

Interim Report  
as at June 30, 2005



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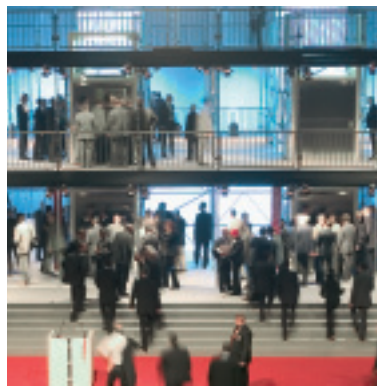
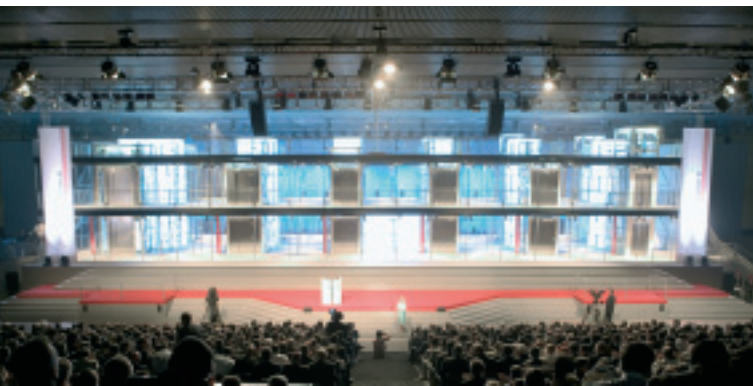
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**Product launch in Barcelona with 2000 invited guests; Spain**

# Group key figures as at June 30, 2005

<b>Group</b>	2004	<b>2005</b>	Δ %	Δ %
In million CHF	1st half	<b>1st half</b>		local currencies
Orders received	4 220	<b>4 399</b>	+4.2	+5.3
Operating revenue	3 905	<b>4 099</b>	+5.0	+5.9
EBITDA*	329	<b>349</b>	+6.1	
in %	8.4	<b>8.5</b>		
EBIT**	257	<b>291</b>	+13.2	
in %	6.6	<b>7.1</b>		
Profit before taxes	226	<b>259</b>	+14.6	
Net profit	148	<b>164</b>	+10.8	
Cash flow***	191	<b>215</b>	+12.6	
Capital expenditure	44	<b>45</b>	+2.3	
	31.12.2004	<b>30.06.2005</b>		
Order backlog	3 723	<b>4 587</b>	+23.2	+14.3
Consolidated shareholders' equity	1 495	<b>1 649</b>	+10.3	
Personnel at end of period	39 443	<b>39 812</b>	+0.9	

- EBITDA: Operating profit plus depreciation/amortization
- EBIT: Operating profit
- Cash flow: Net profit plus depreciation/amortization +/- change in provisions

## Revised IFRS Standards

All changes resulting from the so-called "Improvements Project" of the IASB that are relevant to Schindler have been applied since January 1, 2005. One effect of this is that consolidated net profit and consolidated shareholders' equity are now reported inclusive of minority interests. Also, the restatement results in reclassifications in the balance sheet and profit and loss statement. These reclassifications have no material effect on the consolidated net profit or consolidated shareholders' equity. The main changes are described in the "Notes to the consolidated interim financial statements", pages 10 and 11. The comparative values from the previous year have been adjusted accordingly.

# Pleasing growth and increased net profit

The Schindler Group achieved pleasing growth in the first half of 2005 and recorded a 10.8% increase in net profit to CHF 164 million; its best-ever half-year result. In the elevators and escalators business orders received, operating revenue and operating profit developed positively. ALSO gained market share despite subdued demand.

## Orders received and order backlog

Consolidated orders received rose 4.2% to CHF 4 399 million compared to the first half of 2004. This corresponds to an increase of 5.3% in local currencies.

The elevators and escalators business posted a 3.4% rise in orders received to CHF 3 480 million (+4.6% in local currencies). The subdued level of orders received at the beginning of the year was followed by a sharp acceleration of growth in the last few months. Asia, Eastern Europe, the Middle East and North and South America reported strong levels of orders received, while some European markets stagnated.

The order backlog in the elevators and escalators business increased 23.4% to CHF 4 562 million as at June 30, 2005. In local currencies, the order backlog rose 14.4%. This growth was mainly attributable to a strong level of orders received in the second quarter of 2005.

## Highlights in the elevators and escalators business

In May, Schindler opened the world's largest escalator production plant in Shanghai, China. The manufacturing site is designed for a maximum production capacity of 6 000 escalators per year.

A complete range of innovative new elevator systems was launched in Barcelona in June, marking the renewal of Schindler's entire product portfolio for residential properties and smaller commercial buildings in Europe. At the same time, Schindler introduced the first standardized product line for freight elevators and special elevators, as well as a modernization and replacement program.



**1 CBX Tower: 10 Schindler 700 high-rise elevators equipped with the Miconic 10 hall call destination control system and Schindler/D access control system, plus three further elevators; Paris, France**



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Schindler won further orders for notable projects in the high-rise segment during the first six months of the year. In Madrid, 32 high-rise elevators are to be installed in the Torre Espacio and Torre Sacyr y Vallehermoso. In the prestigious Bahrain Financial Harbour, which includes the Bahrain Stock Exchange, the various mobility requirements will be met by 28 high-rise elevators, 12 passenger elevators and 20 escalators. In Shanghai, Schindler also succeeded in securing the order for the second tower of the impressive Plaza 66 business complex and is installing 17 high-rise elevators. Moreover, Schindler will already commence delivery of the major order for 156 Schindler 9300 escalators for the Grand Indonesia shopping center in Jakarta in the fall of this year.



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### Operating revenue

Consolidated operating revenue increased 5.0% to CHF 4 099 million. This corresponds to growth of 5.9% in local currencies.

The elevators and escalators business recorded a 3.9% rise in operating revenue to CHF 3 190 million (+5.1% in local currencies). The markets in Asia, Eastern Europe and Latin America contributed overproportionally to this expansion.

ALSO was confronted with weak levels of demand in both the IT market and the consumer electronics sector in the first half of 2005. In spite of this, it succeeded in increasing its consolidated net sales by 8.5% to CHF 909 million.

In addition to the continued – and partly even increased – pressure on prices, other factors reduced the margin. First, it was not possible in all markets to fully offset the rise in raw materials prices through price increases. Second, the operating result was impacted by a labor dispute with the unionized employees in the New York region. The dispute, which affected almost all major elevator companies, was resolved at the end of June following a 14-week work stoppage.

### Operating result for the elevators and escalators business

The elevators and escalators business reported a 16.8% increase in operating profit (EBIT) to CHF 292 million in the period under review (first half of 2004: CHF 250 million), representing its best result to date. The EBIT margin improved from 8.1% to 9.2%.

This improved margin was achieved through ongoing productivity gains and cost-reduction measures. In addition, the new IFRS rule – under which the goodwill amortization is no longer applied – had a positive impact of CHF 15 million on operating profit compared to the previous year.

- 1 **SchindlerSmart MRL 002 L panoramic elevator in the Schindler elevator and escalator factory at Londrina; Brazil**
- 2 **New Milan Exhibition Center: 73 elevators and 91 Schindler 9300 escalators; Italy  
Photo: Schlaich Bergermann and Partner, Stuttgart**





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### **Operating result for ALSO**

In ALSO, operating profit of CHF 9 million was below the result for the same period of last year (CHF 15 million) due to pressure on margins. This result includes a provision of

**1 ALSO logistics center;  
Emmen, Switzerland**

CHF 3 million, which was recorded due to a legal dispute with a supplier. At present, it can be assumed that no additional costs will arise.

### **Group net income from financing and investing**

Net income from financing and investing amounted to CHF –32 million (first half of 2004: CHF –31 million). While net interest expense decreased, foreign exchange losses on operational hedging transactions increased due to the strengthening of the US dollar versus the Swiss franc in particular.

### **Net profit and cash flow**

Net profit increased 10.8% to CHF 164 million (first half of 2004: CHF 148 million). Cash flow rose 12.6% to CHF 215 million (first half of 2004: CHF 191 million), reflecting the pleasing improvement in profit.

### **Personnel numbers**

Personnel increased by 369 employees or 0.9% to 39 812 employees versus the end of 2004. In the elevators and escalators business, personnel increased by 397 employees – primarily in the Eastern European and Asian growth markets. In ALSO, personnel decreased by 28 employees or 4.7%.

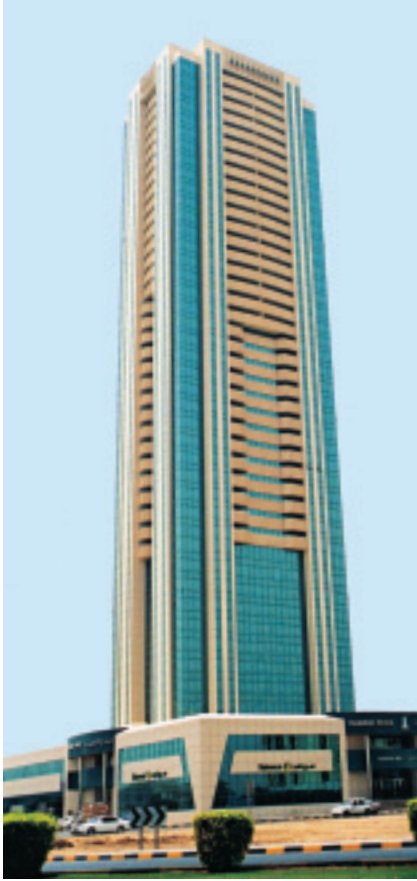
### **EU antitrust investigation**

As already announced on several occasions, the European Commission initiated investigations into the elevator and escalator industry regarding suspected pan-European collusions in January 2004. Based

on the results of Schindler's own internal investigations, it has to be assumed that isolated infringements had occurred in a small number of EU countries in the past. No indications of pan-European infringements were found. The anticipated report by the European Commission, outlining the areas of complaint, is likely to be presented in the second half of 2005.

As previously stated, the class-action lawsuits filed in the USA following the announcement of the EU investigation were rejected by the responsible judge in New York due to a lack of evidence. In July 2005, a group of the previous plaintiffs filed a new class-action lawsuit, which once again collectively accused the international elevator industry of having structures and practices that violated antitrust legislation. We consider this lawsuit to be completely without legal foundation. We are therefore optimistic that it will likewise be rejected.

An estimation of any financial implications of the EU proceedings cannot be made on the basis of the information available to us. Consequently, no provisions were recorded in the reporting period.



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**1 Fujairah Tower: 7 elevators equipped with the Miconic 10 hall call destination control system and two further elevators; Dubai, United Arab Emirates**



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**2 Opening ceremony of the world's biggest escalator factory; Shanghai, China**

#### **Outlook for 2005**

Overall, Schindler expects growth to continue in 2005, with the exception of certain countries in southern Europe.

Thanks to its newly launched product range in Europe, as well as its global efficiency gains, Schindler is confident it can successfully master the constant challenges. The situation regarding raw materials prices has eased slightly and should have a positive impact on the second half of the year. However, the anticipated improvements in performance will be negatively impacted by the continued strong pressure on prices.

ALSO expects to report net income of between CHF 15 million and CHF 17 million for the current year, assuming that the second half of 2005 displays the usual seasonal trends.

Based on this assessment, and excluding any unforeseeable events, we expect a pleasing increase in net profit for 2005.

Alfred N. Schindler  
Chairman of the Board of Directors

Luc Bonnard  
Vice Chairman of the Board of Directors

# Interim financial statements 2005

<b>Consolidated profit and loss statement</b>	2004		2005		
	In million CHF	1 st half	%	1st half	%
Operating revenue		3 905	100.0	<b>4 099</b>	100.0
Operating expenses		3 648	93.4	<b>3 808</b>	92.9
<b>Operating profit</b>		257	6.6	<b>291</b>	7.1
Net income from financing and investing activities		-31	-0.8	<b>-32</b>	-0.8
Profit before taxes		226	5.8	<b>259</b>	6.3
Taxes on profits		78	2.0	<b>95</b>	2.3
<b>Net profit</b>		148	3.8	<b>164</b>	4.0
of which					
Schindler Holding shareholders		137		<b>154</b>	
Minorities		11		<b>10</b>	
<b>Earnings per share</b>					
Basic earnings per share and BPC in CHF		11.10		<b>12.47</b>	
Diluted earnings per share and BPC in CHF		11.08		<b>12.42</b>	

<b>Consolidated balance sheet</b>	31.12.2004		30.06.2005		
	In million CHF		%	%	
Cash and cash equivalents		1 011	19.0	<b>1 231</b>	20.8
Other current assets		2 584	48.4	<b>2 769</b>	46.9
Non-current assets		1 741	32.6	<b>1 909</b>	32.3
<b>Total assets</b>		5 336	100.0	<b>5 909</b>	100.0
Current liabilities		2 468	46.3	<b>2 819</b>	47.7
Non-current liabilities		1 373	25.7	<b>1 441</b>	24.4
Total liabilities		3 841	72.0	<b>4 260</b>	72.1
Schindler Holding shareholders' equity		1 376	25.8	<b>1 519</b>	25.7
Minority interests		119	2.2	<b>130</b>	2.2
Group shareholders' equity		1 495	28.0	<b>1 649</b>	27.9
<b>Total liabilities and shareholders' equity</b>		5 336	100.0	<b>5 909</b>	100.0



## Consolidated cash flow statement

In million CHF	2004	2005
	1st half	1st half
Net profit	148	<b>164</b>
Depreciation and amortization	72	<b>58</b>
Change of provisions	-29	<b>-7</b>
Other positions with no effect on liquidity	-3	<b>-8</b>
Change in remaining net working capital	-39	<b>49</b>
<b>Cash flow from operating activities</b>	<b>149</b>	<b>256</b>
Investments in fixed assets, net	-20	<b>-11</b>
Investments in other non-current assets, net	-378	<b>-8</b>
Change of securities	-207	<b>37</b>
<b>Cash flow from investing activities</b>	<b>-605</b>	<b>18</b>
Dividends paid by Schindler Holding Ltd.	-74	<b>-87</b>
Dividends paid to minority shareholders	-10	<b>-9</b>
Other financing activities	68	<b>24</b>
<b>Cash flow from financing activities</b>	<b>-16</b>	<b>-72</b>
Translation exchange differences	-8	<b>18</b>
<b>Change in cash and cash equivalents</b>	<b>-480</b>	<b>220</b>
Cash and cash equivalents at the beginning	1 466	<b>1 011</b>
Cash and cash equivalents at the end	986	<b>1 231</b>

## Statement of shareholders' equity

In million CHF	2004			2005		
	Schindler Holding shareholders	Minorities	Group	Schindler Holding shareholders	Minorities	Group
January 1	1 165	126	1 291	1 376	119	1 495
Dividends	-74	-10	-84	-87	-9	-96
Additions/disposals treasury stock	4	-	4	-10	-	-10
Options for participation plan (fair value)	1	-	1	-	-	-
Profit	137	11	148	154	10	164
Financial instruments available-for-sale	-6	-	-6	6	-	6
Hedging transactions	26	-	26	-	-	-
Exchange differences	-43	-5	-48	80	10	90
<b>June 30</b>	<b>1 210</b>	<b>122</b>	<b>1 332</b>	<b>1 519</b>	<b>130</b>	<b>1 649</b>

# Segment information as at June 30, 2005

<b>Elevators and escalators</b>	2004	<b>2005</b>	Δ %	Δ %
	In million CHF 1st half	<b>1st half</b>	local currencies	
Orders received	3 366	<b>3 480</b>	+3.4	+4.6
Operating revenue	3 069	<b>3 190</b>	+3.9	+5.1
EBITDA <sup>•</sup>	320	<b>348</b>	+8.8	
in %	10.4	<b>10.9</b>		
EBIT <sup>••</sup>	250	<b>292</b>	+16.8	
in %	8.1	<b>9.2</b>		

	31.12.2004	<b>30.06.2005</b>	
Personnel at end of period	38 841	<b>39 238</b>	+1.0

<b>ALSO</b>	2004	<b>2005</b>	Δ %	Δ %
	In million CHF 1st half	<b>1st half</b>	local currencies	
Operating revenue	838	<b>909</b>	+8.5	+8.8
EBITDA <sup>•</sup>	17	<b>11</b>	-35.3	
in %	2.0	<b>1.2</b>		
EBIT <sup>••</sup>	15	<b>9</b>	-40.0	
in %	1.8	<b>1.0</b>		

	31.12.2004	<b>30.06.2005</b>	
Personnel at end of period	602	<b>574</b>	-4.7

- EBITDA: Operating profit plus depreciation/amortization
- EBIT: Operating profit

## Segment information

	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E & E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
<b>1st half 2004</b>								
Operating revenue								
third parties	1 734	904	429	2	3 069	836	–	3 905
Intercompany sales	535	21	49	–605	–	2	–2	–
Total operating revenue	2 269	925	478	–603	3 069	838	–2	3 905
Total operating profit								
					250	15	–8	257
Additions of fixed assets								
	21	14	6	1	42	2	–	44
Depreciation and amortization								
	40	19	7	4	70	2	–	72
of which impairment	–	–	–	–	–	–	–	–
Share in profits								
of associated companies	–	–	–	–	–	–	–	–
<b>1st half 2005</b>								
Operating revenue								
third parties	1 794	919	476	1	3 190	909	–	<b>4 099</b>
Intercompany sales	593	19	75	–687	–	–	–	–
Total operating revenue	2 387	938	551	–686	3 190	909	–	<b>4 099</b>
Total operating profit								
					292	9	–10	<b>291</b>
Additions of fixed assets								
	24	9	9	2	44	1	–	<b>45</b>
Depreciation and amortization								
	36	11	6	3	56	2	–	<b>58</b>
of which impairment	4	–	–	–	4	–	–	<b>4</b>
Share in profits								
of associated companies	2	–	–	–	2	–	–	<b>2</b>
<b>31. 12. 2004</b>								
Assets								
	2 040	920	549	74	3 583	425	1 328	5 336
of which investments								
in associated companies	47	–	17	–	64	–	–	64
Liabilities								
	1 713	569	351	208	2 841	248	752	3 841
Personnel								
	19 416	12 016	7 127	282	38 841	602	–	39 443
<b>30. 06. 2005</b>								
Assets								
	2 101	1 107	641	127	3 976	364	1 569	<b>5 909</b>
of which investments								
in associated companies	32	–	20	–	52	–	–	<b>52</b>
Liabilities								
	1 993	691	425	165	3 274	190	796	<b>4 260</b>
Personnel								
	19 681	12 027	7 244	286	39 238	574	–	<b>39 812</b>

# Notes to the consolidated interim financial statements

## General principles

The accounting principles applied in these unaudited interim financial statements as at June 30, 2005, fulfill the requirements of the IFRS (International Financial Reporting Standards), particularly the International Accounting Standard (IAS 34) "Interim Financial Reporting".

## Methods of recognition and valuation

Schindler has applied the same principles of recognition and valuation in its interim financial statements as it did in the preparation of its consolidated 2004 financial statements, with the exception of the revisions set out below.

All of the changes arising from the IASB "Improvements Project" that are relevant to Schindler have been applied with effect from January 1, 2005.

IFRS 2 "Share-based Payment" has no material impact as the corresponding expenses relating to employee compensation were already reported as an expense in prior periods.

IFRS 3 "Business Combinations" has been applied to all acquisitions with an agreement date on or after March 31, 2004. According to this standard, intangible assets which result from either a contractual or legal right, or which can be separated from the business and whose market value can reliably be determined, are deducted from goodwill (=paid added value) and reported separately as intangible assets. The remaining goodwill is no longer amortized but is subject to an annual impairment test.

Capitalized goodwill arising from earlier business combinations has only been handled according to IFRS 3 with effect from the reporting year 2005. In line with this new regulation, the planned amortizations have not been applied, thus eliminating a charge of CHF 15 million from the interim results as at June 30, 2005, compared to the same period of the previous year.

Based on IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the corresponding positions from the Systems Business Division, which was sold by ALSO on February 5, 2004, were reclassified in the profit and loss statement of the previous year. This resulted in a CHF 5 million impact at operating revenue level. Expenses also amounted to a total of CHF 5 million, thus producing a balanced result at the level of the "Result from discontinued operations".

For financing purposes, the ALSO Group sold accounts receivable from supplies and services to an independent bank. The receivables sold were previously deducted directly from the accounts receivable portfolio. As a result of the new regulations, these receivables are no longer deducted from the accounts receivable portfolio. Accordingly, the preliminary financing is reported as a liability. The balance sheet as at December 31, 2004, has been adjusted retroactively by CHF 50 million.

Book profits and losses from the sale of fixed assets are no longer included under depreciation and amortization. Instead, they are deducted as "Other income" under "Operating expenses".

The remaining adjustments relate primarily to reclassifications in the balance sheet and have no material impact on consolidated shareholders' equity. The corresponding reclassifications were also made in the comparative periods.

The interim financial statements, which were drawn up on the basis of IFRS, contain assumptions and estimates which affect the figures shown in this interim report. The true results may differ from these estimates.

### Scope of consolidation

The scope of consolidation as at June 30, 2005, has been expanded versus June 30, 2004, to include several small companies of minor significance whose impact on consolidated operating revenue and consolidated operating profit is less than 1%.

### Translation of foreign currency

The exchange rates of the foreign currencies that are relevant for the Schindler Group are set out in the table below.

### Debentures

Debentures remained unchanged versus December 31, 2004, and comprised:

- 3½% debenture 1999–2009, nominal value CHF 300 million
- 4⅛% debenture 1999–2006, nominal value CHF 300 million

### Income tax

Income tax expense is recorded in the interim financial statements on the basis of the best possible current estimate of the income tax rate for 2005.

### Dividends

In accordance with the decision of the General Meeting of March 21, 2005, a dividend of CHF 7.00 (previous year: CHF 6.00) per registered share and per bearer participation certificate for the reporting year 2004 was distributed on March 24, 2005.

### Contingent liabilities

There have been no significant changes in contingent liabilities versus December 31, 2004.

### Release of the interim financial statements for publication

These interim financial statements as at June 30, 2005, were approved by the Board of Directors on August 17, 2005, and released for publication.

### Events after the balance sheet date

No significant events have occurred since the balance sheet date.

## Currency exchange rates

			2004	2005	2004	2005
			December 31	June 30	1st half	1st half
			Closing date	Closing date	Average	Average
			rates	rates	rates	rates
Euro countries	EUR	1	1.54	<b>1.55</b>	1.55	<b>1.54</b>
USA	USD	1	1.13	<b>1.28</b>	1.26	<b>1.20</b>
Great Britain	GBP	1	2.18	<b>2.31</b>	2.30	<b>2.25</b>
Brazil	BRL	100	42.64	<b>54.45</b>	42.33	<b>47.21</b>
China	CNY	100	13.67	<b>15.50</b>	15.22	<b>14.49</b>







The Ordinary General Meeting of Shareholders of Schindler Holding Ltd. will take place at the Kultur- und Kongresszentrum Lucerne on Tuesday, March 21, 2006.

The Interim Report for 2005 and further information on the Schindler Group are available at:  
[www.schindler.com](http://www.schindler.com).

The original German language version is binding. English and French translations of the Interim Report are also available.

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

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