



**On the way**  
Interim Report  
as at June 30, 2006



**Schindler**

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# Key figures as at June 30, 2006 (1st half)

<b>Group</b>				
In million CHF	2005 1st half	<b>2006 1st half</b>	Δ %	Δ % local currencies
Orders received	4 399	<b>5 265</b>	+19.7	+15.8
Operating revenue	4 099	<b>4 778</b>	+16.6	+12.8
Operating profit (EBIT)	291	<b>321</b>	+10.3	
in %	7.1	<b>6.7</b>		
Profit before taxes	259	<b>325</b>	+25.5	
Net profit	164	<b>225</b>	+37.2	
Cash flow*	215	<b>272</b>	+26.5	
Capital expenditure	45	<b>55</b>	+22.2	
	31.12. 2005	<b>30.06. 2006</b>		
Order backlog	5 005	<b>5 718</b>	+14.2	+18.2
Consolidated shareholders' equity	1 885	<b>1 921</b>	+1.9	
Personnel at end of period (number)	40 385	<b>41 159</b>	+1.9	

\* Cash flow: Net profit plus depreciation/amortization +/- change in provisions

<b>Elevators &amp; Escalators</b>				
In million CHF	2005 1st half	<b>2006 1st half</b>	Δ %	Δ % local currencies
Orders received	3 480	<b>4 227</b>	+21.5	+16.7
Operating revenue	3 190	<b>3 748</b>	+17.5	+12.9
Operating profit (EBIT)	292	<b>321</b>	+9.9	
in %	9.2	<b>8.6</b>		
	31.12. 2005	<b>30.06. 2006</b>		
Personnel at end of period (number)	39 762	<b>40 553</b>	+2.0	

<b>ALSO</b>				
In million CHF	2005 1st half	<b>2006 1st half</b>	Δ %	Δ % local currencies
Orders received	919	<b>1 038</b>	+12.9	+12.1
Operating revenue	909	<b>1 030</b>	+13.3	+12.5
Operating profit (EBIT)	9	<b>10</b>	+11.1	
in %	1.0	<b>1.0</b>		
	31.12. 2005	<b>30.06. 2006</b>		
Personnel at end of period (number)	623	<b>606</b>	-2.7	

# Strong growth and a sharp rise in profit

## **Group achieves significant growth**

The Schindler Group accelerated its growth in the first half of 2006 in the elevators and escalators business as well as in its subsidiary ALSO. Strong increases were reported in both operating revenue and net profit.

## **Orders received**

Consolidated orders received rose 19.7% to CHF 5 265 million compared to the first half of 2005. This corresponds to an increase of 15.8% in local currencies.

## **Operating revenue**

Consolidated operating revenue grew by 16.6% to CHF 4 778 million, representing an increase of 12.8% in local currencies. The impact of all first-time consolidations on operating revenue and operating profit amounts to approximately 1%.

## **Net income from financing and investing**

Net income from financing and investing totaled CHF 4 million (first half of 2005: CHF –32 million) and contributed significantly to the increase in net profit. This pleasing development reflects financial income of CHF 9 million from an interest rate hedging transaction, a considerably improved result from operational hedging transactions and the share of the profit, recorded by means of equity valuation, from the stake in Hyundai Elevator Co. Ltd., South Korea, that was acquired in March.

## **Profit and cash flow**

Net profit rose significantly by 37.2% to CHF 225 million. Cash flow increased 26.5% to CHF 272 million.

## **Personnel numbers**

Personnel numbers increased slightly by 774 employees or 1.9% to 41 159 employees compared to the end of 2005. The number of employees in the elevators and escalators business grew by 791 or 2%. In ALSO, personnel decreased by 17 employees or 2.7%.

## **Elevators and escalators business**

### **Strong growth**

Both orders received and operating revenue increased significantly compared to the first half of 2005, representing a particularly pleasing result.

Orders received totaled CHF 4 227 million, corresponding to an increase of 21.5% (+16.7% in local currencies). All regions contributed to this strong sales performance. Since the launch of the new passenger elevators last summer, Schindler has already sold more than 15 000 units. Sales in the modernization business also substantially exceeded the levels reported in the first half of 2005 in all regions. The new Schindler 6200 modernization program that was launched in Europe met with a very good response from customers.

The order backlog grew by 14.1% to CHF 5 684 million versus the end of 2005 (an increase of 18.1% in local currencies).

Operating revenue of CHF 3 748 million exceeded the corresponding figure for the first half of 2005 by 17.5% (+12.9% in local currencies).

Operating profit (EBIT) rose 9.9% to CHF 321 million. The EBIT margin declined by 0.6 percentage points to 8.6%. This decrease was primarily due to significantly stronger growth in the new installations business compared to the service segment. The shift in the product mix diluted the EBIT margin by around 1 percentage point. Operating profit was also impacted by restructuring costs of approximately CHF 20 million that were incurred in several locations. In addition, the rise in personnel costs and raw materials prices could not be passed on to customers in all areas due to continued strong price competition.

### **Important orders**

Schindler successfully secured orders for notable large-scale projects around the world despite fierce competition from local and international providers.

In Russia, Schindler won an initial order for 20 Schindler 7000 high-rise elevators, as well as other elevators and 20 escalators for the tallest building in Europe – the Federation Tower in Moscow. The high-rise elevators will regulate the large volume of traffic in the building using the Miconic 10 hall call destination system and will control individual access rights via Schindler ID. Schindler E-Vision will serve as an information system for passengers within the elevators.

In China, Schindler secured orders including Phase II of the Morgan International Center office building in Beijing, the New World Plaza in Dalian and the Zhongtian Square commercial center in Xinjiang. The Ritz Carlton/Marriott Hotel in Beijing will be fitted with ten Schindler 7000 elevators, 13 further Schindler elevators and two Schindler 9300 AE escalators.

30 Schindler 7000 high-rise elevators will be installed in the 18 Westland Road office building in Hong Kong, together with seven further elevators and six escalators.

At the Rockefeller Center, 1211 Avenue of Americas in New York, 32 elevators will be modernized with the Schindler ID access control system.

In Caracas, Venezuela, the metro system transports 1.8 million passengers each day – with 40 000 people passing through the Palo Verde station alone. Schindler will fully modernize the 52 escalators, which were installed in 1986, by fall 2007 – a challenging assignment that will require over 200 tons of material.

#### **Participations and acquisitions**

In March, Schindler acquired a 25.5% stake in Hyundai Elevator Co. Ltd. in South Korea – the fourth largest elevator market worldwide. The company is the second largest elevator and escalator manufacturer in South Korea and has a large number of branches in the Asian markets.

Schindler strengthened its maintenance portfolio in Europe and North America through smaller local acquisitions in these regions.

#### **EU antitrust investigations**

As already announced on several occasions, the EU Commission is investigating into the elevator and escalator industry. The EU Commission is expected to present its decision by the end of the year. It is still not possible to give an estimate of the financial implications on the basis of the information that is available. Consequently, no provisions were recorded in the reporting period.

The class-action lawsuits that were filed in the USA following the announcement of the EU investigation have already been rejected for the second time by the responsible judge in New York. The plaintiffs have referred the decision to the responsible Federal Court of Appeals.

## **ALSO**

### **Weaker market affects half year result**

After a strong first quarter, the demand for IT products declined significantly in both Switzerland and Germany in the second quarter. ALSO nevertheless succeeded in growing its net sales by 13.3% to CHF 1 030 million. It also defended its market leadership in Switzerland and gained further market share in Germany. Its operating profit (EBIT) totaled CHF 10 million (first half of 2005: CHF 9 million).

### **Expansion into the Nordic and Baltic region**

ALSO is to acquire 50.1% of the share capital of the Finnish company GNT Holding Oy, the largest independent distributor of information and communications technology in Scandinavia and the Baltic States. As a result of this move, ALSO will become the fourth largest provider in Europe. The completion of the transaction is subject to the approval of the European Competition Commission.

## **Outlook for 2006**

### **Elevators and escalators**

The markets are not expected to alter significantly in the second half of the year. However, we anticipate that the strong growth in orders received will begin to slow. Price increases are planned in most regions in the second half of 2006. The strong growth in operating revenue – driven primarily by the large backlog of new installation and modernization orders – will continue in the second half of the year. The improved cost position of the new products will have a positive impact with effect from the second half of 2006. The EBIT margin will reflect the change in product mix and will improve slightly in the second half of the year.

## **ALSO**

At present, ALSO expects to generate a net profit of CHF 15 million to CHF 17 million for 2006, provided seasonal trends are the same as in previous years. This estimate does not take account of the impact of the GNT acquisition.

## Group

### New independent Audit Committee Chairman

Dr. Alexander Schaub, who recently retired as Director General of “Internal Markets” at the European Union, has agreed to become a member of the Schindler Audit Committee. Dr. Schaub, who had also been the Director General of the EU Competition Department between 1995 and 2002, will take up his function in the third quarter of this year. He is designated to succeed Mr. Alfred Spörri as the new Chairman of the Audit Committee upon his anticipated election to the Board of Directors of Schindler Holding Ltd. at the General Assembly 2007. Mr. Spörri will stay on as Vice Chairman of the Audit Committee until his retirement from the Board of Directors in 2008.

Dr. Schaub’s experience and record as a top level EU official for more than 30 years and his international education in law and economics qualify him exceptionally well to lead the Schindler Audit Committee into its next phase. This phase will be determined by a continuous focus on all aspects of the group assurance function, including internal auditing, code of conduct compliance, technical compliance and information security. The appointment of Dr. Schaub as chairman will mark the first time that the Schindler Audit Committee will be chaired by a non-executive and independent board member. Additional members of the Audit Committee are Walter Frehner, Prof. Oliver Gassmann and Prof. Karl Hofstetter.

### Net profit

Based on this assessment – and excluding any unforeseeable events – it is anticipated that Schindler will report a marked improvement in net profit for the financial year 2006. Including an anticipated real estate gain of around CHF 35 million, net profit after taxes should marginally exceed the level of CHF 500 million. Schindler is thus confirming the outlook communicated at its annual results media conference.



Alfred N. Schindler  
Chairman of the Board  
of Directors

Luc Bonnard  
Vice Chairman of the Board  
of Directors



## Europe is on the move.

Schindler launched three successful models – the Schindler 3100, Schindler 3300 and Schindler 5300 – at the end of June 2005. With more than 15 000 units sold, they have since been providing enhanced mobility. Against the backdrop of a fiercely competitive market.

These more spacious models – which move very quietly and offer modern designs, as well as an automatic evacuation system as a standard feature – should continue to generate considerable momentum going forward.



**Schindler 3100**  
Plenty of space. Simple and practical. Our passenger elevator for smaller residential buildings gets you moving.



**Schindler 3300**  
Very spacious. A perfect look. You really get moving with our passenger elevator for residential buildings.



**Schindler 5300**  
Professional service. Easy to plan. You always move well with our passenger elevator for small commercial buildings.



### Moscow is reaching for the stars.

From 2008, Europe's tallest skyscraper – the Federation Tower – will rise above the Russian metropolis at a height of 448 meters.

Schindler is actively involved. The 50 000 m<sup>2</sup> shopping mall at the base of the tower will be served by 28 elevators and 20 escalators. In addition, 22 high-rise elevators will transport passengers to a height of 357 meters in an instant. Thanks to innovative technologies for transportation and access management, Schindler will continue to repeatedly set new benchmarks in the future.

Federation Tower, Moscow, Russia



# Interim financial statements 2006

## Consolidated profit and loss statement

In million CHF	2005		2006	
	1st half	%	1st half	%
Operating revenue	4 099	100.0	4 778	100.0
Operating expenses	3 808	92.9	4 457	93.3
<b>Operating profit</b>	291	7.1	321	6.7
Net income from financing and investing activities	-32	-0.8	4	0.1
Profit before taxes	259	6.3	325	6.8
Income taxes	95	2.3	100	2.1
<b>Net profit</b>	164	4.0	225	4.7
of which:				
Schindler Holding shareholders	154		210	
Minority interests	10		15	

## Net profit (earnings) per share and bearer participation certificate

Undiluted earnings per share and BPC	CHF 1.25*	<b>CHF 1.70</b>
Diluted earnings per share and BPC	CHF 1.24*	<b>CHF 1.69</b>

\* 10:1 split on March 27, 2006, adjusted retrospectively

## Consolidated balance sheet

In million CHF	31.12.2005		30.06.2006	
		%		%
Cash on hand	1 108	18.3	1 233	19.0
Other current assets	2 801	46.3	3 078	47.5
Non-current assets	2 140	35.4	2 172	33.5
<b>Total assets</b>	6 049	100.0	6 483	100.0
Current liabilities	3 004	49.6	3 392	52.3
Non-current liabilities	1 160	19.2	1 170	18.1
Total liabilities	4 164	68.8	4 562	70.4
Schindler Holding shareholders' equity	1 749	28.9	1 785	27.5
Minority interests	136	2.3	136	2.1
Consolidated shareholders' equity	1 885	31.2	1 921	29.6
<b>Total liabilities and shareholders' equity</b>	6 049	100.0	6 483	100.0

## Consolidated cash flow statement

In million CHF	2005	2006
	1st half	1st half
Net profit	164	225
Depreciation and amortization	58	60
Change of provision	-7	-13
Other positions with no effect on liquidity	-8	15
Change of remaining net working capital	49	5
<b>Cash flow from operating activities</b>	<b>256</b>	<b>292</b>
Investments in fixed assets, net	-11	-41
Investments in other non-current assets, net	4	-218
Change of securities and financial assets	25	153
<b>Cash flow from investing activities</b>	<b>18</b>	<b>-106</b>
Dividends paid by Schindler Holding Ltd.	-87	-111
Dividends paid to minority shareholders	-9	-10
Other financing activities	24	78
<b>Cash flow from financing activities</b>	<b>-72</b>	<b>-43</b>
Translation exchange differences	18	-18
<b>Change on hand</b>	<b>220</b>	<b>125</b>
Cash on hand at start of period	1 011	1 108
Cash on hand at end of period	1 231	1 233

## Statement of shareholders' equity

In million CHF	2005			2006		
	Schindler Holding share-holders	Minority interests	Group	Schindler Holding share-holders	Minority interests	Group
January 1	1 376	119	1 495	1 749	136	1 885
Exchange differences	80	10	90	-14	-5	-19
Financial instruments available-for-sale	6	-	6	-5	-	-5
Net profit	154	10	164	210	15	225
Dividends	-87	-9	-96	-111	-10	-121
Additions treasury stock	-10	-	-10	-46	-	-46
Options for participation plan (fair value)	-	-	-	2	-	2
June 30	1 519	130	1 649	1 785	136	1 921

# Segment information

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Elimi- nations E&E	Elevators & Escalators	ALSO	Finance/ Elimi- nations	Group
<b>1st half 2005</b>								
Operating revenue third parties	1 794	919	476	1	3 190	909	–	4 099
Intercompany sales	593	19	75	–687	–	–	–	–
Total operating revenue	2 387	938	551	–686	3 190	909	–	4 099
Operating profit					292	9	–10	291
Additions of fixed assets	24	9	9	2	44	1	–	45
Depreciation and amortization	36	11	6	3	56	2	–	58
of which impairment	4	–	–	–	4	–	–	4
Share in profits of associated companies					2	–	–	2
<b>1st half 2006</b>								
Operating revenue third parties	1 976	1 171	601	–	3 748	1 030	–	4 778
Intercompany sales	654	31	141	–826	–	–	–	–
Total operating revenue	2 630	1 202	742	–826	3 748	1 030	–	4 778
Operating profit					321	10	–10	321
Additions of fixed assets	32	10	8	1	51	4	–	55
Depreciation and amortization	34	12	8	3	57	3	–	60
of which impairment	–	–	–	–	–	–	–	–
Share in profits of associated companies					6	–	–	6
<b>31.12.2005</b>								
Assets	2 363	1 179	763	88	4 393	438	1 218	6 049
of which investments in associated companies	44	–	11	–	55	–	–	55
Liabilities	1 813	731	460	195	3 199	247	718	4 164
Personnel at end of period (number)	19 793	12 108	7 572	289	39 762	623	–	40 385
<b>30.06.2006</b>								
Assets	2 568	1 174	971	91	4 804	448	1 231	6 483
of which investments in associated companies	45	–	212	–	257	–	–	257
Liabilities	2 194	754	475	185	3 608	254	700	4 562
Personnel at end of period (number)	20 006	12 362	7 841	344	40 553	606	–	41 159

# Notes to the consolidated interim financial statements

## **General principles**

The accounting and reporting principles applied for these unaudited interim financial statements as at June 30, 2006, comply with the requirements of the International Financial Reporting Standards (IFRS), specifically International Accounting Standard IAS 34 "Interim Financial Reporting".

The methods used for recognition and measurement are the same as those used for the consolidated financial statements as at December 31, 2005. A detailed description of these methods is contained in the notes to the annual financial statements 2005. The new and revised standards that became effective on January 1, 2006, have no effect on the preparation and presentation of these interim financial statements.

The interim financial statements based on IFRS contain assumptions and estimates that affect the figures stated in this interim report. The true results may differ from these estimates.

## **Scope of consolidation**

Relative to June 30, 2005, the scope of consolidation was expanded by the following companies: ELETEC vytahy, Czech Republic (added July 2005), Hontz Elevator Company, USA (added July 2005), Mercury Ascensore Ltd., Japan (added October 2005), Slade Industries Inc., USA (added October 2005), and some other small companies.

The effect of these newly consolidated companies on consolidated operating revenue and consolidated operating profit is approximately one percent.

The 25.5% stake in Hyundai Elevator Co. Ltd., South Korea, that was acquired at the end of March this year, has been recognized by the equity method and reported under Investments in Associates.

### Translation of foreign currency

The exchange rates for the most significant foreign currencies of the Schindler Group are shown in the table below.

		2005		2006		
		December 31 closing date exchange rate	June 30 closing date exchange rate	2005 1st half average exchange rate	2006 1st half average exchange rate	
Euro countries	EUR	1	1.56	<b>1.57</b>	1.54	<b>1.56</b>
USA	USD	1	1.32	<b>1.23</b>	1.20	<b>1.27</b>
United Kingdom	GBP	1	2.27	<b>2.26</b>	2.25	<b>2.27</b>
Brazil	BRL	100	56.61	<b>56.66</b>	47.21	<b>57.73</b>
China	CNY	100	16.30	<b>15.42</b>	14.49	<b>15.80</b>

### Debentures

The debentures remained unchanged from the financial statements of December 31, 2005, and comprise the  
– 4 $\frac{1}{8}$ % debenture 1999–2006, nominal value CHF 300 million, and the  
– 3 $\frac{1}{2}$ % debenture 1999–2009, nominal value CHF 300 million.

The 4 $\frac{1}{8}$ % debenture becomes due for repayment on October 26, 2006, and is therefore recognized in the balance sheet under current liabilities.

### Income taxes

The income tax expense recognized in the interim financial statements is based on the best possible current estimate of the income tax rate for 2006.

### Dividend

As decided by the General Meeting of Schindler Holding Ltd. of March 21, 2006, a dividend for the financial year 2005 of CHF 9.– (previous year CHF 7.–) per registered share and bearer participation certificate was paid on March 24, 2006.

### 10:1 split of registered share and bearer participation certificate

At the General Meeting of Schindler Holding Ltd. of March 21, 2006, it was decided to split the registered share and bearer participation certificate in the ratio 10:1 as per March 27, 2006. The capital of Schindler Holding Ltd. now comprises 73 568 200 registered shares with a nominal value of CHF 0.10 and 51 416 400 bearer participation certificates with a nominal value of CHF 0.10.



**Contingent liabilities/claims**

The contingent liabilities/claims are described in the notes to the annual financial statements 2005. As already stated in the report on page 4, as of the balance sheet date of June 30, 2006, the following addition applies: The class-action lawsuits filed in the USA following announcement of the EU investigation were already rejected by the responsible judge in New York for the second time. The plaintiffs have referred the decision to the responsible Federal Court of Appeals. An estimate of potential financial consequences cannot be made with the information available. Consequently, no provisions were created in the interim financial statements as at June 30, 2006.

**Release of the interim financial statements for publication**

These interim financial statements as at June 30, 2006, were approved and released for publication by the Board of Directors of Schindler Holding Ltd. on August 16, 2006.

**Events after balance sheet date**

As announced in the press release of July 24, 2006, ALSO Holding AG acquired for CHF 57.7 million a 50.1% stake in GNT, Finland's largest independent distributor of information and communications technology. This makes the ALSO Group Europe's fourth-largest distributor with 1500 employees and representation in nine countries. Completion of the transaction is still subject to approval by the European Commission competition authorities.

# Financial calendar

	2006	2007
Annual results media conference	February 27	February 26
Ordinary General Meeting Schindler Holding Ltd.	March 21	March 20
Date of Schindler Holding Ltd. dividend payment	March 24	
10:1 split of registered share and bearer participation certificate	March 27	
Publication of Interim Report	August 17	August 17

The Schindler Group Interim Report 2006 is published in German, English, and French. The original German language version is binding.

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

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