend of Schindler Holding Ltd.

Schindler Holding Ltd. closed the 2003 reporting year with a net profit of CHF 127 million (previous year CHF 120 million). The next General Meeting on March 18, 2004, will be requested to approve payment of a dividend of CHF 6.– per registered share and bearer participation certificate.

The program which was announced on February 28, 2002, to repurchase a maximum of 10% of the outstanding registered shares and bearer participation certificates has been extended until December 31, 2004. As of December 31, 2003, 23 550 registered shares and 365 350 bearer participation certificates had been purchased for the purpose of reducing the capital. This corresponds to 3% of the outstanding

1 A handicap-friendly low-level operating panel in an elevator at the St. Augustin Library; Burgos, Spain



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securities. Schindler Holding Ltd. will propose to the General Meeting of March 18, 2004, a reduction of the bearer participation capital by the 365 350 bearer participation certificates repurchased since March 1, 2002. Contrary to the public an-



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nouncement in 2002, the share capital will not be reduced by the amount of the 23 550 registered shares repurchased since March 1, 2002. These shares will be used for existing employee share programs (see also pages 17 and 18 of the Financial Statements).

Walter G. Frehner, a member of the Board of Directors since 1984, retired on grounds of age as from the date of the General Meeting in 2003. The Board of Directors thanks him for his long-standing support to the Group's management and the valuable impulses which he was able to contribute as a result of his many years of management experience and clear vision of business priorities. In the reporting year, Walter G. Frehner was appointed an additional member of the Audit Committee. He also holds the same function in other companies, and his many years of experience enable him to question matters appropriately. The Audit Committee is thereby considerably strengthened.

Lord Powell of Bayswater, KCMG, of London, was newly elected to membership of the Board of Directors for a term of three years. Charles Powell served for many years in the British diplomatic service as advisor on foreign policy to Prime Minister Margaret Thatcher. Since 1992 he has held important board memberships of international companies and is President of the China-Britain Business Council.

**1 9 Schindler elevators, including 6 Schindler 500 with Miconic 10 hall call destination control system, and 2 escalators Schindler 9300 for Switzerland's tallest building, the Messezentrum in Basel; Switzerland
Photo: Hans Ege, Weggis, Switzerland**

**2 Service technician performs highly skilled work at the Culture and Congress Center; Lucerne, Switzerland
Photo: E.T. Studhalter, Schachen, Switzerland**



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External growth, but not at any price

External growth through major acquisitions has become very difficult because of antitrust legislation. The few remaining medium-sized acquisition candidates are courted by the entire competition, with the consequence that in some cases irrational prices are paid. Schindler evaluates such opportunities very carefully when they arise, but is not willing to join a trend in which exorbitant acquisition prices are paid which clearly result in the destruction of corporate value. In such cases it may be possible to increase turnover and operating profit, but payback from the investment will never be achieved.

Outlook 2004

In view of the overall economic situation described at the outset, in most markets prices can be expected to fall. Also, especially in re-

lation to the US dollar, further negative exchange rate effects must be anticipated. The overriding problem in both the industrial and service sectors is global overcapacity. Increased productivity and technological innovations exacerbate this problem further, so that in today's market environment, an improvement in the margin can primarily only be obtained by reducing costs.

Schindler is well equipped for this difficult environment. The product portfolio in the elevators and escalators business has been completely renewed. The strong position which has been established in the more resilient commodity business, as well as the outstanding acceptance of the Schindler 700 high-rise elevator, will affect order bookings positively. The heavy investments in product and process innovations are gradually paying returns.

Completion of the R03 projects in 2004 is expected to incur project costs of approximately CHF 75 million. However, these will no longer be reported separately in the Financial Statements for 2004.

ALSO: In view of the restraint which companies have now been exercising in relation to IT investments for more than four years, in the current year orders may be expected to increase again. The management will concentrate its efforts mainly on improving performance.

Taking into account the price erosion as stated, and leaving aside unforeseeable events, it is anticipated that net profit in 2004 will be substantially higher than in the previous year.

Thanks to employees

Despite very difficult market conditions, the additional workload for the R03 projects was absorbed by an extremely high level of commitment. The approximately 39 000 employees have collaborated decisively in implementing the strategy, and thereby assisted substantially in reaching the defined goals. The Board of Directors wishes to express its appreciation and cordial thanks to all employees for this major achievement.

**1 45 Schindler 9300 escalators and 6 Schindler 9500 moving walks transport passengers at Zurich Airport; Switzerland
Photo: Michael Meschede, Kaufungen, Germany**

Alfred N. Schindler
Chairman of the Board of Directors

Luc Bonnard
Vice Chairman of the Board of Directors

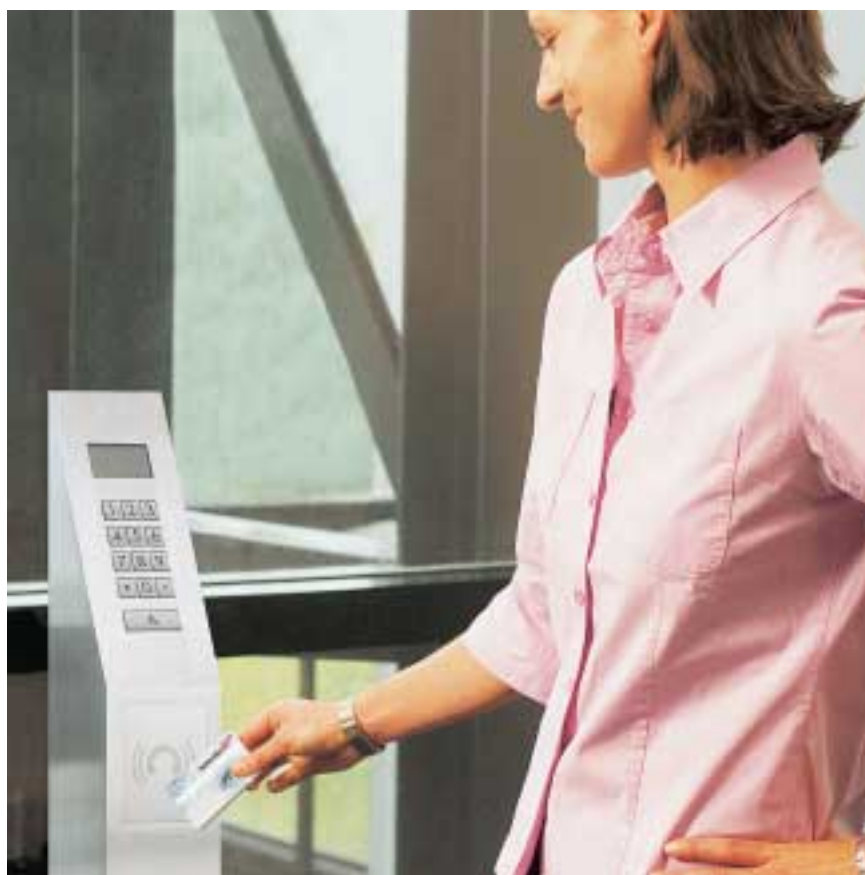
**Queen Mary 2: the largest passenger ship of all time. 42 meters wide, 72 meters high, accommodation for 2620 passengers and 1250 crew. Schindler supplied 45 elevators and 4 escalators
Photo: Yves Guillotin, Saint-Nazaire, Loire-Atlantique, France**



Schindler*ID* – The answer to individual passenger wishes

In tall buildings, how can operation of the elevators be simplified and individualized, at the same time as access to the building and specific floors is controlled?

Under the name Schindler*ID*, Schindler offers a new individualization concept, as the letters “*ID*” clearly reveal. An intelligent access control system which combines the control of various elevator groups at the same time as integrating individual passenger wishes. As a general rule, Schindler*ID* is used with a Miconic 10 hall call destination control system. The Schindler*ID* database manages information such as, for example, conditions for access to the floors by customers, employees, and residents who enter and leave a building. The core function of Schindler*ID* is the administration and management of the individual access rights of elevator users. The personal identification of passengers makes it possible to provide additional, individual services. When doing so, at the same time, the efficiency of the total elevator system is maintained.



Simple handling – comprehensive service

Using an elevator which is controlled by Schindler*ID* could not be easier. Passengers identify themselves with their badge or PIN code to the terminal of the Miconic 10 hall call destination control system. Based on identification of the passenger, Schindler*ID* checks authorization for access to the destination floor they have requested, as well as their individual needs, and indicates which elevator car will take them to their desired destination.

1 Before the elevator begins its journey, identification takes place at the input terminal, for example by means of a badge. In the broadest sense, this identification is the key to the diverse world of Schindler*ID*: it allows or prevents access to particular floors, distributes elevator capacities according to individual access rights, separates passengers from incompatible goods being transported, and supports passengers individually with text and sound in their language



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In many ways, implementation of Schindler*ID* fulfills the Schindler principle of "Design for All" (see Market profile Europe, page 17). This means that the specific needs of very diverse users are satisfied such as, for example, the allocation of a larger car for freight transportation, or the separation of guests and staff in a hotel.



2

The future with Schindler*ID* Infotainment

Schindler*ID* Infotainment allows individualized provision of information and entertainment. A screen on the landing or in the car displays multimedia information, for example profiles of companies with offices in the building. For passengers with a Schindler*ID* identification, the system can display media content adapted to their individual needs. The system can be connected to the Internet, and thereby utilize the wealth of information in the World Wide Web.

1 The screen in the car shows the passenger favorite information about news, sport, entertainment, etc.

2 With Schindler*ID*, access to the building can be partially or completely restricted. However, controlled access to the destination floor is assured: by means of simple multilingual user guidance on the touch screen, the visitor finds his or her partner. By lifting the handset, a connection is made automatically to the selected person or company. The person who receives the call sends the elevator to the entrance, from where the passenger is taken to the destination without any intermediate stops

Schindler*ID* is unique, and already today fulfills the highly diverse wishes of customers. Solutions to further needs can be integrated into the existing platform. This guarantees that in the future too, Schindler*ID* will provide innovative services, and therefore open up new opportunities for value creation in buildings.



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1 In hospitals intelligent separation of different groups of passengers and goods is particularly important. Differing requirements with regard to space and comfort must also be taken into account

2 The first time the hall call destination control system is used an explanation is often necessary. Using words and pictures, the Schindler*ID* touch terminal clearly shows the passenger the way

The Santa Fe Fallena Corporate Tower, Mexico City, is equipped with the Miconic 10 hall call destination control system; Mexico



Europe

Strong competition

Stagnation or slower growth characterized the development of some European markets. Throughout Europe, competition grew tougher. Prices came under increasing pressure. While residential building construction remained stable in this environment, the commercial sector contracted.

Growth in new installation business

Relative to the previous year, the new installations business grew in terms of both value and units. This development was the result of greater concentration of construction activity in residential buildings, with the commercial sector suffering from a lack of demand. In France, for instance, residential building construction received additional impetus from a law which encourages investment in this segment.

Structural changes at country subsidiaries completed

All European country subsidiaries have successfully completed the necessary managerial structural changes, so that business processes can now be standardized throughout Europe.



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Successful introduction of the Schindler 700 high-rise elevator

Elevator consultants, architects, and general contractors from all over Europe attended various presentations of the new, globally applicable Schindler 700 high-rise elevator which was presented at customer events in Frankfurt, Paris, Madrid, and Brussels. There was especially

**1 Schindler supplied various installations for the historic Le Centorial office building; Paris, France
Photo: Studio V. U., Malakoff (Hauts-de-Seine), France**

2 42 SchindlerEuroLift elevators and 71 Schindler 9300 escalators provide passenger transportation in Terminal II at Munich Airport; Germany



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strong interest in the numerous possibilities for improving the traffic management in buildings as well as individual use of the elevator which are opened up by the new Schindler ID system in combination with the Miconic 10 hall call destination control system (see also Innovation, page 12).



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“Design for All”

The European Year of People with Disabilities which was declared for 2003 by the Council of the European Union was aimed at achieving a breakthrough on the principle of “Equal rights for those with and without disabilities”.

Schindler underscored its commitment with the motto “Design for All”. In accordance with this motto, the development of Schindler products takes into account people’s diverse needs, including dealing with disabilities. The “universal” design of the Schindler product lines therefore already complies to a very large extent with the standards for accessibility which have come into force with the new European standards.

Schools of architecture at European universities have been invited by Schindler to submit entries for an international architectural competition. The central theme of this competition is “Access for All” (see also www.schindleraward.com).

1 5 panoramic elevators are installed in the NMBS/SNCB railroad station at Leuven; Belgium

2 Schindler supplied the elevators and escalators for the modern Terminal II at Munich Airport; Germany



Major orders

Austria:

Installation of Servitel in 490 elevators in residential buildings throughout Austria; 11 elevators and 2 Schindler 9300 escalators for Vienna Exhibition Center, Vienna; 14 SchindlerSmart 002 DE elevators for Gartensiedlung Ottakring residential complex, Vienna; 15 elevators and modernization of 2 Schindler 9700 escalators for metro system, Vienna; 3 elevators and 6 Schindler 9300 escalators for Eybl shopping mall, Vienna; 11 SchindlerEuroLift elevators for Euro Plaza office building, Vienna; 21 elevators for Neue Heimat Tirol residential complex, Innsbruck; 27 SchindlerSmart MRL 002 elevators for GWG residential complex, Linz

Belgium:

22 Schindler 500 elevators for Galaxy Towers office building, Brussels; 4 SchindlerEuroLift elevators, 4 SchindlerEuroLift panoramic elevators, and 1 Schindler 9300 escalator for Bierset Airport, Liège; 12 Schindler 500 elevators for European Community Lex 2000 building, Brussels; modernization of 8 SchindlerEuroLift elevators at Antwerp Tower office building, Antwerp

France:

10 Schindler 700 elevators and 3 service elevators for CBX office building, Paris; modernization of 8 elevators at AIG office tower, Paris; modernization of 22 elevators at Ariane office tower, Paris; modernization of 8 elevators at Bretagne Tower office building, Nantes

Hydraulic elevator at EuroAirport Basel-Mulhouse-Freiburg; Mulhouse, France
Photo: Studio V. U., Malakoff (Hauts-de-Seine), France

Germany:

4 Schindler 9700 escalators for Nord-Ostsee-Kanal pedestrian underpass, Rendsburg; 17 elevators for Munich Reinsurance office building, Munich; modernization of 23 elevators at Bayerischer Rundfunk office building, Munich; 8 SchindlerEuroLift elevators for Mövenpick Hotel, Berlin; 13 elevators for Hotel Augsburger Strasse, Berlin; 16 elevators, including 8 Schindler 800 and 3 SchindlerEuroLift, for Herriot's office building, Frankfurt; 14 elevators, including 12 SchindlerEuroLift, for Campus office building, Frankfurt; 5 elevators for Theodor-Heuss-Allee office building, Frankfurt; 18 Schindler 9300 escalators for Kaiser Passage Worms shopping center, Worms; 5 Schindler 800 elevators with Miconic 10, 1 SchindlerEuroLift elevator, and 2 service elevators for Blue Heaven Hotel, SAS Radisson, Frankfurt

Great Britain:

National maintenance contract for 152 units in Allders department stores; 9 elevators, including 8 Schindler 500 and 1 SchindlerEuroLift, for Beetham Tower, Birmingham; modernization of 4 elevators with SchindlerID at White House Hotel, London; 3 elevators for Great Western Hospital, Swindon; modernization of 10 elevators with SchindlerID at Barnsley District General Hospital, Barnsley; 11 Schindler 9300 escalators and 2 SchindlerEuroLift elevators for various Allders department stores nationwide; 4 Schindler 500 elevators and 1 SchindlerEuroLift elevator at Trafford Boulevard, Manchester

Greece:

32 Schindler 9300 escalators, 13 SchindlerEuroLift elevators, and 12 hydraulic panoramic elevators for Athens Suburban Railway, Athens; 10 Schindler 9500 moving walks for



Sklavenitis supermarket, Keratsini; 14 hydraulic elevators for Olympic Shooting Center, Markopoulo; 8 Schindler 9300 escalators, 4 Schindler 9500 moving walks, and 5 elevators for railway station at Athens International Airport, Athens

1 One of 35 SchindlerEuroLift elevator cars in the Metro Do Porto; Oporto, Portugal



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Italy:

42 Schindler *EuroLift* elevators, 31 hydraulic elevators, and 87 Schindler 9300 escalators for Milan Fair, Milan; 10 Schindler 9500 moving walks for Le Acciaierie shopping mall, Bergamo; 28 elevators, including 4 panoramic elevators, and 8 Schindler 9300 escalators for Monfalcone 6111 cruise liner, built by Carnival Group; 45 elevators, including 4 panoramic elevators, and 4 service escalators for Queen Mary 2 cruise liner, built by Cunard



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Norway:

1 special elevator with explosion-proof equipment and aluminum hoistway for the existing platform Troll A in the North Sea; modernization of 78 elevators, and 15 new elevators, at Romsås BBL residential building, Oslo

Portugal:

8 Schindler *EuroLift* elevators, including 6 elevators with Miconic 10, for Banco Nacional de Crédito, Lisbon; 14 Schindler *EuroLift* elevators, 11 Schindler 9300 escalators and 10 Schindler 9500 moving walks for Sonae shopping malls at Viana do Castelo and Azores; 11 Schindler *EuroLift* elevators for Estádio do Dragão football stadium, Porto; 16 Schindler *EuroLift* elevators, 2 panoramic elevators, 2 micro-elevators, and one platform for Expoland building, Lisbon; 57 Schindler *EuroLift* elevators, 32 Schindler 9300 escalators, and 14 Schindler 9500 mov-

ing walks for Amorim Imobiliária shopping malls at Porto, Coimbra, and Vila Real; modernization of 4 elevators at Alfa Hotel, Lisbon

Spain:

2 Schindler *EuroLift* elevators, 6 freight elevators, 48 Schindler 9300 escalators, and 12 Schindler 9500 moving walks for El Corte Inglés Maella shopping mall, Valencia; 21 elevators, including 16 Schindler *EuroLift* and 3 Schindler *Smart* MRL 002 elevators, and 2 Schindler 9300 escalators for Sorolla Hotel, Valencia; 30 elevators, including 4 Schindler *Smart* MRL 002 and 3 panoramic elevators, 1 platform, 4 Schindler 9300 escalators, and 10 Schindler 9500 moving walks for Miguel Servet Hospital, Zaragoza; modernization of 3 bed elevators at Universitario Hospital, Valle Hebrón, Barcelona; modernization of 6 bed elevators at 12 de Octubre Hospital, Madrid; modernization of 4 bed elevators at Ciudad de Jaén Hospital, Jaén; modernization of 4 elevators at Cuzco Hotel, Madrid; maintenance contract for 8 Schindler 9300 escalators, 12 Schindler 9500 moving walks, and 6 elevators at Carrefour shopping mall, Tenerife; maintenance contract for 10 Schindler 9300 escalators, 9 Schindler *EuroLift* elevators, and 1 Schindler *Smart* MRL 002 DE elevator in the AVE high-speed railroad system, Zaragoza

Sweden:

14 Schindler 9300 escalators for headquarters of Trygg Hansa, Stockholm; modernization of 24 elevators with Miconic BX at HSB residential building, Stockholm; modernization of 8 elevators with Miconic TX at Folksam office building, Stockholm; modernization of 10 elevators with Miconic BX at Brf Askungen residential building, Göteborg; 7 Schindler *Smart* MRL 002 elevators for Kv. Gästvaningen residential building, Stockholm

Switzerland:

9 Schindler *EuroLift* elevators, 10 freight elevators, 2 panoramic elevators, and 18 Schindler 9500 moving walks for Pilatusmarkt Schlund shopping mall, Kriens; 10 elevators, including 6 Schindler *EuroLift*, for Swiss Paraplegic Center, Nottwil; 7 elevators, including 1 Schindler *EuroLift*, and 6 Schindler 9500 moving walks for Coop Centro Commerciale shopping mall, Tenero

1 Schindler elevators in the Le Centorial office building in Paris; France
Photo: Studio V. U., Malakoff (Hauts-de-Seine), France

2 3 Schindler *EuroLift* elevators and one Schindler *Smart* MRL 001 elevator are installed at the headquarters of Reykjavík Energy; Iceland

Post Tower Bonn: the office tower is served by 12 Schindler 800 elevators; Germany



Americas

Weak construction industry

Although the North American economy returned to growth in 2003, overall activity in the construction industry contracted by about 6%. The decline in the commercial building segment was sharper than for residential buildings and hotels. The number of unoccupied commercial premises increased, but showed signs of stabilizing toward the end of the year. Despite the weak construction industry, Schindler has a good order backlog for 2004. In the high-rise segment, Schindler won the important order for the historic Hearst Building in New York City. The contract is for 15 units of the new globally applicable Schindler 700 high-rise elevator equipped with the Miconic 10 hall call destination control system, plus 6 further elevators and 3 escalators.

Market position in North America strengthened again

Relative to the previous year, the new installations business grew sharply. Schindler again confirmed its leadership in the escalators market. In the commodity business, Schindler expanded its market position even further thanks to the success of the Schindler 330 A hydraulic elevator. In addition, the launch of the new Schindler 400 A rope-traction elevator strengthens the Group's position in the mid-range market segment.



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As a consequence of the large amount of unrented floorspace, the maintenance business suffered continued pressure on prices. An increasingly wide range of customized solutions is offered by the Schindler Elevator Network for Ser-

1 8 Schindler 9300 escalators are installed in the Espresso commercial building; Caracas City, Venezuela

2 At the service center in São Paulo, state-of-the-art technology is used to prepare spare parts for maintenance operations throughout Brazil



1

vice Excellence (SENSE) which was successfully introduced during the reporting year. Optimized processes and procedures, and use of state-of-the-art technologies, along with the development and utilization of pre-configured components in the modernization business, contributed to increased productivity.

Market position in Latin America expanded further

Macroeconomic measures to stabilize the economy slowed the construction industry in most Latin American markets except Mexico. Even so, in all countries of Latin America, Schindler succeeded in expanding its strong market position.



2

Brazil, the most important market of the region, registered record vacancy levels in commercial buildings in both Rio de Janeiro and São Paulo. No recovery is expected in this segment before the second half of 2004. Construction of basic residential buildings also slowed.



3

Construction of new shopping malls along with government investment in public transportation boosted escalator sales in the second half-year. These included orders for 33 escalators for the São Paulo public transportation network and 13 units for the new airport at Maceio. Schindler is the only supplier with an escalator production plant in Latin America, and enjoys the number-one position in this market.

1 29 elevators and 2 escalators from Schindler are installed in the Torre Mayor in Mexico City, 20 of which were retrofitted with the SchindlerE-Vision electronic elevator information system; Mexico

2 Visitors to the Casa Cor de Brasília 2003 exhibition were transported by a SchindlerSmart MRL elevator. The elevator now serves the building's residents; Brasília, Brazil

3 Customers in the Carrefour Picacho and Universidad shopping malls have 9 Schindler 9500 moving walks and 4 Schindler 9300 escalators at their disposal; Mexico City, Mexico



125 Years of Classic Rock

Financial

Major orders



National maintenance contract with J. C. Penney Company, Inc., covering 823 elevator and escalator units in retail stores throughout the USA

Arizona:

8 elevators for USSA Norterra building, Phoenix

California:

Maintenance contract for 20 elevators and 11 escalators at Long Beach Convention Center, Long Beach; modernization of 13 elevators with Miconic 10 at One California Office Building, San Francisco

Connecticut:

Maintenance contract for 9 elevators and 15 escalators at Stamford Town Center shopping mall, Fairfield

Florida:

8 elevators for St. Regis Hotel, Fort Lauderdale; modernization of 12 elevators at Park Tower residential complex, Tampa; 5 elevators, including 4 Schindler 500 A, for Brickell on the River condominium, Miami

20 elevators, including 16 with the Miconic 10 hall call destination system, and 2 Schindler 9300 escalators for 5 Times Square, New York; USA

Idaho:

Modernization of 6 elevators with Miconic 10 at One Capital Center office building, Boise

Illinois:

Modernization of 27 elevators at 100 & 150 South Wacker Office Buildings, Chicago; modernization of 29 elevators at World Trade Center, Chicago

Indiana:

Modernization of 14 elevators at Indiana Government Center, Indianapolis

Maryland:

Maintenance contract for 40 escalators in the Baltimore Mass Transit Subway, Baltimore; maintenance contract for 25 elevators and 4 escalators at Baltimore P&D Center office building, Baltimore

Massachusetts:

20 Schindler 9300 escalators and 4 Schindler 9500 moving walks for Delta Airlines terminal at Logan International Airport, Boston; modernization of 27 elevators with Miconic 10 at One Federal Street office building, Boston

Michigan:

Maintenance contract for 18 elevators, 2 escalators, and 4 other units at McClaren Regional Medical Center, Flint

Minnesota:

Maintenance contract for 20 elevators and 2 escalators at American Express CSC office building, Minneapolis; modernization of 8 elevators at Minnesota Mutual office building, St. Paul

Missouri:

Modernization of 13 elevators with Miconic HXpress at IBM Data Center, Hazelwood

New York:

17 Schindler 700 elevators, including 15 with Miconic 10, 4 hydraulic elevators, and 3 Schindler 9300 escalators for Hearst Building, New York; maintenance contract for 20 elevators and 2 escalators at 5 Times Square, New York; modernization and maintenance contract for 103 elevators at Starrett City residential complex, Brooklyn; modernization of 4 elevators at Rockefeller Plaza Observation Deck, New York; maintenance contract for 182 elevators at Cornell University, Ithaca

North Carolina:

10 elevators, including 6 with Miconic 10, at Progress Energy office building, Raleigh

Pennsylvania:

Modernization of 45 elevators at Center Square office building, Philadelphia

Texas:

Maintenance contract for 26 elevators and 2 other units at Hillcrest Baptist Medical Center, Waco

1 Torre Mayor; Mexico City, Mexico

Washington:

Modernization of 22 elevators at 1001 4th Avenue Plaza office building, Seattle

Wisconsin:

Modernization of 8 elevators at Federal Office Building, US Courthouse, Milwaukee

Canada:

4 Schindler 330 A hydraulic elevators for Red Deer Care Center medical building, Calgary; 4 Schindler 330 A hydraulic elevators for Sunpark Plaza office building, Calgary; 5 Schindler 400 A elevators for Humber College Student Residences, North and Lakeshore Campuses, Toronto; 4 Schindler 400 A elevators for Durham College, Oshawa; 6 Schindler 9300 escalators for Promenade shopping mall, Thornhill; 6 Schindler 330 A hydraulic elevators for Western Fair Race Track Slots Expansion, London, Ontario

Brazil:

33 Schindler 9300 escalators for Transportes São Paulo, São Paulo, SP; 70 Schindler 310 L elevators, 6 Schindler 100 L elevators, and 1 SchindlerSmart MRL elevator for GAFISA residential building, São Paulo, SP; 16 Schindler 9300 escalators, 2 Schindler 9500 moving walks, and 4 Schindler 510 L elevators



1

tors for Matec commercial building, São Paulo, SP; 20 Schindler 310 L elevators and 1 SchindlerSmart MRL elevator for Rossi Residencial residential building, São Paulo, SP; 16 Schindler 9300 escalators for Uninove commercial building, São Paulo, SP; 23 Schindler 310 L elevators for Tecnisa Engenharia residential building, São Paulo, SP; 3 Schindler 310 L elevators and 10 Schindler 9300 escalators for Cofac Fluminense commercial building, Niterói, RJ

Chile:

4 elevators with Miconic 10 and 2 SchindlerSmart MRL 002 elevators for Edificio Security commercial building, Santiago; 7 Schindler 9300 escalators for Parque Arauco shopping mall, Santiago

Mexico:

5 elevators with Miconic 10, 1 with Miconic TX, 3 SchindlerEuroLift elevators with Miconic 10, 5 Schindler 510 L elevators, and 4 Schindler 9300 escalators for Corporative Diamante Santa Fe office complex, Mexico City; 10 Schindler 9500 moving walks, 4 Schindler 9300 escalators, and 1 freight elevator for 3 Carrefour shopping malls in Acapulco, Cancún, and Nezahualcoyotl



2

Puerto Rico:

Modernization of 6 elevators at Bayamon Judicial Center, Bayamón

Venezuela:

41 Schindler 9300 escalators and 18 elevators for metro system, Valencia; 8 Schindler 9300 escalators, 1 panoramic elevator, and 1 freight elevator for Emporio Chacaito shopping mall, Caracas City; 6 Schindler 9300 escalators for Centro Comercial Ciudad Tamanaco, Caracas City

1 Control cabinet of the Schindler 400 A elevator at the Wheeling Downs Hotel & Casino; Wheeling, West Virginia, USA

2 12 Miconic 10 hall call destination control systems and 4 SchindlerSmart MRL elevators are installed in the Edificio El Golf 2001 commercial building; Santiago, Chile

The elevators in the Las Olas City Center are equipped with the Miconic 10 hall call destination system; Fort Lauderdale, Florida, USA



Asia/Pacific

Economic development was hampered by SARS

Growth in Asia/Pacific in the reporting year was negatively influenced by SARS, particularly in Hong Kong, Taiwan, and Singapore where the economies entered recession. The exception was China where growth continued at an impressive pace. In Japan, signs of economic recovery finally appeared and growth in other countries of the region also showed encouraging developments.

The elevators and escalators business environment reflected the general economic climate. Except for Hong Kong, Taiwan, and to some extent Singapore, many Southeast Asian countries experienced good demand. In China, there was continuing strong growth particularly in residential building construction, which caused the government to enact measures to avoid overheating of this sector. The rapid rate of growth over the past years has made China the world's largest mar-



ket for new installations. In Japan the overall market remained at the previous year's level despite a noticeable decline in the demand for high-rise elevators.

Expansion and increased market shares

Schindler substantially strengthened its market position in the reporting year and posted strong sales growth in all key markets of the region. A contributory factor was the successful restructuring measures in China, which reduced duplication between the Group companies by reorganization of marketing activities and the introduction of shared services.

With the acquisition of Joong Ang Elevator, Schindler obtained a foothold in South Korea, the third-largest market in Asia. In Japan, Schindler won orders for important public transportation projects.

New products offer further growth opportunities

The high point of the reporting year was the introduction of the Schindler 700 high-rise elevator in Beijing and Shanghai. The customer events met with strong interest and already resulted in winning orders for significant projects in this important market segment.

The introduction of a low-cost variant of the Schindler 9300 escalator enabled Schindler to strengthen its market position in this business segment despite increasing pressure on prices.

1 30 Schindler 9500 moving walks, 2 Schindler 9300 escalators, and 12 elevators in the Carrefour shopping mall at Yousung; Daejeon Metropolitan City, South Korea



1

The trend toward machine roomless elevators continues undiminished. With the Schindler *Elegant* MRL the customer receives a competitive highly standardized product with ultramodern technology. The elevator can be supplied optionally with or without machine room, thereby offering maximum flexibility.



2

For 2004, economic development is expected to be more stable throughout the region. Increasing export demand will stimulate South-east Asia, China, and Japan. China will derive additional economic momentum from the Olympic Games in Beijing in 2008 as well as the Expo 2010 in Shanghai. Schindler with its renewed product range is well positioned in all important market segments and will use the positive economic climate to further strengthen its market position.

1 Schindler supplied several installations for the prestige Telekom Tower building in Kuala Lumpur; Malaysia

2 11 Schindler 9300 escalators and 6 hydraulic panoramic elevators are in operation at Britomart Transport Station; Auckland, New Zealand



Major orders



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Australia:

5 Schindler 9300 escalators, 6 Schindler 9500 moving walks, and 15 elevators, including 3 Schindler 300 P and 8 Schindler 300 H elevators, for Rhodes Waterside commercial center, Sydney; 18 Schindler 9300 escalators and 10 Schindler 300 H elevators for Spencer Street Railway Station, Melbourne; 16 Schindler 9300 escalators and 11 elevators, including 3 Schindler 300 P and 3 Schindler 300 P MRL elevators, for Queens Street Plaza complex, Brisbane; 5 Schindler 500 P, 2 Schindler 300 H, and 2 Schindler 300 P MRL elevators, and 2 Schindler 9300 escalators for Meriton Tower residential building, Sydney; 8 Schindler 700 elevators for Civic Tower office building, Sydney



2

China:

10 Schindler 700 elevators for Beijing Cheng Zhong Mansion commercial building, Beijing; 97 Schindler 9700 escalators for Guangzhou metro system, Guangzhou; 159 Schindler *SmartJ* elevators for residential building, Guangzhou; 20 Schindler 700 elevators and 3 Schindler 9300 escalators for Jia Cheng Plaza office building, Beijing; 62 Schindler *Elegant* MRL elevators for Li Yuan Garden residential complex, Beijing; 35 Schindler 700 and 8 Schindler 300 P elevators, and 12 Schindler 9300 escalators, for Guang Cai International Center, Beijing; 40 Schindler 700 elevators for Grand Gateway commercial center, Shanghai; 31 elevators, including 11 Schindler 700, 5 Schindler 300 MRL, 10 Schindler 300 PCL, and 2 panoramic elevators, as well as 18

Schindler 9300 escalators, for New Century Plaza office building, Nanjing; 42 Schindler 9300 escalators for Xihuan Plaza public transportation, Beijing; maintenance contract for 36 Schindler 700 elevators at Shanghai Plaza 66 multifunction complex, Shanghai; maintenance contract for 121 Schindler 9300 escalators in the Shanghai light railway system, Shanghai; maintenance contract for 64 elevators at Beijing New World Trade Center, Beijing; maintenance contract for 17 Schindler 700 elevators and 12 Schindler 9300 escalators at Ciro's Plaza multifunction complex, Shanghai

Hong Kong:

30 elevators, including 6 Schindler 700, and 39 Schindler 9300 escalators for the Hanoi Road K11 commercial building and hotel, Hong Kong; 23 elevators, including 21 Schindler 300 P elevators, for Hong Kong Disneyland Resort, Hong Kong; 22 elevators, including 19 Schindler 300 P elevators, and 2 Schindler 9300 escalators for Pok Oi Hospital, Hong Kong; 2 Schindler 300 P MRL elevators and 17 Schindler 9300 escalators for Landmark Scheme Phase III-IV, Hong Kong

1 The Miconic 10 hall call destination system ensures optimal coordination of the 13 Schindler 700 elevators at Nanjing Shangmao International Plaza; Nanjing, Jiangsu Province, China

2 26 Schindler 9300 escalators, 6 Schindler 9700 escalators, and various elevators are installed in the Putrajaya Convention Center; Putrajaya, Malaysia

Panoramic elevator at Hangzhou Xiaoshan Airport; Shanghai, China



Japan:

8 Schindler 300 J MRL and 5 Schindler NEU elevators, and 39 Schindler 9300 escalators for 6 stations of Fukuoka City Subway Line, Fukuoka; 15 Schindler 9300 escalators and 6 Schindler NEU elevators for 3 stations of JR Joban New Line, Saitama and Chiba; 12 Schindler NEU elevators for Higashi Toyonaka Housing residential complex, Osaka; 14 Schindler 9300 escalators for Unimat commercial building, Tokyo; 1 Schindler 300 J MRL and 3 Schindler NEU elevators for General Research Building of Tokyo University, Chiba; 19 Schindler *SmartJ* elevators for Yokoo Housing residential complex, Yokohama

Korea:

30 Schindler 9500 moving walks and 2 Schindler 9300 escalators for 3 hypermarkets of Carrefour Korea Ltd, Seoul and Taejeon; 29 Schindler 300 P MRL elevators for Hysung Development Co. residential buildings, Ulsan; 8 Schindler 500 P and 2 Schindler 300 P MRL elevators for 56-story Rasung Academy Sweet Tower residential building, Seoul

Malaysia:

14 elevators for KLHCC Hospital, Kuala Lumpur; modernization of 14 elevators at Sime Darby commercial building, Kuala Lumpur

New Zealand:

9 elevators, including 5 Schindler 500 P elevators, and 6 Schindler 9300 escalators for Sky City hotel and conference center, Auckland; 6 elevators with Miconic 10 and Schindler *ID* for Northern Roller Mills office tower, Auckland; 7 Schindler 100 P MRL elevators for Trinity Park office complex, Auckland

Philippines:

4 Schindler *Elegant Classic* elevators, 4 Schindler 300 P elevators, and 32 Schindler 9300 escalators for Gateway Mall Araneta Center commercial complex, Manila; 18 elevators, including 10 Schindler 300 P and 4 Schindler 500 P, as well as 10 Schindler 9300 escalators for Marina Square commercial complex, Manila

Singapore:

12 elevators, including 7 Schindler 300 P elevators, as well as 42 Schindler 9300 escalators and 6 Schindler 9500 moving walks for Novena commercial center, Singapore; 25 Schindler 300 P MRL elevators for Lakeshore Condominium residential building, Singapore; 12 elevators, including 10 Schindler 500 P

and 2 Schindler 300 P MRL elevators, as well as 4 Schindler 9300 escalators for Icon Condominium residential complex, Singapore; modernization of 8 elevators at Cairnhill Plaza residential building, Singapore; modernization of 11 elevators at CPF government building, Singapore

Taiwan:

13 elevators, 34 Schindler 9500 moving walks, and 2 Schindler 9300 escalators for KY Chung Ho retail store, Taipei City

Thailand:

30 elevators with Schindler *ID*, including 16 Schindler 700 elevators, and 12 Schindler 9300 escalators for Central World Tower commercial center, Bangkok; modernization of 15 elevators at Royal Orchid Sheraton Tower & Hotel, Bangkok

Vietnam:

22 Schindler 300 P MRL elevators for My Dinh Hud residential buildings, Hanoi; 8 Schindler 100 P and 14 Schindler 300 P MRL elevators for North Linh Dam residential buildings, Hanoi

1 Schindler high-rise elevators traveling at 6 meters per second take customers and residents to their desired floor in the World Tower; Sydney, Australia

Panoramic elevators reward passengers with a view of the city. E-Town building in Ho Chi Minh City; Vietnam



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

A region of opposites

In Eastern Europe, many countries are preparing to join the EU. The Middle East region is still suffering from the effects of the war in Iraq and the conflict between Israel and Palestine. India is developing into the world's second-largest growth market, and the South African sub-continent anticipates a cautious recovery. Schindler is successful in these markets with its standardized elevator lines Schindler*Smart* and Schindler*EuroLift*, its escalators and also with its design elevators in combination with the Miconic 10 hall call destination system and Schindler*ID*.

Continuing growth in Eastern Europe

For the Russian economy, supported by political stability, promotion of foreign investment activity, and ambitious reform programs, GDP is forecasted to double by 2010. Especially in Moscow, St. Petersburg, and their surrounding regions, the higher standard of living is fueling the construction of residential apartments and shopping malls. There are also numerous projects for new commercial centers. Schindler was able to further grow its position in the two main markets of Russia, namely Moscow and St. Petersburg.



Positive impulses for growth resulting from entry to the EU are especially expected in Poland, Hungary, the Czech Republic and Slovakia. In all these markets Schindler has already a strong position which could be further improved. Characteristic of all these markets is the tough competition, not only in the new installations business but also in the maintenance and modernization business.

18 Schindler 9500 moving walks on two levels at Johannesburg Airport; South Africa



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2

Great uncertainty in the Middle East

The aftermath of the Iraq war and the continuing terrorist attacks dominated the economy of the region. The new installations business stag-

nated, and orders in the maintenance and modernization business were strongly contested. Most strongly affected were the subsidiaries in Israel, Egypt, Morocco, and Turkey. Kuwait, the United Arab Emirates, and Saudi Arabia were also not left unaffected by the negative developments. Fortunately, in the second half of 2003 there were the first signs of recovery, so that for 2004 stabilization can be expected. Despite this difficult environment Schindler was able to win important orders in the area.

Strong growth in India and Bangladesh

The Indian economy continues to grow with great dynamism. Residential building construction benefits from low interest rates. Numerous projects for shopping malls and subway systems contribute to growth in the commercial sector. However, the increase in unoccupied office space is reason for caution.

In Bangladesh, expansion continues undiminished, not only in residential building construction but also in the commercial sector. Schindler participates successfully in this growth and has won major projects.

Pleasing prospects in southern Africa

South Africa's influence in the region is increasing. Schindler is represented in many countries and expects an economic upswing as soon as stability returns to these nations.

Schindler concentrated very successfully on extending sales of the Schindler*Smart*, Schindler*EuroLift*, and Schindler 300 P MRL elevator lines, as well as on modernization of existing installations. In the escalator business, Schindler reinforced its market position with the Schindler 9300 and Schindler 9700 product lines.

Schindler participates in projects which are directed at achieving greater involvement of the black population in the economy, such as the Pretoria Academic Hospital Joint Venture; social projects in the fields of education and job creation, and equal opportunity (Employment Equity) in the workplace.

1 10 Schindler elevators provide superb ride comfort in the 5-star Hyatt Ararat Park Hotel; Moscow, Russia

2 The 5 Schindler 500 elevators at the headquarters of Raiffeisen Bank are equipped with the Miconic 10 hall call destination system; Prague, Czech Republic



Major orders



1

Czech Republic:

4 Schindler 9500 moving walks, 7 Schindler*EuroLift* elevators, and 1 freight elevator for the new airport terminal, Prague; 4 Schindler 9500 moving walks, 2 Schindler*EuroLift* elevators, 1 Schindler*Smart* elevator, and 1 freight elevator for Carrefour Stodulky hypermarket, Prague; 4 Schindler 9500 moving walks for Globus Hypermarket, Brno; 4 Schindler*EuroLift* elevators and 11 Schindler*Smart* elevators for various residential projects with general contractor Metrostav, Prague

Egypt:

Modernization of 14 elevators at Semiramis Intercontinental luxury hotel, Cairo; 3 elevators for Cairo Tower tourist attraction and telecommunications tower, Cairo; modernization of 4 elevators at El Nahda Tower office building, Cairo

India:

10 Schindler*Smart* MRL 002 elevators for Bengal Ambuja Metro residential building, Kolkata; 6 Schindler 001 elevators for Palm Court (K Raheja) residential building, Mumbai; 8 Schindler 9300 escalators for Victoria Mall commercial center, Bangalore; 6 Schindler 9300 escalators and 2 Schindler 001 elevators for Heera Panna Mall commercial center, Mumbai; 12 Schindler 9300 escalators for Airport Authority of India at Delhi, Chennai, and Mumbai; 6 Schindler*Smart* MRL 002 and 10 Schindler 001 elevators for Sujay

Garden, Pune; 16 Schindler 001 elevators for Sun City residential building, Bangalore; 8 Schindler 001 elevators for Kanishka Towers, Delhi; 8 Schindler*EuroLift*/Schindler 100 P MRL elevators for Hiranandani Estate, Mumbai; 24 Schindler 001 elevators for the residential complex Gagan Galaxy, Pune; replacement of 4 elevators with Schindler 300 P and Miconic 10 elevators at the government office building Navin Vidhan Bhavan, Mumbai

Israel:

10 elevators for Israel Electricity Company, Tel Aviv; 2 elevators at Pagoda House, Tel Aviv

Kenya:

5 Schindler*EuroLift* elevators, including 2 panoramic elevators, at Panari Plaza shopping mall in Mombasa Road, Nairobi

1 16 Schindler 9300 escalators in the Union of Istanbul Textile Exporters building; Istanbul, Turkey

10 elevators, including 3 panoramic elevators, in the 5-star Hyatt Ararat Park Hotel; Moscow, Russia

Lebanon:

12 Schindler 100 P MRL elevators for Al Sayar Villas residential building, Bhamdoun; 2 Schindler 9300 escalators for Monoprix Stores, Jounieh; 8 elevators, including 2 hydraulic elevators, at Safir Heliopolitan Hotel, Beirut

Poland:

4 Schindler 9300 escalators and 7 SchindlerEuroLift elevators for A-18 Plac Wilsona metro station, Warsaw; 2 SchindlerEuroLift elevators, 1 panoramic elevator, and 1 Schindler 9300 escalator for the historic Market Hall, Gdansk; 5 SchindlerEuroLift elevators for Centrum Jasna office building, Warsaw

Russia:

10 elevators, including 9 SchindlerEuroLift elevators, and 6 Schindler 9300 escalators for Varshavskaya shopping mall, Moscow; 16 SchindlerEuroLift elevators for Andreevskayanab residential complex, Moscow; 6 SchindlerEuroLift elevators, 12 Schindler 9500 moving walks, and 2 Schindler 9300 escala-



tors for Lublinskaya Street shopping mall, Moscow; 4 Schindler 9500 moving walks and 4 Schindler 9300 escalators for Weimart shopping mall, Moscow; 11 elevators, including 10 SchindlerEuroLift elevators, for Kozikha residential complex, Moscow

Slovakia:

6 SchindlerSmart MRL 001, 3 SchindlerSmart MRL 002, and 2 hydraulic elevators for Otyk Invest residential complex, Bratislava; 9 elevators, including 5 SchindlerSmart MRL 002 DE elevators, for the administration building for diplomatic services, Bratislava; 4 Schindler 9500 moving walks and 3 SchindlerSmart MRL 002 elevators for Tesco shopping mall, Bratislava; 2 SchindlerSmart MRL 001 elevators, 1 hydraulic freight elevator, and 1 Schindler 9300 escalator for shopping mall, Pezinok

Turkey:

7 elevators with Miconic 10, SchindlerID, lobby vision, and visitor control, as well as 4 SchindlerEuroLift glass elevators and 1 service elevator at Sun Plaza business center, Istanbul; 8 Schindler 9300 escalators, 4 Schindler 9500 moving walks, and 3 elevators for Arcadium shopping mall, Ankara; 8 Schindler 9300 escalators for Aksaray pedestrian underpass, Istanbul; modernization of 4 elevators at Ziraat Bank headquarters, Ankara

Ukraine:

4 Schindler 9300 escalators for Maveks shopping mall, Chernivci

1 Visitors to the Galaxy shopping mall are served by 6 Schindler 9500 moving walks and various elevators; Szczecin, Poland

Maintenance work in the EGS office building; Istanbul, Turkey

› **Schindler 9500 moving walks at EuroAirport Basel-Mulhouse-Freiburg; Mulhouse, France
Photo: Studio V. U., Malakoff (Hauts-de-Seine), France**









ALSO had a difficult year

The ALSO Group, which is active in the IT logistics and services business, looks back on a year of many challenges. In this reporting year again, the long-expected increase in IT investments largely failed to materialize because of the weak economic situation. Within the space of a few months, average prices for desktop PCs and notebooks fell by 20–30%. The demand for IT services also declined further. This development had a negative effect on the result of the ALSO Group. On February 5, 2004, the systems business was sold to the German Bechtle Group and the announced concentration on the distribution business thereby completed. However, this caused a one-time exceptional charge in the annual accounts of the Group for 2003.

Group result weighed by exceptional influences

Despite the difficult environment, with net sales of CHF 1 598 million the ALSO Group was almost able to match the previous year's level (2002: CHF 1 653 million). At the same time, the Group succeeded in reducing operating expenses by CHF 7.5 million. Even so, the collapse in prices, pressure on margins, falling demand for IT services, and exceptional influences caused operating profit to drop by 49% to CHF 15.7 million (2002: CHF 30.7 million). Net profit at CHF 1.8 million was also substantially lower than the previous year (2002: CHF 19.7 million). However, leaving aside ex-



1

ceptional influences in association with the sale of the systems business, which at this level amount to CHF 11.3 million, the Group result was substantially higher than the communicated expectation because the profit contribution in the fourth quarter was overproportionally high due to the simultaneous occurrence of lower costs and higher sales. At 42.8% of the balance sheet value, shareholders' equity was substantially above the target ratio of 25–35%. In the reporting year, the ALSO Group had a total of 1 040 employees (2002: 1 177).

Distribution operates profitably and expands market position

At CHF 1516 million, net sales were held at the same level as the previous year (2002: CHF 1 523 million). However, as a consequence of the collapse in prices and pressure on margins, operating profit dropped back to CHF 25.5 million (2002: CHF 31.4 million). In the reporting year, the Swiss distribution company succeeded in gaining market share with product sales, and increased revenue and profit from logistics services. After the telecommunications providers Swisscom Mobile and Sunrise, the already existing con-



2

tract with Orange could be massively expanded. Acquisition by the Swiss company of ACS Trading, holder of third position in Switzerland's IT consumables business, allowed it to add further strength to

1 Thanks to the wireless IT network in the logistics center, flexibility is greater and space is optimally utilized. The employee is quickly in the right place to scan the bar codes of the products

2 Friendly sales staff give competent and professional advice at all times. The latest information can also be called up and articles ordered electronically around the clock via the Internet Sales Information System (I-VIS)

Every day, hundreds of environmentally friendly reusable boxes are filled with IT products and sent to individual recipients



2



1

(2002: CHF –0.4 million), which includes exceptional influences of CHF 6.8 million. These relate to the sale of the systems business to the Bechtel Group on February 5, 2004. For the systems business, its employees, and its customers, the sale opens up new prospects for growth and development. In the future, the ALSO Group itself will concentrate entirely on its core businesses of distribution and logistics services.

Cautious optimism for 2004

Since most of the IT infrastructure installed in the professional field is now already five or six years old, ALSO expects the IT market to recover slightly in 2004. The product lines newly introduced in the reporting year will give the distribution business additional impulses for growth. Relative to the net income of 2003, which was burdened by exceptional influences – and following the sale of the systems division on February 5, 2004, a substantial improvement in net income is expected for the current year.

1 A strength of the logistics services business is the customer-specific production of individual orders

2 A wide assortment of IT products awaits packaging in the 25 000 m² logistics center of ALSO at Emmen, Switzerland

its leading market position. The German subsidiary increased its net sales slightly, which in view of the declining value of the market also brought a higher market share. In the toughly contested German market, it was again successful in operating profitably in 2003. Through the introduction of new product lines, the German company is also well equipped to grow further in the years ahead. Already for the fourth time in succession, both the Swiss and the German companies were voted “Best Distributor” in surveys conducted by the leading industry journals.

The strategic alliance which was formed in September 2002 with leading distributors from other countries, the European Wholesale Group, already produced concrete results in 2003. The alliance provides vendors with a best-in-class platform from which to reach a large number of retailers in Europe.

Systems business sold to German Bechtel Group

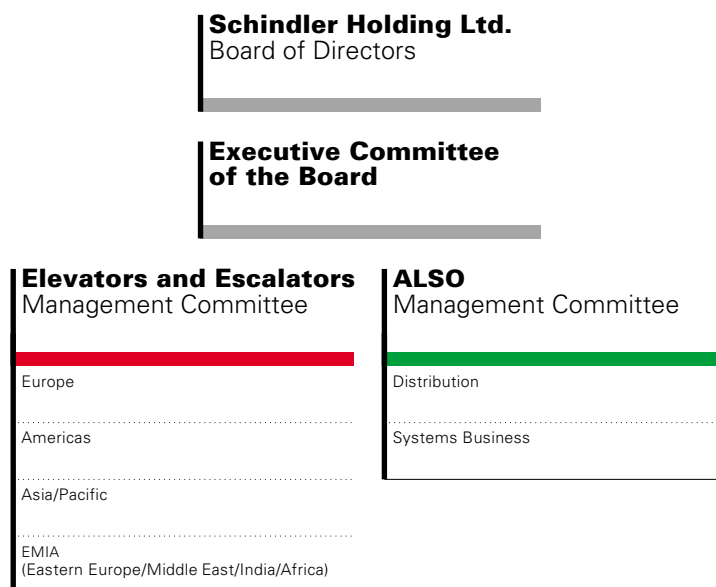
In this reporting year again, the long-expected impulses for growth in the large-customers segment failed to materialize because of the weak economic situation. The noticeable pressure on prices forced most large companies – especially those in financial services – to make further savings, also on IT services. Despite this difficult environment, the Systems Business Division succeeded in gaining important new customers. However, because long-standing customers spent considerably less on IT services, net sales of the division suffered a further decline to CHF 82.2 million (2002: CHF 130.0 million), with product sales falling more sharply than revenues from services. Although operating expenses were substantially lower, the operating result for the reporting year was a loss of CHF 9.9 million

For Swisscom Mobile, one of its largest customers for logistics services, ALSO manages the entire logistics of mobile handsets and accessories, physical handling of SIM cards, as well as invoicing and collection of payment



Organization

Status January 1, 2004



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

Dr. Hubertus von Grünberg

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

Scott D. Miller

Vice Chairman Hyatt Hotels Corporation; Chicago, USA 2005

Charles Powell (Lord Powell of Bayswater KCMG), London, UK

Former Advisor on Foreign Affairs and Defense to Prime Minister Margaret Thatcher 2006

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

- * Member of the Executive Committee of the Board
- ** Ordinary General Meeting in the year 2005, resp. 2006

Management Committee Elevators and Escalators

Roland W. Hess	President
David J. Bauhs	Deputy to the President; Americas (until 31.12.2003) Technology and Strategic Supply Management (as from 15.12.2003)
Miguel A. Rodríguez	Europe
Jürgen Tinggren	Asia/Pacific
Heikki Poutanen	Americas (as from 1.1.2004)
Dr. Christoph Lindenmeyer	Eastern Europe/Middle East/India/Africa (EMIA)
Jörgen Svenningsson	Technology and Strategic Supply Management (until 31.10.2003)
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 62 of the separate Financial Statements and Corporate Governance.

Financial statements Group

Condensed

2 Service technicians at work in the Culture and Congress Center; Lucerne, Switzerland
Photo: E. T. Studhalter, Schachen, Switzerland

The figures for 2003 and 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	1999*	2000	2001	2002	2003
In million CHF					
Current assets	3 335	3 381	3 436	3 621	3 734
Non-current assets	2 219	2 279	2 102	1 524	1 486
Total assets	5 554	5 660	5 538	5 145	5 220
Current liabilities	2 219	2 359	2 313	2 518	2 433
Non-current liabilities	2 000	1 847	1 777	1 437	1 496
Total liabilities	4 219	4 206	4 090	3 955	3 929
Minority interests	150	137	119	123	126
Shareholders' equity	1 185	1 317	1 329	1 067	1 165
Total liabilities and shareholders' equity	5 554	5 660	5 538	5 145	5 220

* As of 1999 in compliance with IFRS

Profit and loss statement	1999*	2000	2001	2002	2003
In million CHF					
Operating revenue	7 657	8 530	8 327	7 888	7 725
Operating expenses	7 275	8 108	7 843	7 766	7 319
Operating profit	382	422	484	122	406
Financing activities	-86	-53	-58	-62	-68
Investing activities	29	5	17	2	6
Profit before taxes	325	374	443	62	344
Taxes	67	71	46	45	142
Profit before minority interests	258	303	397	17	202
Minority interests	20	4	18	9	18
Net profit	238	299	379	8	184

* As of 1999 in compliance with IFRS

Cash flow statements	1999*	2000	2001	2002	2003
In million CHF					
Cash flow from operating activities	313	539	635	437	587
Cash flow from investing activities	-694	-344	-94	90	-118
Cash flow from financing activities	488	-146	-251	-359	-158
Translation exchange differences	20	-10	-16	60	5
Change in net cash	127	39	274	228	316

* As of 1999 in compliance with IFRS



Financial statements Schindler Holding Ltd.

Condensed

Balance sheet December 31	1999	2000	2001	2002	2003
In million CHF					
Current assets	679	465	701	836	1 235
Non-current assets	1 462	1 601	1 369	1 144	802
Total assets	2 141	2 066	2 070	1 980	2 037
Debtentures	800	785	785	590	600
Other liabilities	229	208	210	441	361
Total liabilities	1 029	993	995	1 031	961
Share capital	76	64	38	7	7
Bearer participation capital	61	50	29	6	6
Retained earnings	880	855	893	816	936
Net profit for the year	95	104	115	120	127
Shareholders' equity	1 112*	1 073	1 075	949	1 076
Total liabilities and shareholders' equity	2 141	2 066	2 070	1 980	2 037

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

Profit and loss statement	1999	2000	2001	2002	2003
In million CHF					
Income from subsidiaries	179	201	225	209	211
Other revenue	37	34	39	90	31
Total revenue	216	235	264	299	242
Depreciation and adjustments	57	85	108	139	80
Other expenses	64	46	41	40	35
Total expenses	121	131	149	179	115
Net profit for the year	95	104	115	120	127

Dividend payment	1999	2000	2001	2002	2003
In million CHF					
Registered shares	35	38	38	0	44*
Bearer participation certificates	27	29	29	0	33*
Total dividend payment	62	67	67	0	77*

* 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 60).

Information for shareholders

Charts

In the interest of greater transparency and comparability, and where relevant, the figures for 2003 and 2002 which follow are in each case also shown excluding R03 project costs.

Group	1999 [•]	2000	2001	2002	2003
In million CHF					
Orders received	7 695	8 750	8 426	8 029	7 866
Operating revenue	7 657	8 530	8 327	7 888	7 725
EBITDA ¹	532	624	680	349	566
in %	6.9	7.3	8.2	4.4	7.3
EBITA ²	406	475	531	184	443
in %	5.3	5.6	6.4	2.3	5.7
EBIT ³	382	422	484	122	406
in %	5.0	4.9	5.8	1.5	5.3
Net income from financing and investing activities	-57	-48	-41	-60	-62
Profit before taxes	325	374	443	62	344
Profit before minority interests	258	303	397	17	202
in %	3.4	3.6	4.8	0.2	2.6
Net profit	238	299	379	8	184
Cash flow ⁴	329	417	555	430	368
Capital expenditure	158	157	122	105	81
Order backlog	3 689	3 713	4 039	3 486	3 712
Personnel at year-end	43 654	43 334	41 524	39 918	39 617
Shareholders' equity	1 185	1 317	1 329	1 067	1 165
Equity ratio	21.3	23.3	24.0	20.7	22.3
Equity ratio incl. minority interests in %	24.0	25.7	26.1	23.1	24.7

[•] As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

⁴ Cash flow: Net profit before minorities interests plus depreciation/amortization and change in provisions

Key figures 2003 Group before charging R03 project costs

	2002	2003
In million CHF		
EBITDA	665	702
in %	8.4	9.1
EBITA	540	580
in %	6.9	7.5
EBIT	498	543
in %	6.3	7.0
Net profit before taxes	448	481

Elevators and Escalators

	1999*	2000	2001	2002	2003
In million CHF					
Orders received	6 028	6 852	6 658	6 344	6 246
Operating revenue	5 996	6 669	6 601	6 231	6 133
EBITDA ¹	482	612	654	313	542
in %	8.0	9.2	9.9	5.0	8.8
EBITA ²	366	474	517	156	431
in %	6.1	7.1	7.8	2.5	7.0
EBIT ³	342	422	471	95	395
in %	5.7	6.3	7.1	1.5	6.4
Personnel at year-end	42 140	41 763	40 169	38 806	38 643

* As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

**Key figures 2003 Elevators and Escalators
before charging R03 project costs**

	2002	2003
In million CHF		
EBITDA	629	678
in %	10.1	11.1
EBITA	512	568
in %	8.2	9.3
EBIT	471	532
in %	7.6	8.7

ALSO

	1999 [•]	2000	2001	2002	2003
In million CHF					
Orders received	1 667	1 898	1 768	1 685	1 620
Operating revenue	1 661	1 861	1 726	1 657	1 598
EBITDA ¹	46	18	33	40	29
in %	2.8	1.0	1.9	2.4	1.8
EBITA ²	36	7	21	32	17
in %	2.2	0.4	1.2	1.9	1.1
EBIT ³	36	6	20	31	16
in %	2.2	0.3	1.2	1.9	1.0
Personnel at year-end	1 514	1 571	1 355	1 112	974

• As of 1999 in compliance with IFRS

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

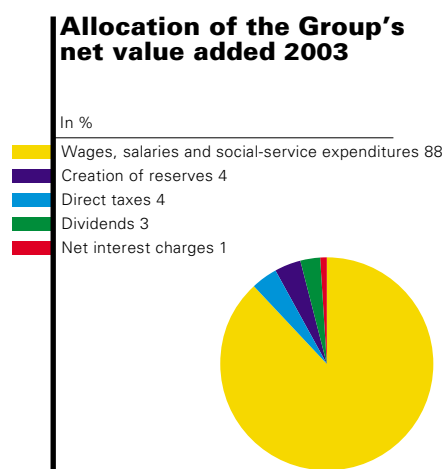
³ EBIT: Operating profit

Holding

	1999	2000	2001	2002	2003
In million CHF					
Share capital	76	64	38	7	7
Bearer participation capital	61	50	29	6	6
Shareholders' equity	1 112 [•]	1 073	1 075	949	1 076
Debentures	800	785	785	590	600
Net profit for the year	95	104	115	120	127
Dividend payment	62	67	67	0	77^{••}

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

•• Proposal by the Board of Directors



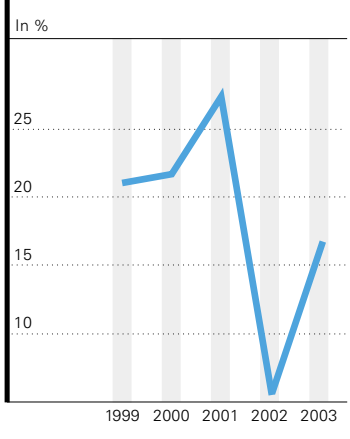
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

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.

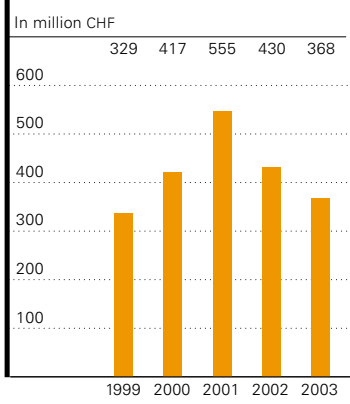
The distribution of the Group's net value added shows how employees, the governments, the company itself, the shareholders, and other providers of finance participate in this economically relevant amount.

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

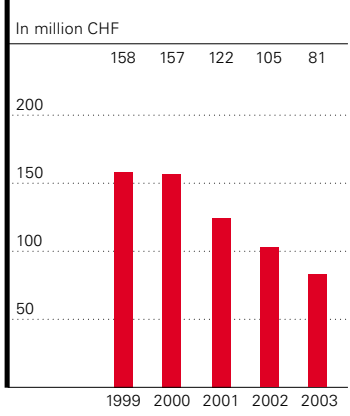
Return on equity ROE



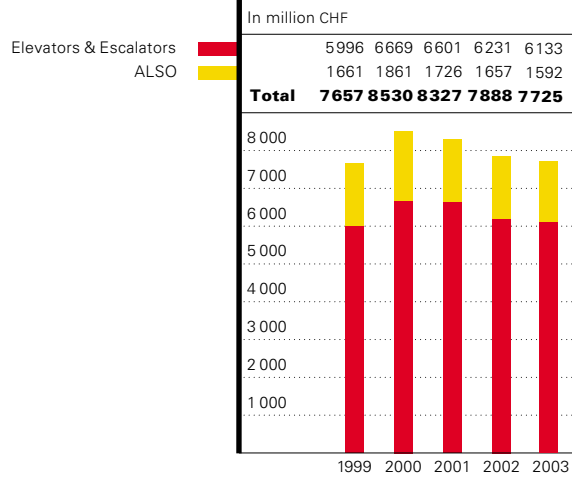
Cash flow



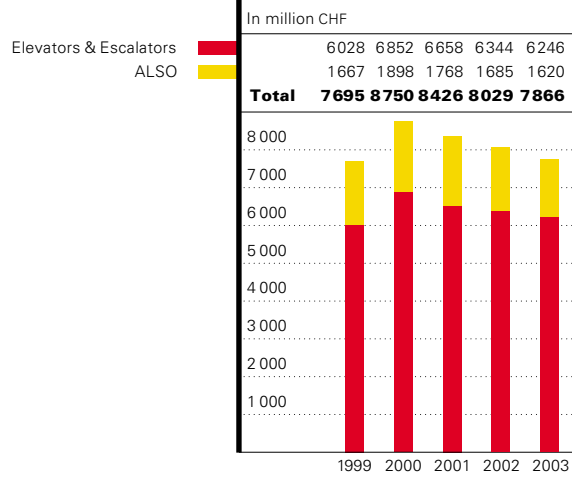
Capital expenditure



Operating revenue by product group



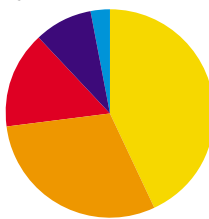
Orders received by product group



**Invoiced sales 2003
by market
Elevators & Escalators**

In %

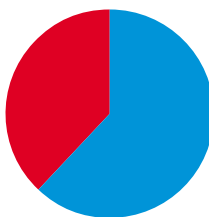
- Switzerland 9
- EU Countries 43
- Rest of Europe 3
- Americas 30
- Asia, Australia, Africa 15



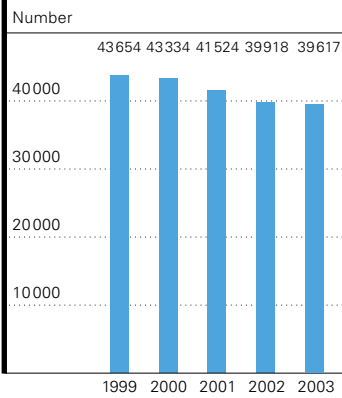
**Invoiced sales 2003
by market
ALSO**

In %

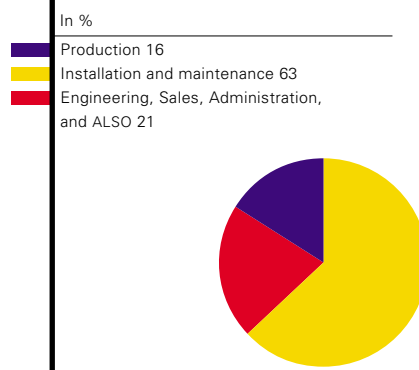
- Switzerland 62
- Germany 38



Personnel at the end of year

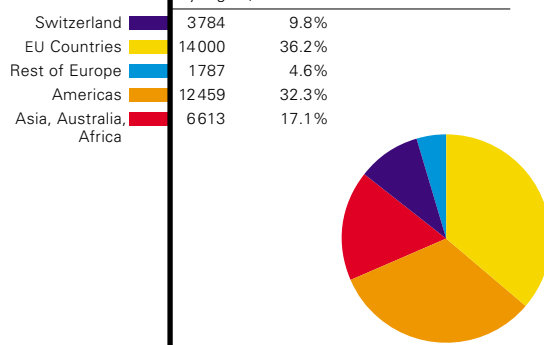


Personnel 2003 by sector



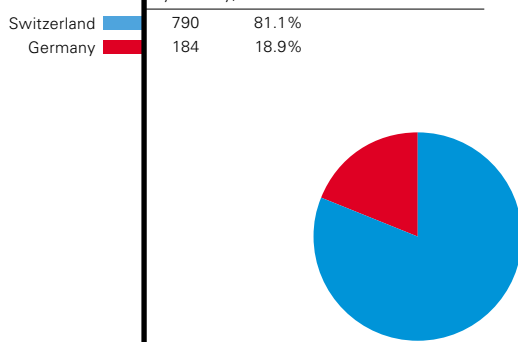
Personnel 2003 Elevators & Escalators

By region, total 38643



Personnel 2003 ALSO

By country, total 974



The figures for 2003 and 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

	1999 [•]	2000	2001	2002 [°]	2003
In CHF					
Net profit	174	222	282	0.62	14.30
Cash flow	240	310	413	33.43	28.61
Shareholders' equity at year-end	894	992	1 047	83.81	94.41
Gross dividend	45	50	50	0 [°]	6^{••}
Pay-out ratio	% 25.9	22.5	17.7	–	41.9
Market capitalization (in million)	3 490	3 402	3 208	3 397	4 187

[•] As of 1999 in compliance with IFRS

[°] After 10:1 split on June 11, 2002

^{••} Proposal by the Board of Directors

Registered shares

	1999	2000	2001	2002 [°]	2003
In CHF					
Number of shares outstanding	763 066	752 866	752 866	7 356 820	7 356 820
Thereof in treasury stock	27 040	16 790	32 561	120 401	81 805
Nominal value	100	85	50	1	1
Price high	2 600	2 995	2 801	320.00	345.00
Price low	2 060	2 320	2 000	230.80	176.00
Price year-end	2 550	2 549	2 380	260.00	343.00
P/E ratio December 31	14.7 ×	11.5 ×	8.4 ×	418.1 ×	24.0 ×

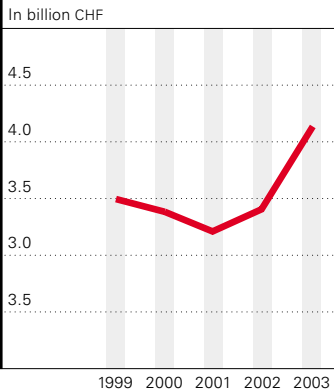
[°] After 10:1 split on June 11, 2002

Bearer participation certificates

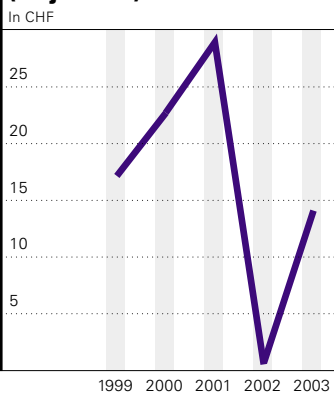
	1999	2000	2001	2002 [°]	2003
In CHF					
Number of certificates outstanding	605 425	592 424	592 424	5 506 990	5 506 990
Thereof in treasury stock	15 444	1 410	42 880	11 550	441 850
Nominal value	100	85	50	1	1
Price high	2 620	2 925	2 700	321.80	305.00
Price low	2 050	2 320	2 050	225.00	167.25
Price year-end	2 550	2 503	2 390	269.50	302.00
P/E ratio December 31	14.7 ×	11.3 ×	8.5 ×	433.3 ×	21.1 ×

[°] After 10:1 split on June 11, 2002

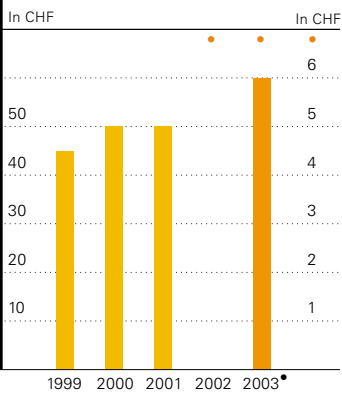
Market capitalization as of 31.12.



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



Dividends per registered share and bearer participation certificate



- After 10:1 split
- Proposed by the Board of Directors

Ticker/security number

	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 65.08 % of the voting rights (4 787 486 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

Thursday, March 18, 2004, 4.30 pm
at the Kultur- und Kongresszentrum
Luzern, Europaplatz 1,
CH-6005 Lucerne, Switzerland

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**Rapid transportation at Zurich Airport is provided by 45 Schindler 9300 escalators and 6 Schindler 9500 moving walks; Switzerland
Photo: Ralph Bensberg, Zurich, Switzerland**



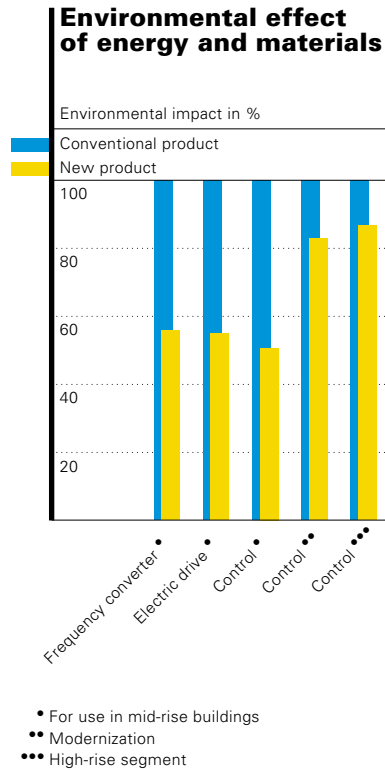
Attention to details

Schindler elevators and escalators remain in operation for several decades. The operating phase is therefore particularly important for assessing the environmental impact of the installation. The PEcoPIT – Ecological Product Performance – method developed by Schindler includes evaluation of the energy and materials consumption over a period of 30 years, and compares the environmental impact of new products with that of the products being replaced. The knowledge gained in this way gives systematic indications for potential improvements to the products.

Below are examples which demonstrate how apparently minor and insignificant measures can have major effects over a service life of 30 years.

Improvements in individual components

For various elevator and escalator components, it has been possible to improve the consumption of energy and materials. In the electronics area, for example, use of new technologies has reduced energy consumption. The new components are lighter in weight, and preference is given to the use of materials with lower environmental impact.



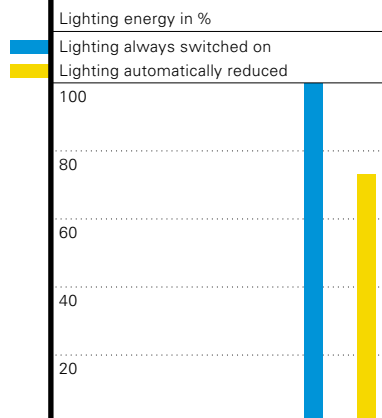
Energy consumption of car lighting

The minimum lighting intensity for elevator cars is prescribed by law. In many cases, however, stronger lighting is used for architectural reasons as well as to provide greater subjective comfort to passengers. Schindler offers a solution which automatically reduces the lighting intensity when the elevator is stationary and not being used.

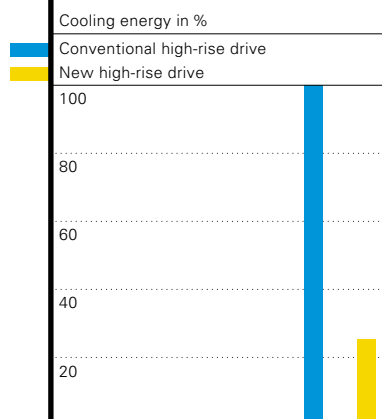
Energy consumption of electric drives

A high energy efficiency of drives and frequency convertors is reached by applying modern technologies. The total loss of energy results from losses of motor, brake, frequency convertor and hoistway. By a new design of the motor the heat dissipation could be optimized, so that less energy is needed to cool it.

Car lighting



High-rise drive

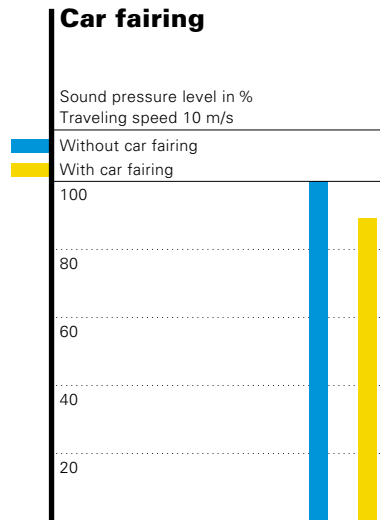


Aerodynamic car fairing

Traveling at over 6 m/s the car and counterweight create increased turbulence in the air flow which is experienced as undesirable noise. By means of the aerodynamic fairing, wind noise and pressure waves occurring in the hoistway are reduced to the minimum. The low level of noise inside the car, and the almost complete absence of perceptible vibrations, contribute positively to the ride comfort of the elevator.

Local environmental initiatives

In the reporting year, Corporate Technology and Strategic Supply Management was audited for recertification by the TÜV and SQS. The ISO 9001/14001 certificates were renewed for a further three years. Environmental certification to ISO 14001 was also awarded to Schindler Electronics Ltd. in Locarno, Switzerland, which manufactures electronic components.



In Austria, Schindler Elevator and Escalator AG works systematically on reducing its energy consumption and negative environmental impact. As a result, this group company again received a Model Environmental Company award. The Ecoprofit environmental certificate awarded by the Austrian government was ceremonially presented in the Festival Hall of Vienna City Hall on March 19, 2003.

In the USA, Schindler received several awards. The Pennsylvania Water Environment Association awarded the Schindler production plant at Gettysburg a prize for exceptional achievement in industrial

waste-water management. The hi-tech system continuously monitors the waste water, thoroughly cleans it, and thereby protects the ground water. It also reduces water consumption by 25%.

The company was also awarded the Governor's Award for Environmental Excellence. This award honored achievements in reducing emissions of volatile organic compounds such

as paint solvents, as well as hazardous waste, despite a 10% annual increase in production:

- hazardous substance emissions: down by 34 tonnes;
- hazardous waste: down by 7 tonnes;
- elimination of adhesives in elevator doors, use of solvent-free paints, greater use of galvanized steel with correspondingly less use of anticorrosives led to a reduction of total VOC (Volatile Organic Compound) emissions by 14.8 tonnes, reduction of hazardous waste by 4 tonnes.

Since 1991, the heating plant at Schindler Elevator Ltd. in Ebikon has been fueled by natural gas. In the reporting year, the heating plant was modernized, and now exceeds the Swiss clean-air law LRV 92 and produces much less than the allowed amounts of pollutants. For example, NO_x emissions are 50% and CO emissions 97% below the allowed amounts. The combustion efficiency of the heating plant was increased by 3%, thereby reducing CO₂ emissions by 70 tonnes per year.

Separate report in 2005

The Board of Directors has decided that as from 2005 it will publish a separate report on environmental and social aspects. The necessary data will be collected from the many Group companies in 2004. The report will describe the environmental performance, especially in relation to product ecology, supplemented by information about industrial ecology. It will also describe the Group's business principles and its social performance.

Important addresses

For further information about our company, our products and our services, please contact one of the following addresses:

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The Annual Report of the Schindler Group for 2003 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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Corporate Communications
6030 Ebikon, Switzerland

Graphic design

Gottschalk+Ash Int'l

Photo

Back cover:
Peter Schälchli, Zurich,
Switzerland

Text

Schindler Management AG
Corporate Communications
6030 Ebikon, Switzerland

Typesetting and printing

NZZ Fretz AG
8952 Schlieren, Switzerland



«Our Code of Conduct is
dead serious, so are our
compliance officers.»

Alfred N. Schindler

«La Ronde»
by Stephen Buckley
Gallery: Flowers East Gallery, London

Annual Report 2003 Financial Statements
Corporate Governance



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Corporate Governance

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Financial Statements

Consolidated balance sheet

Assets		31.12.2002		31.12.2003	
In million CHF	Notes		%		%
Current assets					
Cash on hand		1 181	23.0	1 466	28.1
Securities	3	231	4.5	114	2.2
Accounts receivable	4	1 282	24.9	1 206	23.1
Taxes receivable		47	0.9	42	0.8
Net assets of production orders in progress	5	414	8.1	459	8.8
Inventories	6	341	6.6	337	6.4
Prepaid expenses and accrued income		125	2.4	110	2.1
Total current assets		3 621	70.4	3 734	71.5
Non-current assets					
Fixed assets	7	600	11.7	557	10.6
Intangible assets	8	544	10.5	562	10.8
Investments in associates	9	42	0.8	36	0.7
Financial assets	10	65	1.3	83	1.6
Deferred taxes	11	226	4.4	203	3.9
Employee benefits	12	47	0.9	45	0.9
Total non-current assets		1 524	29.6	1 486	28.5
Total assets		5 145	100.0	5 220	100.0

Liabilities and shareholders' equity

31.12.2002

31.12.2003

In million CHF	Notes		%		%
Liabilities					
Current liabilities					
Financial debts	15	252	4.9	132	2.4
Accounts payable	13	768	14.9	739	14.2
Taxes payable		86	1.7	100	1.9
Net liabilities of production orders in progress	5	433	8.4	337	6.5
Accrued expenses and deferred income	14	744	14.5	882	16.9
Provisions	16	235	4.6	243	4.7
Total current liabilities		2 518	49.0	2 433	46.6
Non-current liabilities					
Financial debts	15	756	14.7	803	15.4
Provisions	16	269	5.2	250	4.8
Deferred taxes	11	67	1.3	85	1.6
Employee benefits	12	345	6.7	358	6.9
Total non-current liabilities		1 437	27.9	1 496	28.7
Total liabilities		3 955	76.9	3 929	75.3
Minority interests		123	2.4	126	2.4
Shareholders' equity					
Share capital and bearer participation certificate capital	29	13	0.3	13	0.2
Share premiums		133	2.6	139	2.7
Treasury stock		-28	-0.6	-106	-2.0
Fluctuations in value of financial instruments		11	0.2	-24	-0.5
Translation exchange differences		-381	-7.4	-360	-6.9
Retained earnings		1 319	25.6	1 503	28.8
Total shareholders' equity		1 067	20.7	1 165	22.3
Total liabilities and shareholders' equity		5 145	100.0	5 220	100.0

Consolidated profit and loss statement

In million CHF	Notes	2002		2003	
			%		%
Operating revenue	17	7 888	100.0	7 725	100.0
Material cost		3 123	39.6	3 052	39.5
Personnel cost	18	2 925	37.1	2 837	36.7
Other operating cost	19	1 305	16.5	1 264	16.3
Depreciation and amortization	7, 8	227	2.9	160	2.1
Change of provision	16	186	2.4	6	0.1
Total operating cost		7 766	98.5	7 319	94.7
Operating profit		122	1.5	406	5.3
Financing activities	20	-62	-0.8	-68	-0.9
Investing activities	21	2	0.0	6	0.1
Profit before taxes		62	0.8	344	4.5
Income taxes	22	45	0.6	142	1.9
Profit before minority interests		17	0.2	202	2.6
Minority interests		9	0.1	18	0.2
Net profit		8	0.1	184	2.4
Earnings per share					
Basic earnings per share and BPC	30	in CHF	0.63	14.81	
Diluted earnings per share and BPC	30	in CHF	0.61	14.79	

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

As in the previous year, the annual results for 2003 are also affected by the special projects launched in the spring of 2002. The purpose of these projects is to achieve a substantial increase in the productivity of the elevators and escalators business, as well as better geographical positioning and investments in expansion projects. The projects will contribute to increasing the EBITDA margin in this business to 14% by the end of 2005. This target as well as the statement regarding the final project costs arising in 2004 reflect the expectation of corporate management, and do not form part of the report of the Group auditors.

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 137 million (previous year CHF 386 million).

Key figures for the Group before charging R03 project costs

In million CHF	2002		2003		Δ %
		% operating revenue		% operating revenue	
EBITDA	665	8.4	702	9.1	+5.6
EBIT	498	6.3	543	7.0	+9.0
Profit before taxes	448	5.7	481	6.2	+7.4
Net profit	288	3.7	300	3.9	+4.2

Contrary to the previous year 2002, the R03 project costs of the reporting year – as shown below – affect liquidity by their full amount. The depreciation (impairments) relating to R03 in 2002 comprise CHF 40 million on fixed assets and CHF 20 million on goodwill.

In million CHF	2002	2003
Costs affecting liquidity	135	154
Costs not affecting liquidity	251	-17
of which provisions		
– usage	–	-43
– set up	156	17
depreciation on fixed assets and goodwill	60	1
other expenses	35	8
Total R03 project expenses (at level of profit before taxes)*	386	137

* equals the effect on "Elevators and Escalators"

Completion of the R03 projects in 2004 is expected to incur final project costs of CHF 75 million. However, these will no longer be reported separately.

Consolidated cash flow statement

In million CHF	Notes	2002	2003
Profit before minority interests		17	202
Depreciation and amortization		227	160
Change of provision		186	6
Other positions with no effect on liquidity		-4	51
Change of securities		-117	132
Change of remaining net working capital		128	36
Cash flow from operating activities		437	587
Additions to			
Fixed assets		-105	-81
Intangible assets		-11	-7
Investments in associates		-5	-1
Financial assets		-8	-37
Disposals of			
Fixed assets		26	26
Intangible assets		1	-
Financial assets		201	22
Additions/disposals of investments in subsidiaries	23	-9	-40
Cash flow from investing activities		90	-118
Change of financial debts			
		-243	-71
Additions/disposals treasury stock		8	-73
Capital increase (minority interests)		6	-
Payment of dividends and partial repayment			
of nominal value by Schindler Holding Ltd.		-115	-
Dividends paid to minority shareholders		-15	-14
Cash flow from financing activities		-359	-158
Translation exchange differences			
		60	5
Change in net cash	23	228	316
Net cash at the beginning		894	1 122
Net cash at the end		1 122	1 438
Income taxes paid			
		103	118
Interests paid			
		72	65
Interests received			
		40	19
Dividends received from associated companies			
		15	7

Statement of shareholders' equity

In million CHF	Share and BPC capital [•]	Share premiums [•]	Treasury stock ^{••}	Translation exchange differences	Fluctuations in value of financial instr.	Retained earnings	Total
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
Dividends						-	0
Additions/disposals treasury stock		5	-78				-73
Options for participation plan (fair value)		1					1
Net profit						184	184
Hedging transactions				-6	-35		-41
Translation exchange differences				27			27
December 31, 2003	13	139	-106	-360	-24	1 503	1 165

[•] 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 2003, turnover in this segment was CHF 6.1 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 2003 had net revenue of CHF 1.6 billion. ALSO is active in the IT logistics and services business in Switzerland and 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.

IAS 1 to 40 and SIC 1 to 33, which are relevant to Schindler, have been applied. IAS 41 is not relevant to Schindler.

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 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 58 to 60.

During the reporting year, the scope of the consolidation was expanded to include Schindler Monaco, Monaco, Schindler Joong Ang Elevator Co. Ltd., South Korea, Doppelmayr Aufzüge AG, Wolfurt, Austria (9 months), and a number of smaller companies of minor significance. The effect of all first-time consolidations is approximately 1% on both Group operating revenue and Group operating profit.

2.3 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.

The difference between the acquisition price and the net asset value of holdings in associated companies is recognized and reported as goodwill under "Investments in associates".

2.4 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.

The goodwill of associated companies is recognized under "Investments in associates" and determined and amortized according to the same criteria.

2.5 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

Translation differences which arise from calculation of the result for the Group at average and year-end exchange rates, as well as from transactions in shareholders' equity, are offset against consolidated shareholders' equity and, on sale of the respective company, included in the profit and loss statement.

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

			2002	2003	2002	2003
			Year-end exchange rates	Year-end exchange rates	Average exchange rates	Average exchange rates
USA	USD	1	1.39	1.24	1.56	1.34
Euro countries	EUR	1	1.45	1.56	1.47	1.52
Great Britain	GBP	1	2.23	2.20	2.34	2.20
Brazil	BRL	100	39.23	42.66	55.31	43.52
China	CNY	100	16.78	14.93	18.82	16.21

2.6 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

- Financial investments and derivatives “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.

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 investments held to maturity as well as financial instruments originated by the company are valued by the effective interest method. 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.

- 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.

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 expired. 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.

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.

Financial instruments are selectively hedged against fluctuations in market value by so-called fair value hedges. In such cases, within the scope of the hedged risk a market valuation is made of both the underlying and the hedging transactions.

2.7 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 consolidated 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.

2.8 Cash on hand

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

2.9 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.

2.10 Accounts receivable

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

2.11 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.

2.12 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.

2.13 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

2.14 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.

2.15 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.

Restructuring provisions are only recognized if the respective costs can be reliably determined by reference to a plan, and there is a corresponding obligation resulting from a contract or communication.

Except for the provision for product liability, the provisions are not discounted, since the main part of the payments generally takes place in the succeeding 24 months, or else the interest component of the individual provisions is immaterial.

2.16 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 three 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 debited or – provided that the criteria for capitalization are fulfilled – credited to employee benefit costs over 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, with any actuarial gains in this case being recognized immediately.

2.17 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.

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 these obligations, the Group holds the necessary number of shares or 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 fair value of the option premium from the capital participation plan as calculated by the Black-Scholes method (see Note 28) is recognized in the profit and loss statement and charged to personnel cost for the vesting period of three years.

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. 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 risks are hedged and minimized as far as possible centrally by the Groupwide limitation to two 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 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. The danger of risk concentrations is minimized by the large number and wide geographical spread of customer credit balances.

The necessary revaluations are undertaken by the Group companies according to uniform Group guidelines and verified by corporate headquarters.

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 37 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 fair 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 three years.

Retained earnings consist of accumulated profits of the Group which are for the most part 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	2002	2003
In million CHF		
Marketable securities	55	10
Time deposits with a maturity ranging from 3 to 12 months	176	104
Total securities	231	114

4 Accounts receivable	2002	2003
In million CHF		
Supplies and services, gross	1 314	1 250
Allowance for doubtful accounts	-119	-115
Supplies and services, net	1 195	1 135
Associates and other related parties	6	5
Other accounts receivable	81	66
Total accounts receivable	1 282	1 206

5 Production orders in progress	2002	2003
In million CHF		
Work in progress	762	784
Down payments from customers	-348	-325
Net assets of production orders in progress	414	459
Work in progress	415	455
Down payments from customers	-848	-792
Net liabilities of production orders in progress	-433	-337

6 Inventories	2002	2003
In million CHF		
Raw material and trading material	225	252
Semifinished and finished goods	108	79
Down payments to suppliers	8	6
Total inventories	341	337

Write-downs totaling CHF 114 million (in 2002: CHF 126 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, 2002	172	54	481	554	513	1 774
Additions	2*	–	5	34	45	86**
Disposals	–2	–1	–16	–37	–65	–121
Reclassifications	12	–7	–36	35	–4	–
Change in scope of consolidation	–	1	4	4	2	11
Translation exchange differences	1	–	1	2	2	6
December 31, 2003	185	47	439	592	493	1 756
Accumulated depreciation						
December 31, 2002	78	19	293	399	385	1 174
Additions	7	–	17	42	54	120
of which impairment	–	–	4	–	–	4
Disposals	–1	–	–10	–32	–57	–100
Reclassifications	7	–5	–32	31	–1	–
Translation exchange differences	1	–	1	1	2	5
December 31, 2003	92	14	269	441	383	1 199
Net book value						
as of December 31, 2003	93	33	170	151	110	557
Fire insurance value						2 299
Net book value						
of fixed assets under finance lease	–	2	7	–	2	11
• Includes capitalized goods and services for own account of 0						
•• Of which finance leases 5						
Market value	169					
Rental income	14					
Operating expenses:						
Real estate with rental income	11					
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 7 million in the year under review (previous year CHF 19 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 7 million was recognized (previous year CHF 5 million).

8 Intangible assets

In million CHF	Goodwill	Other intangible assets [•]	Total
Net book value			
December 31, 2002	509	35	544
Additions	24	7	31
Disposals	–	–	–
Amortization	–37	–10	–47
of which impairment	–1		–1
Translation exchange differences	33	1	34
December 31, 2003	529	33	562
Overview as of December 31, 2002			
Gross carrying amount	687	117	804
Accumulated amortization	178	82	260
Net book value	509	35	544
Overview as of December 31, 2003			
Gross carrying amount	763	122	885
Accumulated amortization	234	89	323
Net book value	529	33	562

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

The net book value of goodwill consists to approximately 48% (previous year 49%) 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 15 years. The exchange difference relates mainly to this company.

9 Investments in associates2002 **2003**

In million CHF

Net book value

January 1	56	42
Additions	5	1
Share of net profit	-2	7
Dividends received	-15	-7
Reclassifications	2	-8
Exchange differences	-4	1
December 31	42	36

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 assets2002 **2003**

In million CHF

Loans to associates and other related parties	6	11
Securities	19	23
Other financial assets	40	49
Total financial assets	65	83

11 Deferred taxes**11.1 Net book values of deferred tax assets and liabilities**2002 **2003**

In million CHF

Deferred taxes on account of temporary differences		
Current assets	46	57
Fixed assets	-19	-21
Provisions	55	61
Employee benefits	33	28
Tax loss carryforwards	50	17
Other temporary differences	-6	-24
Total net book value	159	118
Thereof recognized in the balance sheet as deferred tax liabilities	-67	-85
Thereof recognized in the balance sheet as deferred tax assets	226	203

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	2002	2003
In million CHF		
January 1	134	159
Set up and reversal of temporary differences	60	-24
Translation exchange differences	-35	-17
December 31	159	118

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 96 million (previous year CHF 234 million).

11.4 Tax loss carryforwards

In million CHF	2002	2003
Total tax loss carryforwards	433	444
Includes tax loss carryforwards in deferred taxes of	145	42
Total unused tax loss carryforwards	288	402
These can be carried forward as follows:		
Within one year	1	2
In two to five years	129	141
In more than five years	158	259
Tax effect of unused tax loss carryforwards	81	124

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

	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

12.2 Defined benefit plans

	2003			
In million CHF	Funded	Unfunded	Others	Total
Net assets at market value	1 665			1 665
Present value of defined benefit obligation	-1 696	-213	-125	-2 034
Financial surplus/shortfall	-31	-213	-125	-369
Unrecognized actuarial loss	69		3	72
Assets not shown in the balance sheet	-16			-16
Total net book value 2003	22	-213	-122	-313
Amount reported as employee benefits under assets				45
Amount reported as employee benefits under liabilities				-358

Some surpluses have not been capitalized because the criteria for capitalization are not fulfilled.

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 2002: CHF 5 million).

12.3 Statement of changes2002 **2003**

In million CHF

January 1	-317	-298
Periodic pension cost	-79	-80
Contributions paid	87	85
Changed scope of consolidation	-	-3
Translation exchange differences	11	-17
December 31	-298	-313

12.4 Periodic pension cost for defined benefit plans2002 **2003**

In million CHF

Current service cost	86	94
Interest cost on present value of defined benefit obligation	75	81
Expected return on plan assets	-78	-84
Amortization of actuarial gains/losses or past service cost	-2	-4
Less employee contributions	-21	-23
Change in assets not shown in the balance sheet	15	3
actuarial losses through amortization	4	13
Periodic pension cost	79	80
Actual return on plan assets	-4.3%	7.5%

12.5 Basis of actuarial calculations

	2002	2003
Weighted averages	%	%
Technical interest rate	4.8	4.7
Expected return on assets	5.2	5.2
Increase in salaries/wages	2.9	2.8
Increase in pensions	1.2	1.3
Fluctuation rate	3.2	3.5

13 Accounts payable

	2002	2003
In million CHF		
Supplies and services	475	485
Associates and other related parties	32	32
Social security institutions	59	50
Indirect taxes and capital taxes	75	74
Other accounts payable	127	98
Total accounts payable	768	739

14 Accrued expenses and deferred income

	2002	2003
In million CHF		
Personnel cost	249	271
Late cost	52	56
Service contracts	183	247
Other accrued expenses and deferred income	260	308
Total accrued expenses and deferred income	744	882

15 Financial debts

15.1 Current financial debts	2002	2003
In million CHF		
Bank overdrafts	59	28
Current portion of non-current financial debts of bank loans	65	80
Current portion of non-current financial debts of financial leases	4	4
2½% bond issue with warrants 1996–2003, nominal value CHF 170 million (Schindler Finance, Cayman Islands), repayment on 10. 5. 2003	124	–
0% convertible loan 1999–2004, nominal value CHF 51 million (ALSO Holding Ltd.)	–	20
Total current portion of non-current financial debts	193	104
Total current financial debts	252	132
15.2 Non-current financial debts	2002	2003
In million CHF		
3½% debenture 1999–2009, nominal value CHF 300 million	287	297
4½% debenture 1999–2006, nominal value CHF 300 million	297	297
0% convertible loan 1999–2004, nominal value CHF 51 million (ALSO Holding Ltd.)	31	–
Total outstanding debentures and bonds	615	594
Bank loans and private placements	122	168
Finance leases	18	17
Other non-current financial debts	1	24
Total non-current financial debts	756	803
Thereof CHF portion	78.3%	79.9%

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 5125.– carries the right to 5 ALSO registered shares. On 31. 12. 2003 the price of the convertible bond was 109.45%. Measurement according to IFRS results in an interest rate of 5.1%.

As of the balance sheet date, the convertible loan is reported under current financial debts. Repayment will take place on 25.11.2004.

In the reporting year, there was a partial repurchase of the convertible loan. The proportional carrying value of CHF 10 million is offset against the loan value.

In the previous year's amount for the 3½% debenture 1999–2009 of nominal CHF 300 million, the units held in treasury on 31.12.2002 were proportionally offset against the carrying amount. In the reporting year, this units (proportional nominal value CHF 10 million) were resold.

In the reporting year, the 4⅓% debenture with a nominal value of CHF 300 million was converted into a variable interest obligation by means of an interest rate swap (IRS). The market value of the IRS of CHF 1 million has compensated the fluctuation in value of the discounted loan (see Note 25.6).

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	2002 Book value	2003 Book value	2002 Effective interest rate in %	2003 Effective interest rate in %
Within one year	252	132	6.7	6.8
Within two to five years	459	763	4.9	4.4
Greater than five years	297	40	4.1	16.8
Total financial debts	1 008	935	4.9	5.4

16 Provisions

In million CHF	Loss jobs	Guarantees	Structure adaptation cost	Product liabilities	Other provisions	Total
Current provisions	31	44	83	35	50	243
Non-current provisions	23	26	8	96	97	250
Total provisions	54	70	91	131	147	493

Statement of changes

December 31, 2002	67	60	102	130	145	504
Statement of profit and loss						
Set up	34	18	50	49	34	185
Usage	-44	-4	-62	-32	-29	-171
Reversal	-3	-	-4	-	-1	-8
Translation exchange differences	-	-4	5	-16	-2	-17
December 31, 2003	54	70	91	131	147	493

The provision for "loss jobs" is created to cover losses contained in the order backlog. Reversal takes place in relation to the progress of project execution. Projects are usually completed within 9 to 24 months.

Provisions for structure adaptation costs are only recognized in the balance sheet if a welfare plan exists which was communicated to the affected persons. Of the amount reported, CHF 49 million (previous year CHF 71 million) are attributable to R03 project costs. Reversal takes place parallel to the payments of related expenses, which normally occur within one year.

Provisions for product liability are based on actuarial calculations made by independent assessors relating to cases which have arisen and are not yet closed. Reversal takes place parallel to the payments, which may extend over a period of up to 10 years following the occurrence of damage.

In the previous year, "Other provisions" for the amount of CHF 50 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 Groupwide campaign is to ensure proactively that our products and services are of the high quality expected of them. In the reporting year, provisions equal in amount to the incurred expenses of CHF 11 million were reversed. The remaining provision covers the further expenses which will occur approximately linearly within the next four to five years.

17 Operating revenue

	2002	2003
In million CHF		
Billings	7 882	7 594
Sundry operating revenue	48	38
Change in balance of work in progress	-45	89
Capitalized own production of fixed assets	3	4
Total operating revenue	7 888	7 725

CHF 2 900 million (2002: CHF 2 888 million) of the operating revenue were calculated according to the percentage of completion method.

18 Personnel cost and headcount

18.1 Personnel cost	2002	2003
In million CHF		
Salaries and wages	2 286	2 245
Social charges	639	592
Total personnel cost	2 925	2 837
18.2 Headcount	2002	2003
Average headcount	40 478	39 727
Headcount at year-end	39 918	39 617

19 Other operating cost

	2002	2003
In million CHF		
Special cost	392	363
Employee-related expenses	195	196
Rent, leasing	120	128
Maintenance and repairs	78	74
Energy supply, consumables and packing material	126	119
Insurance, fees and capital taxes	79	79
General administration and advertising	189	195
Losses on receivables	14	16
Other operating expenses	112	94
Total other operating cost	1 305	1 264

Research and development cost of CHF 139 million (in 2002: CHF 129 million) have been charged to the profit and loss statement.

20 Financing activities2002 **2003**

In million CHF

Interest income third parties	35	19
Interest expense third parties	79	66
Net interest income/expense	-44	-47
Foreign exchange income/loss	1	1
Revaluation of available-for-sale items	-7	-2
Other financial income/expense	-12	-20
Total financing activities	-62	-68

“Other financial income/expense” mainly comprises bank charges and especially country-specific financial transaction costs which are higher than the previous year.

21 Investing activities2002 **2003**

In million CHF

Income from investments in associates	-2	5
Other investing activities	4	1
Total investing activities	2	6

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

22 Income taxes2002 **2003**

In million CHF

Current income taxes of the reporting period	101	112
Current income taxes of previous period	-	6
Deferred income taxes	-56	24
Total income taxes	45	142

Deferred income taxes are reduced by the incidence of R03 project costs.

22.1 Reconciliation of income taxes2002 **2003**

In million CHF

Net profit before taxes	62	344
Weighted average income tax rate <i>in %</i>	36	33
Expected income tax expense	22	112
Set up/use of unrecognized tax loss carryforwards	-2	18
New inclusion of deferred taxes	10	2
Other	15	10
Effective income taxes	45	142
Effective income taxes <i>in %</i> of profit before taxes	73	41

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 affiliated companies, 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:

2002 **2003**

In million CHF

Current assets	3	19
Fixed assets	16	11
Current liabilities	-12	-3
Non-current liabilities	-4	-8
Net assets acquired	3	19
Goodwill	8	24
Total acquisition	11	43
Less acquired cash	-2	-3
Cash used for the acquisition	9	40

23.2 Total net cash2002 **2003**

In million CHF

Cash on hand	1 181	1 466
Less bank overdrafts (see also Note 15.1)	-59	-28
Total net cash	1 122	1 438

24 Off-balance sheet transactions

24.1 Contingent liabilities

2002 **2003**

In million CHF

Total value of guarantees,

pledges and guarantee obligations in favor of third parties

13

7

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

2002 **2003**

In million CHF

Irrevocable payment commitments resulting

from contracts not to be shown in the balance sheet

83

79

For financing purposes, the ALSO Group sold trade accounts receivable of CHF 21 million (previous year CHF 55 million) to a foreign bank. These receivables, excluding an unutilized reserve, were eliminated from the accounts, since the significant risks were transferred.

24.3 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

24.4 Synopsis of maturity of rental and lease payments 2003

In million CHF	Rental contracts	Operating leases	Finance leases
Within one year	17	55	5
Within two to five years	36	117	16
Greater than five years	22	48	4
Total payments	75	220	25
Less interests			4
Total finance lease borrowings 2003			21

25 Financial instruments

25.1 Market value of financial assets and liabilities

In million CHF	2002 Net book value	2002 Fair value	2003 Net book value	2003 Fair value
Financial assets				
Cash on hand	1 181	1 181	1 466	1 466
Marketable securities	231	231	114	114
Accounts receivable	1 282	1 282	1 206	1 206
Financial assets (non-current)	65	65	83	83
Financial liabilities				
Current and non-current financial debts	1 008	1 033	935	966
Accounts payable	854	854	839	839

25.2 Carrying amount by currency

Cash, cash equivalents and securities in current assets

In million CHF	2002	2003
CHF	647	1 050
EUR	492	268
USD	87	84
Other	186	178
Total	1 412	1 580

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 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	–

25.4 Open derivative financial instruments 2003

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	43	54	1 366	802	468	96	–
Options	6	–	204	164	18	22	–
Foreign exchange	49	54	1 570	966	486	118	–
Forward	1	5	395	16	–	379	–
Options	–	–	–	–	–	–	–
Interest	1	5	395	16	–	379	–
Forward	–	–	–	–	–	–	–
Options	–	–	9	5	4	–	–
Other derivatives	–	–	9	5	4	–	–
Total derivatives	50	59	1 974	987	490	497	–

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

25.5 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	–
Non-current financial debts	–62	–65	Interest	Interest rate swap	–	3

25.6 Hedging transactions 2003

In million CHF	Market value	Purchase cost	Risk	Hedging instrument	Positive replacement value	Negative replacement value
Underlying transaction						
Net investm. in foreign subsidiaries	327	309	Foreign currency	Forward exchange transaction	8	31
Cash flow	-72	-68	Foreign currency	Forward exchange transaction	4	-
Non-current financial debts	-298	-297	Market value	Interest rate swap	1	-
	-67	-70	Interest	Interest rate swap	-	3

Assets pledged or assigned as security

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

In million CHF	2002	2003
Securities	25	7
Accounts receivable	15	14
Inventories	22	4
Fixed assets	51	67
Total pledged assets	113	92

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 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								
before charging R03 project costs					95	31	–4	122
					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

27.2 Segment information 2003

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E&E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue								
third parties	3 419	1 876	832	6	6 133	1 592		7 725
Intercompany sales	1 006	43	82	–1 131	–	6	–6	–
Total operating revenue	4 425	1 919	914	–1 125	6 133	1 598	–6	7 725
Operating profit								
before charging R03 project costs					395	16	–5	406
					532	16	–5	543
Assets	2 062	963	534	56	3 615	369	1 236	5 220
of which investments								
in associated companies	18	1	9	–	28	–	8	36
Liabilities	1 738	655	348	180	2 921	211	797	3 929
Additions of fixed assets								
	45	20	10	4	79	2	–	81
Depreciation								
and amortization	78	42	15	12	147	13	–	160
of which impairment	–	–	–	–	–	5	–	5
Share in profits of								
associated companies					5	–	–	5
Personnel at year-end	19 292	12 459	6 613	279	38 643	974	–	39 617

28 Capital participation plans

The awards under the participation plan made in April 2003 for the financial results of 31.12.2002 required 13872 shares (previous year 1000 shares, before 10:1 split) with a market value on December 31, 2002, of CHF 2.7 million (previous year CHF 2.4 million). The corresponding number of shares was withdrawn from treasury. The equivalent value is charged to personnel cost.

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

28.1 Allocations of options

	2002	2003
Number		
Balance on January 1	15 420	28 610
Options awarded	13 190	64 536
Options exercised	–	–
Expired: through redemption through date	–	-701
Balance on December 31	28 610	92 445

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
2003	April 30, 2006, until April 29, 2009	255.00

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

The fair value of the options is recognized in the profit and loss statement, with one-third (3-year vesting period) of the amount (CHF 1.3 million, previous year CHF 0.3 million) being charged to personnel expenses.

29 Share capital and bearer participation certificate capital

29.1 Number of shares and bearer participation certificates

The share capital on December 31, 2003, amounts as in the previous year to CHF 7 356 820.– and comprises unchanged 7 356 820 registered shares with a nominal value of CHF 1.–.

On December 31, 2003, the bearer participation certificate capital comprises unchanged from the previous year of 5 506 990 bearer participation certificates with a nominal value of CHF 1.–, thereby amounting to CHF 5 506 990.–.

29.2 Treasury stock

In million CHF	Registered shares Number	Registered shares Value	Bearer participation certificates Number	Bearer participation certificates Value
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
Withdrawals for employee stock plan	-13 872	-3	-	-
Repurchases	61 929	14	430 300	85
Sales	-86 653	-23	-	-
December 31, 2003	81 805	18	441 850	88
Number of shares reserved for capital participation plan	81 805		52 000	

30 Earnings per share and bearer participation certificate

In CHF	2002	2003
Net profit	8 000 000	184 000 000
Outstanding number of shares and BPC	12 863 810	12 863 810
Less number of treasury stock (weighted average)	138 724	436 957
Outstanding number of shares and BPC (weighted average) for calculation	12 725 086	12 426 853
Basic earnings per share and BPC	0.63	14.81
Diluted net profit	7 797 920	183 984 925
Diluted number of shares and BPC	12 725 086	12 439 728
Diluted earnings per share and BPC	0.61	14.79

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).

The dilution takes into account the possible effect of the employee participation programs at Schindler Holding Ltd. (12 875 shares) and at ALSO Holding Ltd.

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 4 787 486 registered shares, i.e. 65.08% 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 activities total fees and expenses of CHF 1.7 million (previous year CHF 1.5 million) (see also Corporate Governance, page 78). 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 a dividend for the financial year 2003 of CHF 6.– (previous year CHF 0.–) per registered share and bearer participation certificate.

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 20, 2004. Approval is by the General Meeting of March 18, 2004.

34 Events after balance sheet date and outlook

At the beginning of 2003, ALSO announced its intention to divest of its Systems Business division as it no longer constituted part of its core business. On February 5, 2004, ALSO sold the business unit to the German Bechtle Group. The resulting losses in value are recognized in the financial statements of December 31, 2003.

On January 28, 2004, the EU Commission as European antitrust authority searched the offices of the European Elevator Association and several of its member companies, including the subsidiary of Schindler in Belgium. According to the Commission the search was done based on allegations from third parties claiming that the companies in question colluded in the European elevator and escalator market and did not supply competitors with spare parts. Schindler considers the search to be unjustified. The company categorically rejects any accusation of participating in illegal arrangements or practices. Schindler has for many years maintained a strict code of conduct which applies to all of its subsidiaries and employees.

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 43) of Schindler Holding Ltd. for the year ended December 31, 2003.

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.

Berne, February 20, 2004

ERNST&YOUNG LTD.

Roland Ruprecht
Certified accountant
(in charge of the audit)

Marcel Gehrig
Certified accountant

Balance sheet

of Schindler Holding Ltd. before appropriation of profits

Assets		31.12. 2002		31.12. 2003	
In 1000 CHF	Notes		%		%
Current assets					
Cash and cash equivalents	1	582 359		837 882	
Securities	1	30 236		116 472	
Accounts receivable from subsidiaries	2	199 865		264 346	
Accounts receivable from third parties	3	4 012		4 554	
Prepaid expenses and accrued income	4	19 761		11 688	
Total current assets		836 233	42.2	1 234 942	60.6
Non-current assets					
Investments in subsidiaries	5	957 000		619 000	
Loans to subsidiaries	6	184 966		179 000	
Financial assets	7	1 626		4 497	
Total non-current assets		1 143 592	57.8	802 497	39.4
Total assets		1 979 825	100.0	2 037 439	100.0

Liabilities and shareholders' equity

In 1000 CHF	Notes	31.12.2002		31.12.2003	
			%		%
Liabilities					
Accounts payable to subsidiaries	8	335 140		265 997	
Accounts payable to third parties	9	26 901		19 444	
Debentures	10	590 000		600 000	
Provisions	11	64 340		64 032	
Accrued expenses and deferred income	12	14 295		12 306	
Total liabilities		1 030 676	52.1	961 779	47.2
Shareholders' equity					
Share capital	13, 14	7 357		7 357	
Bearer participation capital	13, 14	5 507		5 507	
Statutory reserves	14	317 121		317 121	
Reserves for treasury stock	14	28 062		105 975	
Other reserves	14	465 459		507 546	
Brought forward from previous year	14	5 548		5 643	
Net profit for the year	14	120 095		126 511	
Total shareholders' equity		949 149	47.9	1 075 660	52.8
Total liabilities and shareholders' equity		1 979 825	100.0	2 037 439	100.0

Profit and loss statement

of Schindler Holding Ltd.

Revenue		2002	2003
In 1000 CHF	Notes		
Income from subsidiaries	15	208 869	210 600
Extraordinary income	16	67 462	13 857
Income from financial operations	17	22 501	17 298
Total revenue		298 832	241 755
Expenses			
Financial expenses	18	32 973	24 510
Depreciation and adjustments	19	139 280	79 798
Administration expenses and taxes	20	6 484	10 936
Total expenses		178 737	115 244
Net profit for the year		120 095	126 511

Appropriation of profits

Proposals to the General Meeting

31.12.2002 **31.12.2003**

In 1000 CHF

Total available profit

Net profit for the year	120 095	126 511
Brought forward from previous year	5 548	5 643

Profits as per balance sheet

125 643 **132 154**

Appropriation of net profit

Gross dividends proposed

per registered share	CHF 6.– (previous year CHF 0.–)	0	44 141*
per bearer participation certificate	CHF 6.– (previous year CHF 0.–)	0	33 042*

Total dividend

0 **77 183***

Appropriation to other reserves

120 000 **52 000**

Total appropriation of net profit

120 000 **129 183**

Balance carried forward to new account

5 643 **2 971**

- The total dividend amount covers all outstanding registered shares and bearer participation certificates. However, registered shares and bearer participation certificates still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly lower.

Notes

to the financial statements of Schindler Holding Ltd.

Principles of valuation

The financial statements as at December 31, 2003, 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 in the profit and loss statement.

1 Cash, cash equivalents and securities

At the end of the year under review the value of cash, cash equivalents, and securities amounted to CHF 954.4 million (46.8% of total assets). On December 31, 2002, the comparable value was CHF 612.6 million, or 30.9% of total assets. The substantial increase of CHF 341.8 million relative to the previous year is mainly attributable to the positive cash flow, and to repayments of capital by subsidiaries (see Note 5, page 51). These inflows are offset mainly by outflows for increases in shareholdings and other provision of capital to subsidiaries, as well as restructuring of short-term investments in a financial company.

In addition to own shares and bearer participation certificates, the securities also include part of the 0% convertible loan of ALSO Holding AG amounting to CHF 10.0 million (previous year 0).

1.1 Repurchase program/own shares and bearer participation certificates

Following the decision taken on December 10, 2001, and published on March 1, 2002, to repurchase a maximum of 10% of the nominal capital, 23 550 registered shares and 365 350 bearer participation certificates had been repurchased as of December 31, 2003. The press release of December 22, 2003, announced that this program will be extended by one year, i. e. until December 31, 2004.

A proposal will be made to the General Meeting of Schindler Holding Ltd. on March 18, 2004, to reduce the bearer participation capital by the 365 350 bearer participation certificates repurchased since March 1, 2002. After the Ordinary General Meeting of 2004, a new maximum of 514 164 bearer participation certificates and a maximum of 735 682 registered shares can therefore be repurchased. Should less than 10% of the registered share capital be offered, Schindler Holding Ltd. has the right to repurchase more than 10% of the bearer participation capital. However, the total repurchases must not exceed 10% of the nominal capital.

Contrary to the public announcement in 2002, the share capital will not be reduced by the amount of the 23 550 registered shares repurchased since March 1, 2002. These shares will be used for existing employee share programs.

On the date of the balance sheet, Schindler Holding Ltd. held 81 805 own registered shares (previous year 120 401) and 441 850 own bearer participation certificates (previous year 11 550). 81 805 registered shares and 52 000 bearer participation certificates are reserved for the stock plan and stock option plan for the senior management of the Group.

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, page 41).

2 Accounts receivable from subsidiaries

Accounts receivable from affiliated and associated companies amount to CHF 264.3 million compared with CHF 199.9 million at the end of 2002. The increase of CHF 64.4 million per year-end is attributable to restructuring of 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, which relate mainly to premiums paid on currency options and tax credits for withholding taxes, closed at CHF 4.6 million (previous year CHF 4.0 million).

4 Prepaid expenses and accrued income

Prepaid expenses amount to CHF 11.7 million (previous year CHF 19.8 million) and comprise accrued interest as well as accruals from the valuation of forward exchange transactions which are substantially lower than the previous year.

5 Investments in subsidiaries

At the end of the reporting year, the balance sheet value of investments in subsidiaries was CHF 619.0 million. This is a net reduction of CHF 338.0 million on the previous year's value of CHF 957.0 million. The gross increase of CHF 10.9 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 273.7 million (previous year CHF 90.2 million), liquidation of investments in subsidiaries, and depreciation of CHF 75.2 million as described in the notes to the profit and loss statement, result in the reported net value for investments in subsidiaries.

In the reporting year, a considerable part of the holdings by Schindler Holding Ltd. in subsidiaries in the EU was transferred to Schinac Verwaltungs AG, Vienna. This transaction in the form of a book transfer of investments in subsidiaries was executed at carrying values with no effect on the profit and loss statement and does not affect the reported carrying values of the investments in subsidiaries.

The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 58 to 60 of the Financial Statements.

6 Loans to subsidiaries

Loans to subsidiaries and associated companies amount to CHF 179.0 million compared with CHF 185.0 million at the end of the previous year.

7 Financial assets

The financial assets of CHF 4.4 million (previous year CHF 1.6 million) include investments in subsidiaries with a share of less than 10%. The increase of CHF 2.8 million relative to the previous year results from an increase in capital of such an investment in a subsidiary.

8 Accounts payable to subsidiaries

Accounts payable to subsidiaries, including associated companies, amount to CHF 266.0 million, which is CHF 69.1 million less than the previous year's value of CHF 335.1 million. Payment of an outstanding amount resulting from an additional investment in a subsidiary by a subholding, which was reported in the previous year's balance sheet, was offset by higher positive cash flows from the operating companies.

9 Accounts payable to third parties

At CHF 19.4 million, accounts payable to third parties were below the previous year's value of CHF 26.9 million. The decrease of CHF 7.5 million is attributable to the reduced level of miscellaneous creditors.

10 Debentures

2002 2003

In 1000 CHF

3½% debenture 1999–2009, due 02.06.2009	290 000	300 000
4½% debenture 1999–2006, due 26.10.2006	300 000	300 000
Total debentures outstanding	590 000	600 000

During the reporting year, the units of the 3½% debenture purchased in the previous year were resold. In the previous year, the CHF 10.0 million nominal value of these units was offset against the debenture amount of CHF 300.0 million. In the reporting year, the 4½% debenture was converted by means of an interest rate swap (IRS) into an account payable with a variable interest expense.

11 Provisions

The existing provisions to cover financial risks in conjunction with international business commitments amount to CHF 64.0 million (previous year CHF 64.3 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. makes regular payments to a former Chief Executive Officer and three widows of former executive members of the Board of Directors amounting in total to CHF 336 000.– annually. The actuarially determined cash value is recalculated annually, and on December 31, 2003, amounted to CHF 2.4 million (previous year CHF 2.7 million). This amount is reported as a provision.

12 Accrued expenses and deferred income

Accrued liabilities amount to CHF 12.3 million (previous year CHF 14.3 million) and include negative replacement values of derivative financial instruments, outstanding invoices, and accrued interest for the outstanding debentures.

13 Share capital/participation certificate capital

Relative to December 31, 2000, the following changes in the share and participation certificate capital have taken place:

13.1 Share capital

	Number	Nominal value CHF	Share capital CHF
December 31, 2000	752 866	85	63 993 610
Partial repayment of nominal value on June 22, 2001		-35	-26 350 310
December 31, 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	
December 31, 2002	7 356 820	1	7 356 820
December 31, 2003	7 356 820	1	7 356 820

13.2 Participation certificate capital

	Number	Nominal value CHF	PC capital CHF
December 31, 2000	592 424	85	50 356 040
Partial repayment of nominal value on June 22, 2001		-35	-20 734 840
December 31, 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	
December 31, 2002	5 506 990	1	5 506 990
December 31, 2003	5 506 990	1	5 506 990

14 Shareholders' equity

In the last three years, the individual components of shareholders' equity have developed as follows:

In 1000 CHF	Share capital	Participation certificate capital	Statutory reserves	Reserves for treasury stock	Other reserves	Profits as per balance sheet	Total shareholders' equity
December 31, 2000	63 994	50 356	317 121	38 020	492 845	110 623	1 072 959
Partial repayment of nominal value							
on July 22, 2002	-26 351	-20 735			617		-46 469
Dividend						-66 358	-66 358
Appropriation to other reserves					40 000	-40 000	
Change in reserves for treasury stock				128 220	-128 220		
Net profit 2001						114 894	114 894
December 31, 2001	37 643	29 621	317 121	166 240	405 242	119 159	1 075 026
Elimination on June 11, 2002	-859	-2 086		-131 427	2 945		-131 427
Partial repayment of nominal value							
on June 11, 2002	-29 427	-22 028			521		-50 934
Dividend						-63 611	-63 611
Appropriation to other reserves					50 000	-50 000	
Change in reserves for treasury stock				-6 751	6 751		
Net profit 2002						120 095	120 095
December 31, 2002	7 357	5 507	317 121	28 062	465 459	125 643	949 149
Dividend						-	-
Appropriation to other reserves					120 000	-120 000	
Change in reserves for treasury stock				77 913	-77 913		
Net profit 2003						126 511	126 511
December 31, 2003	7 357	5 507	317 121	105 975	507 546	132 154	1 075 660
of which share premiums (unchanged)			311 321				

- 15 Income from subsidiaries** Income from subsidiaries, totaling CHF 210.6 million (previous year CHF 208.9 million), includes the ordinary dividends of the subsidiaries and associated companies as well as contractually agreed payments for services rendered by Schindler Holding Ltd.
- 16 Extraordinary income** Extraordinary income, which includes income from the liquidation of subsidiaries and proceeds from the sale of subsidiaries within the Group, amounts to CHF 53.6 million, which is lower than the previous year's value.
- 17 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 17.3 million. This is CHF 5.2 million lower than the previous year's level of CHF 22.5 million. The decrease is mainly due to substantially lower interest income, even though liquidity was higher.
- 18 Financial expenses** The financial expenses of CHF 24.5 million (previous year CHF 33.0 million) comprise interest payments to subsidiaries for current account loans, interest on long-term liabilities in the form of outstanding debentures, charges for short-term bridging loans, and revaluations of financial assets. Relative to the previous year, interest payments on current account loans were lower. The previous year's amount also included pro rata interest payments on the debenture which was repaid on May 28, 2002.
- 19 Depreciation and adjustments** Depreciation and adjustments on investments in subsidiaries and loans amounted to CHF 79.8 million in the year under review by comparison with CHF 139.3 million in the previous year. This expense item covers not only losses on capital and receivables but also the prudent assessment of economic and currency risks associated with the investments in subsidiaries.
- 20 Administration expenses and taxes** The main items included under this heading, amounting to CHF 10.9 million (previous year CHF 6.5 million), are personnel costs, general business expenses, and taxes. The increase in expenditure of CHF 4.4 million relative to the previous year is attributable to higher charges within the Group.

21 | Contingent liabilities2002 **2003**

In 1000 CHF

Total contingent liabilities in favor of

affiliated companies for bank guarantees,

loans, and supply contracts

713 600 **518 200**

The contingent liabilities of Schindler Holding Ltd. cover conditional obligations for bank guarantees, loans, and supply contracts in favor of subsidiaries and affiliated companies. Utilized credits and incurred obligations are reported in the consolidated balance sheet as accounts payable or – if necessary – covered by provisions and recognized in the balance sheet.

There are also unquantifiable letters of comfort in favor of subsidiaries and affiliates. As a result of the group value added tax system for the Swiss companies introduced on January 1, 2003, there is a joint liability for the tax owed by the VAT group in favor of the Swiss federal tax authority.

Contingent liabilities in favor of unconsolidated subsidiaries amount to less than CHF 1.0 million.

22 | Liabilities to employee benefit schemes2002 **2003**

In 1000 CHF

Total liabilities

825 **656**

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

23 | 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 41.

24 | 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", on page 42.

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, 2003.

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.

Berne, February 20, 2004

ERNST & YOUNG LTD.

Roland Ruprecht
Certified Accountant
(in charge of the audit)

Marcel Gehrig
Certified Accountant

Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2003

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					○
	Wolfurt	Doppelmayr Aufzüge AG	100	730 EUR					○
Belgium	Brussels	S.A. Schindler N.V.	100	6 250 EUR	●				○
Czech Republic	Prague	Výtahy Schindler A.S.	90.5	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	2 416 EUR	●				○
	Melun	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 Aufzüge KG	100	2 000 EUR					○
		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 Lift és Mozgólépcső KFT	100	460 000 HUF					○
Iceland	Reykjavik	HÉDINN Schindler Lyftur hf.	51	10 000 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	52 GBP					○
Latvia	Riga	A.S. Latvijas Lifts Schindler	97	123 LAT					○
Liechtenstein	Vaduz	Reassur AG	100	20 000 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	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 PLN					○
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	72.6	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 Výtahy a Eskalatory a.s.	100	29 000 SKK					○
	Dunajská	Streda Schindler Eskalátory s.r.o.	100	37 244 SKK		●			
Slovenia	Ljubljana	Schindler Slovenja d.o.o.	100	73 012 SIT					○
Spain	Madrid	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					○
	Hergiswil	SchindlerRepro AG	52	150 CHF					○
		ALSO Holding AG	64.5	6 039 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 Türkelî Asansör san. a.s.	100	3 599 bn. TRL	●			○	

The Americas

Argentina	Buenos Aires	Ascensores Schindler S.A.	90	1 372 ARS					○
Brazil	São Paulo	Elevadores Atlas Schindler S.A.	100	195 479 BRL	●	●			○
British Virgin Islands, Tortola		Jardine Schindler Holdings Ltd.	50	100 USD					○
Canada	Scarborough	Schindler Elevator Corporation	100	33 350 CAD					○
Cayman Islands, George Town		Schindler Finance (Cayman Islands) Ltd.	100	1 CHF					○
Chile	Santiago de Chile	Ascensores Schindler (Chile) S.A.	99.7	943 228 CLP					○
Colombia	Bogotá	Ascensores Schindler de Colombia S.A.	100	120 139 COP					○
Costa Rica	San José	Elevadores Schindler S.A.	60	10 000 CRC					○
Mexico	Mexico City	Elevadores Schindler S.A. de C.V.	100	40 023 MXP					○
Paraguay	Asunción	Elevadores Atlas Schindler S.A.	100	3 150 PYG					○
Peru	Lima	Ascensores Schindler del Perú S.A.	97.2	2 216 PEN					○
Uruguay	Montevideo	Ascensores Schindler S.A.	100	698 UYU					○
USA	Guaynabo	Schindler Corp. of Puerto Rico	100	4 039 USD					○
	Morristown	Schindler Elevator Corporation	100	142 954 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.	100	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\$					○
Cambodia	Phnom Pen	Jardine Schindler (Cambodia) Ltd.*	100	22 USD					○
China	Beijing/Shanghai	China-Schindler Elevator Co. Ltd.	96.4	564 602 RMB	●	●			○
		Shanghai Schindler Elevator Technology Service Co. Ltd.	100	90 330 RMB					○
	Suzhou	Suzhou Schindler Elevator Co. Ltd.	55	155 713 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	992 482 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					○
		Antah Schindler Sdn. Bhd.*	70	10 450 MYR					○
		Titi Maju Sdn. Bhd.*	70	1 000 MYR					○
Myanmar	Yangon	Myanmar Jardine Schindler Ltd.*	100	300 KYAT					○
New Zealand	Auckland	Schindler Lifts NZ Ltd.	100	1 000 NZD					○
Philippines	Manila	Jardine Schindler Elevator Corp.*	100	277 000 PHP					○
Singapore	Singapore	Schindler Lifts (Singapore) Pte. Ltd.*	100	16 714 SGD					○
South Korea	Seoul	Schindler Joong Ang Elevator Co. Ltd.*	70	2 000 000 KPW					○
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

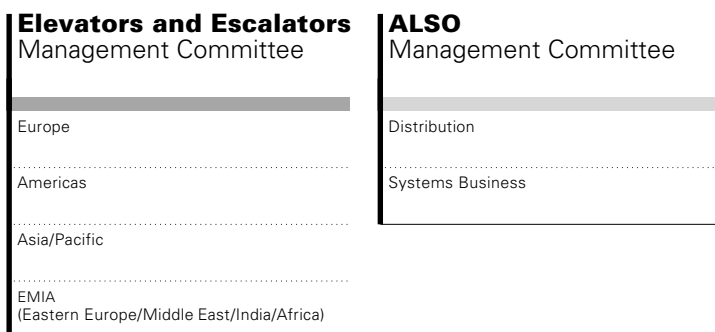
The report on corporate governance describes the management structure and control at the highest corporate level of the Schindler Group. The report's content and structure fulfil the requirements of the "Directive on Information Relating to Corporate Governance" of the SWX Swiss Exchange, which came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

Structure of the Group and its shareholders

Operational structure of the Group

Schindler Holding Ltd.
Board of Directors

Executive Committee of the Board



The operational structure of the Group corresponds to the segment reporting presented on pages 38 and 39 of the Financial Statements. Essential affiliated companies and unconsolidated subsidiaries are listed on pages 58 to 60 of the Financial Statements.

ALSO Holding AG, Hergiswil/Switzerland, 64.5% of whose shares were held by Schindler Holding Ltd. at the end of 2003, 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 December 31, 2003, the market capitalization of ALSO was CHF 184 million (security number Na 155 143). 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 as well as in the permanent information source at www.also.ch.

Shareholders

At the end of 2003, shares were held by 2 805 shareholders.

According to information published under stock exchange law, the Schindler and Bonnard families hold within the scope of a stockholder retainer contract 4 787 486 registered shares, i.e. 65.08% 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%.

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, 2003, 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, 2003, 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, 2003, as well as how it has changed in the last three reporting years, are presented on pages 53 and 54 of the Financial Statements.

On December 31, 2003, 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 2003.

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 29 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 31.12.2003 Number	Exercised as at 31.12.2003 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
2003	64 536	255.00	30.04.06	29.04.09	-701	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
Dr. Hubertus von Grünberg			
Hanover, Germany	Non-executive member		2005
Scott D. Miller			
Chicago, USA	Non-executive member		2005
Charles Powell (Lord Powell of Bayswater KCMG)			
London, UK	Non-executive member		2006
Dr. Jenö C. A. Staehelin			
New York, USA	Non-executive member		2005
Robert Studer			
Schönenberg, Switzerland	Non-executive member		2005

* at the Annual General Meeting of Shareholders to be held in the accounting year



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 Berne, later becoming CFO of Notz AG in Biel. In order to focus on Schindler, Alfred N. Schindler has relinquished his Board memberships at the following companies: Bank Julius Bär, UBS, Jacobs Suchard and Deutsche Post AG. He still is a member of the Board of Directors of the Swiss-American Chamber of Commerce and 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 Takeover Board and chairman of the board of directors of Tehag Freizeit AG in Meierskappel. After completing a commercial apprenticeship he qualified as a Swiss Certified Public Accountant in 1965, 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 Veritec AG, Oberuzwil. 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 1993, 1994 and 2003.



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, 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 holds a master's degree in physics from the University of Cologne, Germany.



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 United Infrastructure Company, also of Chicago. From 1997 to May 2003 he was president of Hyatt Hotels Corporation, Chicago. He currently serves as Vice Chairman of Hyatt Hotels Corporation, Chicago, USA. Scott D. Miller holds a degree in human biology from Stanford University, California, and an MBA in finance from the University of Chicago.



Lord Charles Powell of Bayswater KCMG (1941, UK)

Charles Powell was elected to the Board of Directors in March 2003. From 1963 to 1982 he was a member of the British Diplomatic Service. Subsequently from 1983 to 1991 he was Private Secretary and Advisor on foreign affairs and defense to Prime Ministers Margaret Thatcher and John Major. Since 1992, Lord Powell has been an international businessman. He is Chairman of Sagitta Asset Management, London, and serves on the boards of Sagitta Investment Advisers Ltd., London, Caterpillar Inc., Peroria, Illinois, Textron Corporation, Providence (USA), LVMH (Louis Vuitton Moët Hennessy), Paris, Mandarin Oriental International Ltd., Bermuda, Matheson & Co. Ltd., London, British Mediterranean Airways (BMA), London, Financière Agache, Paris, UK-China Forum, London, Singapore Millennium Foundation, Singapore, Falgos Investments, London, and Yell Group Ltd., London. He is a member of several company Advisory Boards including Rolls-Royce, Derby, Hicks Muse, Dallas, Barrick Gold, Toronto, Magna Corporation, Toronto, and GEMS, Hong Kong. He is Chairman of the Trustees of the Oxford University Business School Foundation and a Trustee of the British Museum, London. Lord Powell has educated in 1963 at Kings School Canterbury and Oxford University "First Class Honours Degree in History M.A." He is an independent Member of the House of Lords.



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

was elected to the Board of Directors on June 24, 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. Then, in June 1997, he was appointed Permanent Swiss Observer to 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 at the UN. In January 2003, the Executive Board of the United Nations Children's Fund (UNICEF) elected Ambassador Staehelin as its President. He holds a master of law degree from Harvard University, USA, as well as a doctorate in law from University of Berne, and is a licensed attorney in Zurich.



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. After completing a commercial apprenticeship he gained a diploma in business at the Zurich Management School in 1969. Robert Studer is a member of the boards of directors of BASF AG, Ludwigshafen; 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, Art. 716a, Par. 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, Art. 716a, Par. 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
Dr. Hubertus von Grünberg	Non-executive member of the Board of Directors
Robert Studer	Non-executive member of the Board of Directors

According to the management bylaws, the Board of Directors convenes a Compensation Committee composed of three 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
Walter G. Frehner (from 01.07.2003)	
external	Member
Prof. Dr. Karl Hofstetter	
General Counsel, Member of the Management Committee	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 following controlling instruments of the Executive Committee of the Board are coordinated by the Audit Committee through the newly formed Group function "Group Assurance":

- *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 issued by the auditing bodies as well as status reports on the implementations undertaken,
- 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-à-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

Roland W. Hess	Chairman
David J. Bauhs	Deputy to the President; Americas (until 31.12.2003)
	Technology and Procurement (from 15.12.2003)
Miguel A. Rodríguez	Europe
Jürgen Tinggren	Asia/Pacific
Heikki Poutanen	Americas (from 01.01.2004)
Dr. Christoph Lindenmeyer	Eastern Europe/Middle East/India/Africa (EMIA)
Jörgen Svenningsson	Technology and Procurement (until 31.10.2003)
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

In addition to the changes on March 1, 2003, already announced in the last annual report, the following changes in the Management Committee took place in the reporting year:

On October 31, 2003, Jörgen Svenningsson relinquished his position as a member of the Management Committee for Elevators and Escalators, as well as his responsibility for technology and strategic supply management, and left the Group by mutual agreement. His successor is David J. Bauhs, Deputy to the President of the Management Committee, and previously responsible for the Americas. Member of the Management Committee Heikki Poutanen took over responsibility for the Americas on January 1, 2004.



Roland W. Hess (1951, Switzerland)

was appointed to membership of the Management Committee on January 1, 1996, with responsibility for Finance and at the end of 1997 for the Central and Eastern European Area. He has been President of the Management Committee since March 1, 2003. Before becoming Group President, he was President and Chief Operating Officer of Schindler Elevator Corporation, Morristown, New Jersey, USA. He joined the Schindler Group in the Area Controlling Department in 1984, and in 1987 he was appointed Vice President Finance and relocated to Schindler's Toledo, Ohio, facility. In 1989 he was named Vice President and Chief Officer of Schindler Elevator Corporation in Morristown. In 1993 he returned to Switzerland as Head of Area Controlling. Roland W. Hess obtained a degree in economics and business administration from the Lucerne School of Business and Administration (HWW). He also attended the AMP at Harvard Business School.



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 was responsible for the Americas and southern Africa and since December 15, 2003, is Head of Corporate Technology and Procurement. 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 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 holds an MBA from the Stockholm School of Economics and from New York University.



Dr. Christoph Lindenmeyer (1953, Switzerland)

joined the Management Committee on March 1, 2003, with responsibility for the EMIA region (Eastern Europe/Middle East/India/Africa). He commenced with the Schindler Group in 1983 as Deputy Head of Corporate Planning and since then has held various managerial positions within the Group. Amongst others, CFO North America, Head of Field Operations Germany and Managing Director/President of Schindler Elevator Switzerland. Christoph Lindenmeyer is also Board Member of the Ammann Group, Langenthal (CH), and Member of the Executive Committee of Swissmem. Christoph Lindenmeyer is a licensed attorney and holds a PhD in law (Dr. iur.) from the University of Berne and an MBA from INSEAD.



Heikki Poutanen (1945, Finland)

has been a member of the Management Committee since December 1, 1998, first with responsibility for Central Europe and from November 2001 until February 2003 for the area comprising Eastern Europe/Middle East/India/Africa (EMIA), and since January 1, 2004, for the Americas. Prior to taking over responsibility for the Americas he was head of Schindler Elevator Corporation in the USA. He has worked in the elevator industry since 1971, and from 1995 until 1998 was head of Millar Elevator Service Co., USA. Heikki Poutanen holds a Master of Science degree in engineering from the Technical University of Helsinki.



Brent L. Glendening (1954, USA)

was promoted to the function of CIO at Management Committee Level on September 1, 2001, from his previous position of responsibility for information technology for Schindler Americas, which he held from 1994 until 2000. Prior to that, Brent L. Glendening held managerial positions in information technology and manufacturing with PriceWaterhouse and Schlumberger Ltd. 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 the St. Gallen School of Business and Administration, 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 a 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 71 and 72 of the Financial Statements, "Compensation Committee").

According to the method described on page 17 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	2002	2003
Compensation fixed by contract*	3 252 450	3 339 400
Bonus**	2 589 500	2 800 000
Voluntarily foregone within the R03 program	-1 242 500	-1 539 950
Actual payment	4 599 450	4 599 450
Taxes paid in Switzerland	4 700 000	4 500 000
Payments to charitable organizations	1 000 000	600 000

* Board membership fee, salary, fixed expenses, contributions to managerial insurance plan (in 2003 first increase since 30.06.2000)

** The variable bonus relates in each case to the previous year (basis cash flow), 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:

Number	2002	2003
Number of <i>shares</i> allocated (value included in total compensation)	600	703
Number of <i>options</i> allocated	790	3 266
Barred period ends	30.04.2005	30.04.2006
Exercise period ends	29.04.2008	29.04.2009
Exercise price in CHF	270.60	255.00
Allocation ratio options : shares	1:1	1:1

Compensation of the Executive Committee of the Board

In CHF	2002	2003
Total compensation (incl. Chairman of the Board of Directors) 3 persons	10 066 700	10 639 488
Average per member	3 355 567	3 546 496

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	2002	2003
Total compensation 11 persons (previous year 10)	10 036 500	10 184 543
Average per member	1 003 650	925 868

The total compensation includes salaries, bonuses (including the value of shares contained in them), fixed expenses, and contributions to the managerial insurance plan.

Compensation of non-executive members of the Board of Directors

In CHF	2002	2003
Total compensation 7 persons (previous year 6)	668 693	959 025
Average per member (incl. joiners and leavers)	111 449	137 004

With the objective of attracting top-caliber candidates, the remuneration of the Board of Directors has been newly positioned one level below the largest-capitalized public companies in Switzerland. As a result, the total remuneration, which had remained unchanged since 1996, was increased to CHF 160 000.– per director. Since the new compensation was paid for the first time in 2003, and will not be increased in the next 3 years, this equates to an average increase of 2.4% p.a.

The total compensation comprises fees and fixed expense allowances. No separation payments were made.

Compensation of former members of governing bodies

Schindler Holding Ltd. pays pensions to a former Chief Executive Officer and to three widows of former executive members of the Board of Directors amounting in total to CHF 336 000.– annually. The actuarially determined cash value is recalculated annually, and on December 31, 2003, amounted to CHF 2.4 million. This amount is reported by Schindler Holding Ltd. as a provision.

Allocation of shares

Number of shares	2002	2003
Executive members of the Board of Directors (incl. Board Chairman) 3 persons	1 800	2 109
Members of the Management Committee Elevators and Escalators 11 persons (previous year 10)	3 960	5 073

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	2002	2003
Executive members of the Board of Directors		
incl. parties to the stockholder retainer contract	4 656 220	4 789 729
Members of the Management Committee		
Elevators and Escalators 11 persons (previous year 10)	6 350	10 643
Non-executive members of the Board of Directors	3 074	2 000

Option holdings as at December 31

As at December 31, 2003, holdings of options by members of the governing bodies were as follows:

Number of options	Allocated in 2001	Allocated in 2002	Allocated in 2003	Holding on 31.12.2003
Executive members of the Board of Directors				
(incl. Board Chairman) 3 persons	3 510	2 370	9 798	15 678
Members of the Management Committee				
Elevators and Escalators 11 persons (previous year 10)	6 060	5 190	23 589	34 839
Barred period ends	30.04.2004	30.04.2005	30.04.2006	
Exercise period ends	29.04.2007	29.04.2008	29.04.2009	
Exercise price in CHF	268.70	270.60	255.00	
Allocation ratio options : shares	1:1	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, 2003.

The Chairman of the Board of Directors has been granted borrowing rights. On December 31, 2003, 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 Ltd., of Berne, have been the statutory auditors of Schindler Holding Ltd., as well as Group auditors, since 1999. Prior to that Neutra Treuhand AG, which is associated with Ernst & Young AG, were the statutory auditors (from 1991), and Group auditors (from 1992).

The reporting year is the first time that the head auditor is responsible for the audit of Schindler Holding Ltd. and the Group's consolidated financial statements.

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	2003
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	2 460
Additional fees (corporate, legal, and taxation advice, and special projects)	1 120	1 070

Including other auditors, the *total audit fees* incurred by the Group in the reporting year amounted to CHF 4.4 million (previous year 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 contact partners listed on page 84.

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The Annual Report of the Schindler Group for 2003 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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