96th Annual General Meeting
of the Shareholders of Schindler Holding AG
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Speech by Alfred N. Schindler

Ladies and Gentlemen,

The Schindler Group is turning 150! And now, being half as old as the company, I can say I witnessed the 100th anniversary, led the company for decades, and today, as Peter Böckli says, I work in the map room.

Describing the last 50 years in detail would be akin to applied anesthesia. So, instead, I will guide you through five thematic focal points. Think of them as halls in an art museum - only we are not walking through a museum, but through a virtual Schindler campus.

The five halls are:

1. Images from the early days
2. The hall of great challenges
3. The hall of financial transactions
4. The chamber of horrors
5. The hall of technical achievements

Of course, the campus doesn’t just have five halls – it also has a foyer. Here, we focus on our values – first and foremost, safety. The safety of two million installations and that of the two billion passengers we move daily. The safety of our 70,000 employees, two-thirds of whom ensure that mere material boxes become functioning elevators in all conditions. And, of course, the safety of our planet. Long before climate activism became mainstream, we revolutionized the energy consumption of the elevator industry with innovations and contributed 20 million CHF as the primary financial sponsor of research projects like Solar Impulse.

Secondly, ethics. The ethics of our behavior across the entire value chain, domestically and internationally. Ethics as an entrepreneur and employer who stands accountable to investors. And the ethics of our information principles, grounded in factual accuracy, completeness, and timeliness.

The third value is innovation, the tireless pursuit of groundbreaking improvements. Only through such commitment can we compete against industry giants.

If not a value, then a credo is the principle "don't talk, deliver." Mathematicians would formulate it academically as

"P: E > = 1"

where P stands for performance and E for expectation. In short: performance should exceed expectations. "Don't talk, deliver."

A cornerstone of our values is long-term value creation. Our family business was never interested in quick profits! Entrepreneurial responsibility also means robustness, sustainability, patience, and focus.

So, moving on from the foyer. I now invite you to the **first hall with images from the early days**.

In 1974, we celebrated our 100th anniversary. Two years later, my father passed away. As a young lawyer still pursuing a second degree at the Wharton School of Finance, I was elected to the board of directors in 1977. In 1978, I took up my first position at Schindler. That was almost half a century ago.

The company was in dire straits – truly precarious. We lost massive amounts of money on all new installations, not just elevators, equivalent to almost 80% of all revenues from the maintenance business.

These numbers spoke plainly. But as a novice board member at the end of the table, I was categorically ignored. Consequently, I informed the 50 most important executives of the company and resigned from Schindler in November 1979. After a brief search, I became CFO of another struggling company. It was a baptism of fire! But after selling a small bank and closing two operations in Volketswil and Etoy, not only was the company stabilized within two years, but it even managed to acquire a competitor.

Just as I was preparing to join a larger company as CFO, Schindler made me an offer to lead strategic planning. Three findings characterized that time:

- First, Schindler was like a general store without any focus.
- Second, Europe had just introduced the Cassis de Dijon principle: products that were technically approved in one EU member state could now be sold in all EU countries. With enormous consequences: our local plants in the affected countries became obsolete – superseded by component plants.
- Third, the late 1970s marked the latest wave of globalization. We seized this opportunity and have since taken over more than 60 competitors.

Back to the general store: Schindler produced and operated in all areas: elevators and escalators, different types in every European country. Wagons and trams. Sidewalks. Robots at Digitron AG. Egg packaging and document transport machines. Pumps. Foundry products. Cranes, e.g., for launching ships. Aircraft wings for the Mirage 2000. Gears for tractors. Fire and security products and, last but not least, we also bought ALSO.

Conclusion: A senseless and thus aimless diversification – tied to the deceptive hope of contributing margins to our structural costs.

So much for hall 1. Let's move on to **the hall of great challenges**.

Here too, six images not arranged strategically, but by their impact. Some ailments are not immediately fatal but cause prolonged strain, like the strong Swiss franc. At the end of 1970, the dollar stood at CHF 4.40. Four years later – Schindler was just 100 years old – it had depreciated by 42%, falling to CHF 2.54. When I joined in 1979, our profit after taxes was 9.1 million dollars, or CHF 14.6 million. Today, at an exchange rate of 85 cents, that figure has grown 121-fold to 1.1 billion dollars.

Since 2008, the appreciation of the CHF alone has led to a revenue reduction of CHF 4.7 billion. Operating profit dropped by CHF 602 million, and the corresponding stock market value decreased by about 10 billion CHF, based on a price-earnings ratio of 22.

The second image in the hall of challenges shows what remained after we divested or closed our "non-core" activities: no more egg packaging machines, no pumps, no nonsense – just the core business.

This was followed by the launch of the "St. Charles Strategy". For months, the executive committee retreated three to four days a week, to a country estate to completely restructure the company. Luc Bonnard, Uli Sigg, Fred Spörri, and I, along with 10 other employees, developed over 100 action plans across 600 pages, organized into seven modules. Inspired by Benjamin Franklin’s words, "By failing to prepare, you are preparing to fail," we planned for the future. The result? Nearly all goals were achieved, albeit with a delay of four to six years.

This effort required a fundamental mindset shift – from operating as a manufacturing company to becoming a service-focused organization. A cornerstone of this new strategy was the realization that network density – in every city, worldwide – is the strongest lever in the elevator business.

Following the sale of all "non-core" products began the triumph of the standard elevator, representing 80% of business globally. Without this profitable "commodity business," the rest of the business would collapse. A highly standardized elevator is unbeatable in terms of cost efficiency across production, sales, logistics, assembly, maintenance, and training – everything is less complex. At the other end of the complexity scale is the high-performance elevator, our “tailor-made suit”.

Companies that fail to distinguish between these product categories risk going out of business.

The last image in the hall of challenges depicts the fatal consequences of a misguided growth strategy pursued by a now completely replaced executive committee. Their ambition was to be number one worldwide – at "any cost." To use a car analogy, a VW Golf with a 12-cylinder turbo engine, bespoke wheels, and whitewall tires, was sold at the price of a run-of-the-mill VW Golf.

The operating margin plummeted to 6% at its lowest point, cash flow fell by 48% in 2022, "On Time Delivery" collapsed under the weight of excessive variants, and all component plants were overwhelmed. A dire situation indeed.

In January 2022, the board of directors took decisive action, pivoting the strategy 180 degrees. By 2023, the company's profits, adjusted for currency effects, had risen by 51% compared to the previous year.

That leads me on to the third hall, **the gallery of financial transactions**.

Financial transactions. It may sound dry, but it is in fact full of life, because each image shows the pressure the company was under, from globalization, misguided diversification, and the need to grow within the core business.

After well over 60 transactions over the course of 50 years – including 41 major acquisitions and 14 divestitures or closures – Schindler’s core business became more global.

Legal cases we won in Europe and Asia, including a 10-year international tax dispute and a groundbreaking ruling by the Supreme Court of Korea in our favor, are also displayed in this hall.

The long list of transactions is in the appendix, so the hall features just a few other highlights: the first joint venture in China in 1980, the purchase of Westinghouse in the USA in 1989 and of Atlas in Brazil 10 years later, along with acquisitions in Australia and New Zealand, and our entry and exit in Japan. The new campus in Ebikon, Switzerland, meanwhile, is a symbol for modernity, heralding a new era.

In short: a bright hall full of light. But, coming next, **the chamber of horrors** displays the defeats.

You only realize how beautiful it was on the beach when the ship goes down, Seneca teaches us. In 2007, this rang true for us.

In proceedings against the elevator sector, the EU Commission and the Higher Regional Court of Vienna imposed record fines, totaling around 1.67 billion euros. Of this, Schindler was required to pay 197 million euros – about 17%. This was a huge shock for the entire company, as we had introduced very strict internal compliance rules regarding American legislation and were years ahead of the competition – a fact confirmed by expert Karel van Miert, EU Commission member 1989-1999, who was responsible for competition policy, among other things.

As I said, the verdict was a shock. Even the election of the former Director General of Competition of the European Commission, Dr. Alexander Schaub, to our board of directors could not protect us from human failure. The fine was the responsibility of a handful of our 45,000 employees, even though they had signed the Code of Conduct and were regularly audited.

The fatal accident in Japan in 2006, the so-called Takeshiba case, is a tremendously sad case. A cultural failure on our part – especially our lack of an apology – brought the full force of the Japanese media against us, and for half a year, our company captured headlines for the wrong reasons.

A long legal battle began. There were two elements at play: the emotional aspect and liability. Local management at the time assumed the accident had been a result of poor equipment maintenance – which Schindler was no longer responsible for, having lost the contract two years earlier. As a result, our people on the ground could not decide on a socially appropriate apology in the days that followed the tragic incident. This was, as I said, a major mistake.

We ultimately achieved justice. In 2015, nine years after the accident, our employees were acquitted. The Japanese prosecutor's office continued the case, unsuccessfully, and the final acquittal was confirmed in 2018.

Two things occurred. We learned that Schindler never tired of defending its people – and that's something we can be proud of. However, the new installation business completely collapsed, Schindler's reputation in Japan was ruined, and the local maintenance business had to be sold.

In the chamber of horrors we're currently in, there are other episodes, each of varying magnitude.

For example, there's the member of the executive board with a salary of over 1 million CHF who defrauded us, claiming expenses on a large scale. He booked first-class flights to the USA, claimed the expenses after receiving the VISA charge, and then – yes, you guessed it – canceled the flights. When I dismissed him, I asked him why he did such things. His answer: "I need the thrill."

Another unpleasant case concerns the late Chairman of the executive committee from July 1984 to July 1985. He so enraged his executive committee colleagues within a short period of time that they all collectively threatened to resign. The case became so serious that the Board of Directors dissolved the employment contract and entrusted me with the task of negotiating a settlement. He had a 10-year employment contract with automatic two-year extensions, with a guaranteed million-dollar salary. It was not an easy negotiation.

The chamber of horrors also includes the disturbing case of a former employee who targeted both the company and me with accusations ranging from fraud to large installation technical defects to endangering life and limb. He wrote to all seven federal councils, councilors, neighbors, management of other companies, and even church dignitaries. He went so far that we had to set up a dedicated website.

After official investigations into his accusations, such as at the Inselspital Bern hospital, it was concluded that all his allegations were fantasies. However, rather than putting the saga to bed, this led to further threats. A well-known psychiatrist concluded that there was high risk for violence, something I couldn’t quite bring myself to believe – until the attack on the train. The man doused himself with two cans of gasoline in the middle of the Gotthard Tunnel and shot himself in the head, hoping to set the whole train on fire with the muzzle flash. Thankfully, the muzzle flash was not enough.

One thing we can’t leave out of the chamber of misfortune is the widespread hostility toward Swiss companies in Helvetia, even though they generate over 20% of jobs – and countless more at their subcontractors.

This 3% of companies pays around 90% of all federal taxes.

Even greater is the hostility toward the so-called "rich" – the 10% who pay over 55% of income taxes, not including wealth taxes. Own goals as a national sport is not a good idea...

An example of this strange and not even half-thought-out attitude is the fourth inheritance tax initiative proposed by the JUSO (the Young Socialist Party). Elegantly renamed the "Future Initiative," this would require the top 1% to pay 50% inheritance tax. They want a different society, to rebuild the economy, to "overcome" capitalism. And they claim that this approach is in the interest of the 99% – those who will ultimately suffer the consequences of this unrealistic strategy.

This initiative, a recent proposal, would have a destructive and irreversible impact on the economic and labor markets in Switzerland. Numerous privately held companies and properties would have to be sold for the owners to be able to pay the tax. And then, after a one-off fiscal fireworks display, regular federal, cantonal, and municipal taxes would completely collapse.

Particularly deceitful and going against all legal understanding is its retroactive effect, meaning that the risk of implementation becomes so unbearable for the approximately 3,000 people affected, it forces preventive emigration or company sales.

You probably have an appetite for something a little more positive by now, so let's move on to our final stop, **the hall of technical achievements**.

Who revolutionized the elevator industry? Not Otis, but Schindler.

Here we’ll proceed very selectively in order. Even before such significant innovations as the microprocessor control Miconic V, Schindler surprised the high-performance market of the early 1980s.

In 1986, we added the TeleAlarm, the first telephone connection between our headquarters and passengers.

We developed our groundbreaking destination call control system in 1993 and brought it to market in 1996, introducing cabins that don’t require buttons, because the destination is entered beforehand, and passenger traffic is intelligently grouped. The result: 35% more transport capacity, e.g., only four elevators instead of five, reduced energy consumption, precise allocation options such as the separation of visitor and bed elevators in hospitals, the addition of freight elevators in case of breakdowns, the improved access options according to high security requirements, etc. This innovation was so potent that it was immediately demonized by the competition and copied even before our patents expired. One of the „big four“ embarrassingly lost a lawsuit against Schindler in New York.

In 1997, Schindler Mobile came to market, the world's first machine-room-less (MRL) elevator, which was pre-assembled in the factory and installed within seven days. Also in 1997, the Schindler 001 came to market, available to be ordered online in Italy.

In 2002, the Schindler 700 conquered the high-rise market. Traveling at 10 meters per second, it was so stable when launched in the Frankfurt TV Tower that a euro coin placed on its edge remained there throughout the ride.

In 2009, PORT Technology was born, taking destination call control to a whole new level. The device recognizes the user and offers them the most efficient way to their destination on the display.

I mentioned the decisive standard or commodity elevator earlier, but it’s not just the elevators themselves that benefit from Schindler’s spirit of innovation. Thanks to the MRL concept, the drives were reduced in size and placed in the shaft, eliminating machine rooms completely and enabling huge building space savings. In 2005, the Schindler S3300 came to market – the most successful MRL elevator in the industry.

In short: everything became more refined. From the elevator boy of days gone by to today's installer, whose FieldLink tool is not only a powerful mobile tool for time recording but also a comprehensive technical library in their pocket. You see – innovation never rests!

With that, ladies and gentlemen, the tour of our virtual campus is over.

My successor Silvio Napoli will present a look into the future. Since January 2022, under his leadership, we have welcomed a completely new executive committee, who have once again embraced the tried-and-tested wisdom of elevators. This team deserves our gratitude for the clean-up work of the last two years of crisis.

Something else that fills me with confidence is that the transition from the fourth to the fifth generation is advancing well. Six family members are already working at various levels in the company, so Luc Bonnard and I will be able to retire from the board in the not-too-distant future. The family will not only remain loyal to the company but will also want to continue shaping it. However, this will only be the case if the JUSO Future Initiative does not destroy the Swiss soul of the company.

Let’s not forget the economic logic. If the next 50 years are to be successful, the return to profitability must take absolute priority, to meet the targeted 13% EBIT reported. Sustainable growth can only be achieved by those who remain innovative and keep costs under control. Everything else is wishful thinking.

One final question. Do we have reason to be grateful looking back, and reason to be cautious as we look ahead? I would say yes. Schindler has survived two world wars and has weathered the turbulence of the last 50 years. But nothing is set in stone. Despite all optimism, it is wise to always keep the following storm warning in mind: it’s better to sit at the table than to find your name on the menu.

Ladies and gentlemen, I thank you for your long-standing trust. And to the impatient ones, I thank them for their patience.

Hall no 3: financial transactions

1975	Digitron AG (AGV's/roboter)
1979	Haughton Elevator USA and Chiesa in Spain / factory in St. Gallen closed
1980	First joint venture in China
1981	Schindler Australia
1983	Gelicom AG Belgium / SWS in Schlieren closed
1985	Diplomat in Spain / Hämmerle AG sold
1986	Wertheim Werke Wien / Western Elevator Canada I Digitron AG and Gelenkketten AG sold
1987	FFA Altenrhein sold, 200,000 participation certificates issued
1989	Westinghouse Elevator in USA/ TL Jones New Zealand / New escalator factory in Clinton
1970	Gebauer AG in Switzerland and eleven other companies in the former DOR / Giesserei Emmenbrücke sold
1991	blaze in Ebikon factory
1992	Schindler is an exclusive supplier to Expo 92 in Seville
1993	Schindler Suzhou / market cap at 2bn CHF for the first time
1995	Schindler becomes majority shareholder in Chinese joint venture/ Buyup and swap or deletion of all registered shares at extraordinary shareholder meeting
1997	Nechustan Israel / SWG Pratteln sold/ crane business sold
1998	Haushahn in Germany / AS-Aufzüge in Switzerland founded / Sale Automation Systems
1999	Atlas Brazil (making us No. 1 in Latin America) / introduction of IAS (IFRS)
2002	Lift Tremont in Moscow / R03-program started with 50 efficiency-enhancing initiatives
2003	Joong Ang in Seoul
2005	Vytahy in Czech Republic
2006	25% stake in Hyundai Elevator, Seoul / ALSO buys GNT in Finland
2009	Saudi Elevator
2010	Reliable in California / ALSO sold to Actebis. Schindler's majority stake drops below 30% and later to 0%.
2013/15	Share buyback program launched to buy back 410,000 registered shares and 410000 participation certificates
2015	New design for Schindler Campus in Ebikon
2016	Business in Japan sold

This makes 55 transactions, including 41 acquisitions and 14 divestments or closures.