

Annual Report 2001 Activity Report

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Illustration concept The full-page illustrations highlight Schindler's latest products and innovations, while the smaller pictures in the text document noteworthy installations made during the 2001 reporting year.

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

Activity Report 2001

of the Board of Directors of
Schindler Holding Ltd.
CH-6052 Hergiswil NW, Schweiz,
to the Ordinary General Meeting
of March 26, 2002

74th Financial Year



Key figures 2001

Group

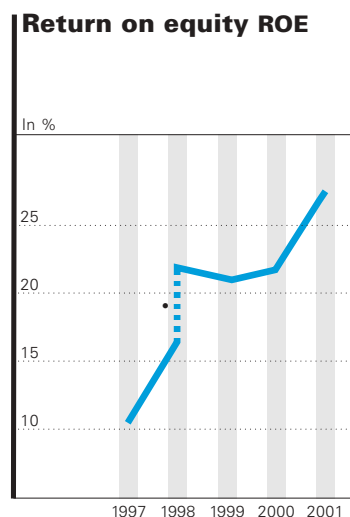
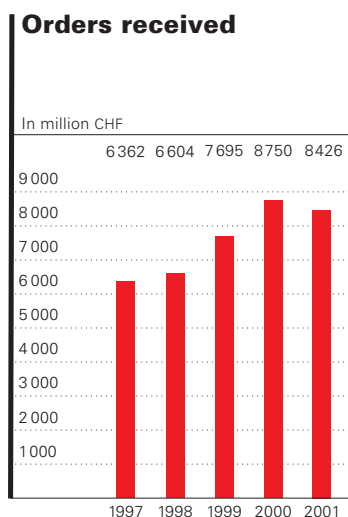
	2000	2001	Δ %	Δ % local currency
	Mio. CHF	Mio. CHF		
Operating revenue	8 530	8 327	-2.4	+0.6
EBITDA* Group	624	680	+9.0	
EBITDA Elevators and Escalators in %	9.2	9.9		
EBITDA ALSO in %	1.0	1.9		
Profit before taxes	374	443	+18.4	
Net profit	299	379***	+26.8	
Cash flow**	417	555***	+33.1	
Orders received Elevators and Escalators	6 852	6 658	-2.8	+0.9
Orders received ALSO	1 898	1 768	-6.8	-5.6
Shareholders' equity	1 317	1 329	+0.9	
Personnel at year-end	43 334	41 524	-4.2	

- * EBITDA: Operating profit and depreciation/amortization
- ** Cash flow: Net profit before minorities and depreciation/amortization +/- change of provisions
- *** See Financial Statements, page 28, note 22, effect of deferred taxes

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

	2000	2001
Registered share	CHF 50.-	CHF 50.-
Bearer participation certificate	CHF 50.-	CHF 50.-

You will find further key figures starting on page 54



• 1998: IAS-Restatement

Schindler uses the telecommunication tower of Deutsche Telekom in Frankfurt for testing the Schindler 700 high-speed elevator. The market launch is planned for the fall of 2002. Speeds up to 10 meters per second are standard for Schindler 700 elevators; Germany





Good result despite complex environment

End of a long phase of growth

The reporting year saw the end of a period of euphoric investment with rapidly rising expenditure which had lasted for several years. Many nations and companies are deeply in debt. Demand has been falling since the end of 2000, and disillusionment is steadily spreading. The recessionary tendencies were already present, have intensified in the fourth quarter and are weighing on the psychology of the financial markets. For the first time in the postwar period, practically all early economic indicators are pointing down simultaneously all over the world. China may be one of the few exceptions. Global overcapacity is becoming visible, especially in a number of highly exposed industries such as aircraft, IT, and telecommunications. This macroeconomic environment will only affect Schindler with a certain delay.

Higher net profit

Our intensive efforts in both business areas yielded a substantially improved result in the reporting year. Consolidated net profit before taxes reached CHF 443 million, which was 18% more than the previous year. The increase in consolidated net profit after taxes, and in the cash flow, was even better but was entirely attributable to the change in deferred taxes (see also page 28 of the financial statements).

In the elevator and escalator business, renewal of the product portfolio and standardization of internal processes moved ahead. Although ALSO's contribution to net profit was less than originally expected, it was still 144% more than the previous year.

On the other hand, the result suffered from substantial negative effects of currency exchange rates, notably devaluation of the Brazilian real and weakening of the euro. These effects reduced consolidated operating revenue by CHF 258 million or 3%.

Despite the operational improvements, and particularly in view of the new economic environment described at the outset, the Group will have to make further substantial improvements in productivity in the current year.

Operational progress, modest growth

Relative to 31.12.2000 the scope of consolidation was expanded to include Schindler India PVT Ltd., India, and Schindler Electronics (Suzhou) Co. Ltd., China. The effect of these first-time consolidations on Group operating revenue and Group operating profit was less than one percent.

In China, there was success in transforming the China-Schindler Elevator Co. (CSE) joint venture into a wholly owned subsidiary company with headquarters in Shanghai. Schindler now has four wholly owned subsidiaries in China, and one with a majority interest of 55%.

Consolidated operating revenue fell in the reporting year by 2.4% from CHF 8 530 million to CHF 8 327 million. In local currencies, there was modest growth of 0.6%.

Consolidated operating profit before interest, taxes, and depreciation/amortization (EBITDA) increased 9% from CHF 624 million to CHF 680 million. In the future, Schindler will use

Schindler *EuroLift*
in the Europe
Hotel in Lucerne,
Switzerland. This
elevator system
is designed for
the mid-range
market segment



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EBITDA as the benchmark and comment on it, since this figure is also published by competing companies and allows more meaningful comparisons to be made. However, EBIT will also still be published in the Financial Report.

Since the end of 2000 the number of employees went down by 1 810, or 4.2%, to 41 524. In the elevator and escalator business, the number employed fell by 1 594, or 3.8%, roughly half of which was attribut-



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able to adjustments in China. At ALSO there was an overall decline in the workforce of 216 employees, or 13.7%, due to restructuring in the systems business.

Consolidated order intake fell by 3.7% from CHF 8 750 million to CHF 8 426 million. Expressed in local currencies, orders were 0.5% below the previous year's value. The consolidated order backlog at the end of 2001 was 8.8% above the previous year's value (9.9% in local currencies) at CHF 4 039 million.

Operational improvements in the elevators and escalators business

Operating revenue in the elevators and escalators business fell by 1.0% from CHF 6 669 million to CHF 6 601 million, although in local currencies it increased by 2.5%. Negative effects of currency exchange rates caused a fall in the reported operating revenue of around CHF 240 million. However, expressed in local currencies, operating revenue rose by 4.4% in North and South America, 2.1% in Asia, and 1.1% in Europe.

EBITDA improved by 6.9% from CHF 612 million to CHF 654 million, and the EBITDA margin rose from 9.2 % to 9.9%. EBIT changed by 11.6% from CHF 422 million to CHF 471 million, and the EBIT margin from 6.3% to 7.1%. The operational improvement is proceeding steadily, but not as rapidly as hoped. Although the proportion of orders comprising new products with a more favorable cost structure has increased sharply, this is not yet reflected in the operating revenue due to the long throughput time of the related construction projects. For example, orders for the Schindler*EuroLift*, which was launched in the reporting year, will only start being executed in 2002. Also in relation to the processes, some of the present best practices can only be enforced within the scope of the reorganization described later in this report. And in China, the delay in obtaining approval for 100% ownership of CSE caused the structural optimization there to fall behind schedule.

Order bookings for elevators and escalators closed at CHF 6 658 million, which was 2.8% less than the preceding year, although in local cur-



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rencies they rose by 0.9%. The proportion of new products in the orders increased to 70%. The new Schindler*EuroLift* line of elevators met with a very good reception in the European market. In North America, order bookings increased thanks to the newly launched Schindler 330 A hydraulic elevator. Schindler also took a successful step toward re-entering the American high-performance segment with

1 Several Schindler*Smart* MRL systems are installed in the Quartiere Via Adriano residential complex; Milan, Italy (Photo: Peter Gunti, Solothurn)

2 The Gateway project in Durban, with two Schindler 9300 outdoor escalators in the main entrance. Numerous other Schindler products are also installed in the Gateway shopping center; South Africa

3 The ultramodern Media House in Hanover is fitted with 4 Schindler*EuroLift* elevators; Germany (Photo: Thies Ibold, Hamburg)



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operational handover of the first elevator installations at the 5 Times Square building in New York. In Asia, there was an overall falloff in orders due to economic factors. However, this did not reduce the strong demand for the new Schindler 500 P elevator line for tall residential buildings, nor for the Schindler 100 C elevator destined for the Chinese residential segment. In the escalators business, Schindler maintained its position as world leader.

In Europe in the years 1999, 2000, and 2001 Schindler sold a cumulative total of more than 32 400 machine room-less elevators, which makes it currently Europe's number one in this most important market segment. To meet the strong demand for on-time delivery of economically priced standardized elevators which are also harmless to the environment, Schindler introduced a new logistics concept and for this innovative process was awarded both the Swiss and the European Logistics Prize for 2001.

Organizational redesign of the Management Committee
Organizational changes at the Management Committee level of the elevators and escalators business, especially affecting Europe, were put into effect on November 1, 2001. They reflect the need to adapt to tougher global competition by greater commitment to continental



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products and the determination to enforce standardized core processes. The organizational redesign is the precondition for increasing operational efficiency and realizing further cost savings.

The country-based group companies in Europe will be managerially realigned to focus more strongly on the two areas of New Installations & Modernization and Maintenance & Repairs. The objective is a radical reduction in complexity as well as tight standardization of processes in line with best practice. A further objective is to reduce overhead costs in the downstream financial administration and IT areas by using shared services.

For this purpose, at the Management Committee level, the European market has been placed under the single management of Miguel A. Rodríguez instead of being managerially split in two as it was formerly. Miguel A. Rodríguez now also has reporting to him the three functional areas of New Installations & Modernization, Maintenance & Repairs, and Production Europe, which will strengthen and standardize the business processes throughout Europe. The functions of Shared Financial Services Europe and Chief Information Technology Officer Europe each report to a specifically responsible member of the Management Committee.

1 In Chiswell Street glass dominates not only the new office building: the three panorama elevators also seem to be made entirely of glass; London, England

2 Complex elevator design for the Seehotel Überfahrt. The floor of the elevator recalls navigation compasses used by mariners. 10 elevators are installed in the hotel; Rottach Egern, Germany



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Heikki Poutanen, Member of the Management Committee formerly responsible for Europe Central, took over management of the new market area of EMIA comprising IMEA (India, Middle East, and Africa) and Eastern Europe. Former IMEA Executive Vice President Richard Maiocchi left the Management Committee to concentrate on special assignments within the Group.

Because information technology increasingly affects the real core



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business, the new position of Chief Information Technology Officer (CIO) was created at Management Committee level, and Brent Glendening, who is an American citizen and until July 31, 2000, was Head of IT at Schindler USA, was appointed to this position on September 1, 2001. Erich Ammann, formerly Head of Area Controlling, and before that CFO of Schindler USA, became Group CFO as successor to Ernst Bärtschi on January 1, 2002.

All other areas of the Management Committee, with Peter J. Zbinden as President, David J. Bauhs as Executive Vice President Americas, Jürgen Tinggren as Executive Vice President Asia/Pacific, Rudolf W. Fischer as Chief Corporate Human Resources Officer, and Jörgen Svenningsson as Chief Technology and Supply Officer, remain unchanged.

ALSO: significant operational improvement

The reporting year brought a contraction in the PC market. In this environment, the revenue of ALSO dropped by 7.3% to CHF 1726 million. However, by comparison with the previous year, operating profit increased from CHF 6 million to CHF 20 million.

The main focus in the Distribution Division was on improving profitability. By concentrating on leading brands, and continuously improving internal efficiency, operating profit of CHF 30.4 million (previous year 37.6 million) was earned despite the falloff in revenue. ALSO's acknowledged competence also gained it a major logistics contract with a substantial service content from Swisscom Mobile.

The renewed drop in demand caused the Systems Division to undertake further restructuring. This allowed the previous year's operational loss of CHF 32.6 million to be reduced to CHF 10.4 million, despite the negative effect of exceptional costs amounting to around CHF 4.2 million.

Dividend and capital structure of Schindler Holding Ltd. Schindler Holding Ltd. closed the 2001 reporting year with a net profit of CHF 115 million (previous year CHF 104 million). The next Annual General Meeting on March 26, 2002, will be requested to approve payment of the same dividend as in the previous year of CHF 50 per registered share and bearer participation certificate.

In accordance with the decision taken at the Annual General Meeting last year, repayment of CHF 35 of the nominal value of each of the registered shares and bearer participation certificates, with corresponding reduction of the capital, was effected on June 22, 2001. The capital structure at the end of 2001 is shown on page 60 of the Activity Report.

1/4 Schindler 9300 escalators and 7 commission elevators provide access to the underwater world of the Nagoya Bay Aquarium; Nagoy, Japan

2/3 Schindler Lifts Hongkong Ltd. won the "Project of the Year Award", presented by trade journal "Elevator World" for its modernization of the elevators in the Mandarin Oriental Hotel, Hong Kong. The installation comprises 6 Schindler 700 elevators with Miconic 10; China



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Improvement of corporate governance

In the mid-term, there should be at least three non-Swiss members of the Board of Directors who directly represent the key market regions of the Americas, Asia, and Europe. With this intention, Dr. Hubertus von Grünberg, Chairman of the Executive Board of Continental Ltd., was already elected to the Board of Directors three years ago. At the forthcoming General Meeting, Scott D. Miller, President of Hyatt Hotels Corporation, will also be nominated for election to the board. In addition, the corporate governance of Schindler Holding Ltd. was substantially improved to match today's international requirements, including revision of the corporate bylaws and establishment of various committees. There is more about this on pages 44 to 49 of the Activity Report.

The program to repurchase a maximum of 6% of the originally outstanding registered shares and bearer participation certificates for the purpose of reducing the capital was completed on November 9, 2001. At the Annual General Meeting in 2000, a first tranche, amounting in total to 1.7% of the shares and participation certificates, was released for elimination with a corresponding reduction in capital. After that date, in a second tranche, a further 17 184 registered shares and 41 725 bearer participation certificates were repurchased. These amounted to 4.3% of the shares and participation certificates outstanding when repurchasing was commenced. A proposal will therefore be made at the upcoming General Meeting to reduce the capital

by eliminating this second tranche. After this reduction, the equity capital will comprise 735 682 registered shares and 550 699 bearer participation certificates.

At the same General Meeting, a proposal will also be made for a further partial repayment of the nominal value of the registered shares and bearer participation certificates of CHF 40 each. The subsequent reduction of the capital will reduce the nominal value per share and participation certificate from CHF 50 to CHF 10 each.

Finally, a proposal will be made to the General Meeting for a 10-for-1 split of the registered shares and bearer participation certificates, thereby reducing the nominal value of both securities to CHF 1 each.

The partial repayment of nominal value, reduction of capital, and share split will take place at the earliest at the end of June 2002, after the legally required notification period has expired.

1 In the reporting year, ALSO again proved its competence in the classical distribution business with the outsourcing of logistics for Swisscom Mobile (Photo: Peter Gunti, Solothurn)

2 14 Schindler 9300 escalators for the Parque Duraznos entertainment and retail center in Mexico City, Mexico



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Outlook for the Group:
productivity improvement is top priority

Despite the economic turbulence, the various measures being pursued to improve productivity will be accelerated. This applies not only to implementing the new organization, but also to simplifying the product range by replacing old products, enforcing standardized processes in line with best practice, and introducing shared services.

The recessionary tendency of the global economy is also becoming increasingly apparent in the demand for elevators and escalators, and consequently adding to pressure on prices. In Europe, there are increasing signs of economic weakening. In North America, the outlook is uncertain: some segments of the market have begun to contract. In South America, where the eco-

nomie climate is difficult anyway, the risk of the exchange rate problems becoming even more acute continues. In South-East Asia the weak growth rate may continue, whereas China should expand further.

In the current year, ALSO anticipates further improvement in income despite restrained demand. The distribution business will continue to focus on strengthening its income. The systems business will implement further measures to increase productivity, after which it should be possible to work profitably again.

On the basis of these assessments, and excluding extraordinary project costs of between CHF 300 and 400 million which have not yet been finalized, the present expectation is for consolidated profit before taxes to be slightly higher in 2002 than in the previous year. If the stated extraordinary project costs were in fact to fall entirely in 2002, the consolidated profit before taxes for that year would be approximately 80%

lower than the corresponding CHF 443 million of 2001. However, for the years 2003 and 2004, substantial improvements in the result are already expected relative to the consolidated net profit now being reported (see Financial Statements, page 36, note 34).

Thanks to employees

The Board of Directors thanks all employees most cordially for their hard work and endeavors in serving our customers. In the face of relentlessly increasing competitive pressure, we all have a duty to question traditional ways and to ensure that the most efficient solutions prevail right across the board. In a world full of radical change and challenge, the company's future can only be secured by its ability to perform.

Alfred N. Schindler
Chairman of the Board of Directors

Luc Bonnard
Vice Chairman of the Board of Directors

1 37 Schindler installations provide mobility aboard the 290 m long and 36 m wide "Golden Princess"

The new ceramic brakes for Schindler 700 high-performances elevators use materials similar to the heat shields on space shuttles



Innovations to benefit the customer

During the reporting year, Schindler presented innovative solutions for improving ride comfort and safety in its high-performance elevators of the future. The latest solutions apply materials used in air and space travel, as well as concepts from the automobile industry.

Active chassis increases comfort and optimizes installation processes

Rope traction elevators function like a funicular railway: the elevator car is pulled by ropes, and slides or rolls up and down guiderails installed in the hoistway. The passive chassis consists of either sliding or rolling guide shoes. The travel characteristics of the car, and therefore the ride comfort of passengers, are directly affected by how precisely the guiderails are installed, because bends, displacements, or unevenness inevitably cause a rough ride. To achieve a comfortable ride, great care has therefore to be taken when installing the guiderails. In skyscrapers and other tall buildings the



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requirements become even more demanding. It requires an even greater effort to align the guiderails completely straight. Moreover, such buildings move in response to temperature variations and wind.

A method of improving ride comfort which has been frequently used to date is a passive stabilization system which uses extra mass to damp vibrations. To achieve this, the elevator car is built to be rather heavy, which has a negative effect on energy consumption in long-term use.

Under the motto "smarter not heavier" Schindler is now using intelligent, actively controlled chassis to achieve a quantum leap in overcoming not only the difficulties of rail alignment but also the limitations of passive elevator chassis. The impulse for this has come from the automobile industry. While the elevator car is in motion, the newly developed active chassis constantly compensates for any disturbing influences which could negatively affect ride comfort. Passengers experience a smooth, comfortable ride of the standard they expect from a high-quality elevator.

Besides this, the new system makes it possible to increase the speed of elevators in tall buildings without subjecting passengers to unpleasant lateral forces. Furthermore, the effort needed for periodic realignment of the guiderails can be reduced. These advantages of active chassis technology make it attractive for use on high-performance elevators with long travel heights, in landmark buildings, and in modernization projects where the guiderails would otherwise have to be reno-



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vated and the use of modern control and drive technology would only improve ride comfort to a limited extent. And finally, this innovation represents a substantial contribution to the environment. Active chassis technology not only reduces the

1 Machine room-less elevators from Schindler make their entrance on the South American subcontinent with the Schindler *Smart* MRL adapted locally for the Brazilian market

2 Active chassis for the cars of high-performance elevators in skyscrapers enhance ride comfort and simplify the installation process (Photo: Peter Gunti, Solothurn)



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energy consumption for operating the elevator, but also increases the comfort and durability of the elevator installation.

Ceramic brakes for greater safety

Every day around the world more than 700 million people entrust themselves to elevators and escalators from Schindler. The safety of all these passengers has the highest priority. As elevators travel higher and faster, the demands on their safety systems become ever more complex. The most important safety component on every elevator is the safety brake, even though it is only intended for extreme emergencies. It makes free fall of the elevator car impossible. If the speed of the car exceeds a predefined nominal value, it is brought to a controlled emergency stop by the safety brake under the car, whose braking wedges grip the guiderails to decelerate the car. In effect, the car becomes deliberately jammed. Enormous amounts of energy are released when this happens. Calculations based on tests show that triggering the safety brake of a freely falling elevator car in a skyscraper (a car weighing 5,000 kg moving at a nominal speed of 10 m/s) releases the same amount of energy as when a 40-ton truck traveling at 70 km/h stops in an emergency. When this occurs, the linings of the safety brake reach temperatures up to 1,200 degrees Celsius.

This is too much for conventional steel brake linings: to handle such amounts of energy the safety brake would have to be much larger and heavier, with correspondingly larger friction surfaces. It is for this reason that Schindler has developed a safety brake with ceramic linings for the new Schindler 700 high-performance elevator. Similar material is used to protect a space shuttle from the intense heat generated when it re-enters the earth's atmosphere. High-performance ceramic is extremely resistant to heat, durable, and also has excellent tribological

1 Car operating panel of the Schindler 500 elevator newly introduced in Asia for travel heights up to 180 meters



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properties (i.e. in relation to friction and wear) which produce a very high braking effect. In contrast to safety brakes with metal wedges, ceramic brakes do not damage the guiderails when mandatory braking tests are performed. The special properties of the ceramic material in conjunction with the cleverly innovative design of the brakes improve braking performance by more than 33%, with a 65% reduction in volume, a 35% reduction in weight, and a 10% reduction in the number of parts, all of which have a positive effect on the energy balance.

Environmentally friendly
Both these innovations not only produce a sharp increase in the performance and benefits of elevator installations, but at the same time also improve their environmental friendliness. The amount of material used in manufacturing components is substantially reduced. But above all, the energy consumed by the elevator in its many years of operation is reduced even further, while the safety and comfort of the installation are increased even more.

High-speed travel tests
The two innovations described above will mainly be used in Schindler's new high-performance elevators. However, the high-performance elevators themselves also have to be subjected to tough, intensive testing under conditions as near as possible to real life. For this purpose, Schindler uses the elevator hoistways in the telecommunications tower of Deutsche Telekom in

Frankfurt, Germany, as a test environment for the components and subsystems (drives, controls, safety systems, etc.) of its high-performance elevators. Schindler particularly values being able to use the telecommunications tower because of its 222 meters hoisting height, which makes it possible to simulate high-speed elevator travel under real-life conditions.

During the reporting year, Schindler performed tests at 10 meters per second with a rated load of 1600 kg on the new Schindler 700 high-performance elevator announced for 2002. These successful travel tests represent an important milestone for the Schindler high-rise business.

1 The production plant for Schindler *Aramid*, the world's first fully synthetic elevator rope, went on stream in the reporting year at Schindler *SynTec* GmbH, which is responsible for manufacturing and marketing the rope; Dortmund, Germany

The custom-built elevator for the headquarters of Motorex harmonizes perfectly with the company's corporate design and underscores its distinctive identity; Langenthal, Switzerland




MOTOREX
of Switzerland

Europe



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Stabilization at high level

Economic developments in Europe during the reporting year were in line with expectations, and until the terrorist attacks on September 11 there were no signs of instability. Those events obviously have an impact on the further pattern of economic activity in Europe, but the magnitude of their effect cannot yet be estimated. The market will also be affected by the introduction of the euro as Europe's common currency: as well as the monetary aspects, this will also indirectly stimulate the general rate of growth and intensify cross-border competition.

Stable market demand and tough competition

In terms of unit volumes, the European markets as a whole remained stable. Competition in all markets became tougher, and especially in the machine room-less elevator segment where other major players took a more aggressive stance in the market. Despite these conditions, order intake by value was held at a pleasing level.



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The modernization business is expected to experience substantial growth in the years ahead, stimulated by phased implementation of the new European Safety Norms for Existing Lifts (SNEL). Implementation in Belgium, where the regulations have been enforced by royal decree, is already starting in 2002.

Good market coverage with new products

In the two key sectors of the market, Schindler's position is good following the broadly-based launch of the Schindler*Smart* MRL 001, Schindler*Smart* MRL 002, Schindler*Smart* MRL 002 DE (design edition), and the Schindler*EuroLift* product lines. The Schindler*Smart* MRL 001 is the most competitive product for the basic segment of residential buildings, while the Schindler*Smart* MRL 002 and the Schindler*Smart* MRL 002 DE offer an attractive alternative for the medium and higher segments of residential buildings and the basic segment of commercial buildings.

The Schindler*EuroLift* is especially valued for its good reliability and appearance. In many markets the elevator has already reached its targeted sales volumes, while in other countries there is still further potential in the basic segment of commercial buildings.

The anticipated upswing in the modernization business will give major importance to the components and kits destined for that area. Introducing competitive solutions is the prerequisite for deriving maximum benefit from implementation of the new safety regulations, as well as for defending and expanding the portfolio in this segment.



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Schindler wins awards

Schindler won several awards in the reporting year, one of which was the Logistics Prize 2001 of the European Logistics Association for its project "Euro-Logistics – a radical

1 6 Schindler 9300 escalators and 6 Schindler 9500 moving walks are installed at the Kuloisten Kaupakeskus shopping center; Raisio, Finland

2 Escalator installations in the new Dock Midfield at Unique Airport. The contract for 39 elevators, 49 Schindler 9300 escalators, and 6 Schindler 9500 moving walks is Schindler's largest-ever order in Switzerland; Zurich-Kloten, Switzerland

3 Schindler delivered 6 elevators and 4 Schindler 9300 escalators for the new Congress Center in Salzburg, Austria



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solution for integrated elevator logistics in the reconfigured Europe". The logistics concept was implemented in association with the development of the new Schindler*Smart* MRL elevator line, and has radically changed processes and structures for the supply and distribution of elevator systems. The logistics had to be redesigned in line with the new situ-

ation in Europe, such as abolition of cross-border customs duties, harmonization of VAT and other legislation, and introduction of the euro. With the new logistics concept, Schindler has succeeded in reducing its environmental burden and cutting logistics costs by as much as 70%, while increasing delivery transparency and reliability for the customer. In their citation for the award, the jury highlighted that "the project clearly demonstrates that integral management of the supply chain can bring impressive improvements in quality and on-time delivery at the same time as cutting costs".

A second honor for Schindler came from the European Commission in the form of its Breaking Barriers Award for the LiftLoc system, which provides handicapped people with special services when using elevators. Schindler was the only company nominated in all three categories – Home & Daily Living, Travel & Leisure, Work and Workplace – and won the award in the Work and Workplace category for the LiftLoc system. At the same time, Schindler was declared winner of an e-mail competition in which consumers could voice their personal opinions. The prize-

winners were nominated and selected by a jury under the chairmanship of design virtuoso Alberto Alessi. LiftLoc is a user recognition system which enables individual users, or groups of users, to be identified by means of a code or personal ID before they enter the elevator car. The underlying Miconic 10 hall call destination system uses this information to provide each user with individual services and functions, as well as to secure the building against unauthorized access. Functions which are activated for handicapped elevator users include longer door-open times to make entering and leaving the car easier, acoustic user guidance for blind people, and allocation of the largest car in an elevator group to wheelchair users. Starting January 2002, the LiftLoc system will be marketed under the new name of Schindler*ID*.

1 The historical exterior of this private viewing tower gives no hint of the state-of-the-art technology inside: a Schindler*Smart* MRL 001 machine room-less elevator; Cserseztomaj, Hungary

2 On behalf of Schindler, Guntram Begle, Miguel A. Rodríguez, and Stefan Kreidler (l to r) accept the European Award for Logistics Excellence 2001 presented by the European Logistics Association

3 The first Schindler*Smart* MRL 002 DE elevator in Slovakia was installed in a commercial building in Bratislava



Major orders

Austria:

24 Schindler *Smart* MRL 002 elevators for refurbishment of GWG residential buildings, Linz; 21 Schindler *Smart* MRL 002 elevators for WAG residential buildings, Linz; 9 Schindler *EuroLift* elevators for the Office Provider office building, Vienna; 10 Schindler *EuroLift* elevators for the Muthgasse office building, Vienna; 2 Schindler 9300 open-air escalators to transport people to the base terminal of the Zauchensee ski region, Salzburg; 12 Schindler *EuroLift* elevators, 6 freight elevators, and 22 Schindler 9300 escalators for the Shopping City retail center, Seiersberg; 7 elevators, including 4 Schindler *EuroLift*, and 4 Schindler 9300 escalators for CCA City Center, Amstetten

Czech Republic:

8 moving walks for Ruzyně Airport, Prague; 6 elevators, including 3 Schindler *EuroLift*, for the Prague Gas Company Headquarters, Prague; 5 Schindler 700 elevators with Miconic 10 and 3 Schindler *EuroLift* elevators for the Raiffeisen Bank office building, Prague; 9 Schindler 9300 escalators and 12 elevators for the Bertelsmann commercial building, Prague; 15 Schindler *Smart* MRL 001 elevators for the Černý Most housing estate, Prague

Finland:

10 Schindler *Smart* MRL 002 elevators for the Espoon Villa Laguuni residential building, Espoo; 2 Schindler *EuroLift* elevators for the Avia Forum office building, Vantaa; 3 Schindler *Smart* MRL 002 elevators for the existing Katajanokan Amiraali residential building, which previously had no elevator, in Helsinki

France:

26 elevators, including 15 Schindler *EuroLift*, one platform elevator, and 2 Schindler 9300 escalators for the headquarters of Crédit Lyonnais Bank, Paris; 5 Schindler *EuroLift* elevators with Miconic 10 for the Le Dauphiné Part-Dieu office building in the business center of Lyon; 8 Schindler *EuroLift* elevators for the Axe Pleyel office building, Saint-Denis; maintenance contract for 32 elevators (4 octoplexes) at Cœur Défense, La Défense, Paris; upgrading of 60 elevators with Servitel at a low-rise residential building, Dieppe; modernization of 42 elevators, 32 with gearless drives, at the Colline de Saint-Cloud luxury office complex; maintenance of 44 elevators with Servitel at the C.H.U. Haute-Pierre Hospital, Strasbourg

Germany:

34 Schindler *Smart* MRL 001 elevators for the Hellersdorf residential building, Berlin; 30 Schindler 9300 escalators, 21 commission elevators, 1 Schindler *EuroLift* elevator, and 3 special elevators for the Altmarktgalerie office building, Dresden; 19 Schindler *EuroLift* elevators and 2 commission elevators for the Wappenhalle residential building in Munich-Riem; 8 panorama elevators, 4 freight elevators, 3 Schindler-



EuroLift elevators, and 1 elevator for handicapped people for the DEKA Herriot office building, Frankfurt; 4 Schindler *EuroLift* elevators and 2 panorama elevators for the Gruga Essen office building, Essen; 12 Schindler 9300 escalators, 26 commission elevators, and 2 Schindler *EuroLift* elevators for the Space Park entertainment center, Bremen

Great Britain:

37 Schindler 9300 escalators for various buildings at Canary Wharf, London; 11 elevators for Greenside Place Leisure Complex, Edinburgh; 7 elevators, including 2 panorama elevators, for Bunhill Row office building, London; 7 elevators, including 4 with Miconic 10, for AIG, Fenchurch Street, London; 14 Schindler 9300 escalators for Central Shopping Complex, Croydon

18 Schindler 9500 moving walks provide mobility at Munich's "Neue Messe". 12 moving walks of the same type were already installed in the first phase of extension; Germany

The Schindler *Smart* MRL 002 DE (design edition) elevator installed in the Diversia shopping and leisure center demonstrates how this machine room-less line of elevators for the basic segment is readily adaptable even though it is highly standardized; Alcobendas, Spain



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Greece:

12 Schindler 9300 escalators for the Athens Concert Hall; 7 traction elevators for the Hospital of the Olympic Games, Athens; 6 SchindlerEuroLift elevators for the new office building of Alte, a major Greek construction company, Athens

Italy:

14 elevators and 2 escalators for Palese Airport, Bari; 24 SchindlerSmart MRL 001 elevators for a residential building, Salerno; modernization of 7 elevators for the US Navy, Naples; modernization of 6 elevators, 14 moving walks, and 1 Schindler 9300 escalator at Fiumicino Airport, Rome; 37 elevators and 4 Schindler 9300 escalators for the Queen Mary II cruise liner; 5 Schindler 9300 escalators for the city walls of Arezzo

Luxembourg:

11 elevators, including 3 SchindlerEuroLift and 6 with Miconic 10, for the Deka Bank, Luxembourg

1 The Twin Towers office and movie theater building for which Schindler supplied 10 Schindler 9300 escalators; Vienna, Austria

2 10 Schindler 9300 escalators in the luxurious Eldorauto car accessory store; Paris, France

3 The impressive Wöhrl Plaza in Würzburg where 6 Schindler 9300 escalators clad with satinized glass and two panorama elevators installed in the atrium fit in perfectly with the graceful light-flooded architecture of the building; Germany

Norway:

6 elevators for modernization of the Finnmarken ship which sails between Bergen and Kirkenes; 2 elevators for the Grane Field North Sea oil platform, planned to go into operation in 2003; 2 elevators for the Kvitebjørn Field North Sea oil platform, planned to go into operation in 2004; 35 SchindlerSmart MRL 002 and SchindlerEuroLift elevators for several residential buildings of Selvaag, a general contractor; 7 SchindlerEuroLift and commission elevators for Tønsberg Regional Hospital; 14 Schindler Smart MRL 002 elevators for Etterstadkroken residential buildings, Oslo

Portugal:

Partnership agreement with the Accor Amorim Group to supply and install more than 150 elevators (mostly SchindlerEuroLift and SchindlerSmart MRL 002) for 23 new hotels being built in Portugal in 2001 and 2002; in partnership with the Sonae Group, 8 Schindler 9300 escalators, 4 Schindler 9500 moving walks, and 9 elevators for the Algarve Shopping retail center in Albufeira, Algarve; in partnership with the Sonae Group, 3 Schindler 9300 escalators, 6 Schindler 9500 moving walks, and 7 elevators for the Madeira Shopping retail center in Funchal, Madeira

Slovakia:

2 SchindlerSmart MRL 001 elevators, one freight elevator, and 2 Schindler 9300 escalators for the SOK sports, leisure, and cultural center, Zilina; 2 SchindlerSmart MRL 001 elevators and 2 SchindlerSmart MRL 002 elevators for the residential and commercial building at the main railroad station in Bratislava

Spain:

6 SchindlerEuroLift elevators, 48 commission elevators, and 20 Schindler 9300 escalators for the high-speed railway (AVE) station, Zaragoza; 18 Schindler 9300 escalators, 6 Schindler 9500 moving walks, and 11 elevators for the Siete Palmas commercial center, Las Palmas; 26 elevators for the North Terminal of Barajas Airport, Madrid; 8 elevators for Santiago Bernabeu football stadium, Madrid; modernization of 8 elevators at the Hospital De Avilés, Avilés, Gijón; modernization of 6 elevators at the Hospital Ciudad de Jaén, Jaén; modernization of 5 elevators for the E.T.S.E.I.B. School of Engineering, Barcelona

Switzerland:

12 elevators, including 5 Schindler 500 and 3 SchindlerEuroLift, for the diAx Tower, Zurich; 12 elevators, including 9 SchindlerEuroLift, for Swiss Federal Railways (SBB), Basel; 2 elevators for hospital Inselspital, Berne; 15 SchindlerEuroLift elevators for the SUVA Innovation Center, Root; 8 elevators, including 6 SchindlerEuroLift, for the main railroad station in Zug; 11 Schindler 9300 escalators for the Manor Shopping Center in Bahnhofstrasse, Zurich; 9 elevators, including 6 Schindler 500, and 2 Schindler 9300 escalators for the Messeturm Basel, Switzerland's tallest building

Several Schindler 9300 escalators and Schindler 9500 moving walks take care of passenger mobility at Ataturk Airport; Istanbul, Turkey



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Americas

Position held under difficult conditions

The North American economy was in a fragile state in the reporting year, with most indicators trending downward. Steadily declining consumer feeling and increasing unemployment caused development in the second half-year to go negative. With the outlook for corporate earnings generally bleak, and capacity utilization also at a low level, there is no turnaround in sight before 2003. The events of September 2001 plunged many business sectors into distress, causing increas-

ingly numerous liquidity crises and escalating corporate bankruptcies. The prospects are extremely uncertain, and the economic road ahead will be rough. A recovery can only be expected in the second half of 2002 at the earliest.

In Brazil, where the economy had been trending continuously up for more than two years, there were negative effects from an unexpected energy crisis as well as a number of external factors. These included the economic crisis in Argentina and slower growth in the USA, which together caused the Brazilian currency to lose more than 35% of its value and interest rates to be increased.

North American construction industry loses dynamism

The North American construction industry generally lost dynamism during 2001, but to varying extents in the different segments. Investments in properties for rental declined parallel to the decelerating rate of growth. The hotel and retail segments were especially weak. Added to this, there was a fall-off in demand for office buildings as the high-tech markets came to an abrupt halt.

The downward trend will continue at least for the first half of 2002. Although the rate of decline for income properties should become less severe as the year progresses, there will be less publicly funded construction investment due to changed spending priorities. A further effect of the uncertainty caused by the incidents of September 2001 will be to dampen airport terminal construction and most probably delay building of new sports complexes. Schindler has a very high order backlog, which will act as a buffer against these negative developments.



Successful new installations business

The new installations business again set new records in 2001, both for number of units and market share. Market leadership in escalators for commercial applications was also maintained. The launch of the new Schindler 330 A hydraulic elevator improved the company's position in the basic segment of the market. On the other hand, modernization business in the year under review suffered from projects being delayed or postponed in the aftermath of September 11.

During the reporting year there was a surplus of vacant office space, mainly attributable to a standstill in formation of new companies, which

1 At the Minnesota Life office building, two groups of 5 and 6 elevators are controlled by the Miconic 10 hall call destination system. This is the first multi-group installation of Miconic 10 in North America; St. Paul, Minnesota, USA

2 Schindler installed a total of 64 elevators and 64 Schindler 9300 escalators in the Pentagon; Arlington, Virginia, USA

3 Fifth Street Towers, two commercial buildings where Schindler installed 31 elevators and 4 Schindler 9300 escalators; Minneapolis, Minnesota, USA



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put additional pressure on lease rates. Consequently, prices in the maintenance business are still exposed to aggressive competition. Productivity in the maintenance area must be increased in the future by greater utilization of technologies for remote monitoring of elevator installations. A further prerequisite for delivering additional value to service customers is to introduce new high-tech solutions providing online access to building information.

Success in high-rise segment
 Since taking over Westinghouse in 1989, Schindler had concentrated its new installation elevator activities in North America entirely on the hydraulic segment, because



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this makes up the greater part of the elevator market. In the reporting year, re-entry into the prestigious high-rise segment was achieved. Handover of the first group of eight elevators ordered for 5 Times Square (see also photo 1 on this page) in New York represents the achievement of a true milestone.

New products bring success in South America

Although market volume in Brazil remained stable relative to the previous year in terms of units, Schindler defended its strong market position with its wide coverage and use of global Group technologies. At the end of 2001, the machine room-less elevator Schindler *Smart* MRL 002 was launched in the Brazilian market, from where it will also be exported to other countries in South America. This is a further improvement to the existing range of products, which already cover all segments of the market. They especially include the revolutionary Miconic 10 elevator control system, which is mainly offered for high-performance elevators in commercial buildings at the top end of the market.

Mexico's construction industry was negatively affected by slower growth of the US economy, but was still able to stay on an expansion path because low interest rates on bank loans encouraged investors to put money into real estate. Thanks to the newly launched Schindler 310 L and 510 L elevator models, as well as the success of the Miconic

10 elevator control system in the commercial buildings segment, market share was gained, allowing the market leadership position to be consolidated further. The Mexican subsidiary restructured, sold its local production plant, and moved into new business premises.

Although other Latin American markets were negatively affected by the difficult business climate, Schindler was able to maintain its strong position.



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1 Installation of the first group of eight elevators at 5 Times Square in New York marked Schindler's successful re-entry into the high-rise segment in North America; USA

2 The Torre la Castellana commercial building has a total of 7 elevators in operation, including 5 with a speed of 2 meters per second; Caracas, Venezuela

3 In the Carrefour Tienda Ajusco-Picacho department store, 6 Schindler 9500 moving walks take care of customer mobility while a separate freight elevator ensures a smooth flow of goods; Mexico City, Mexico



CAR NO. 2



Major orders

California:

Maintenance contract for 30 elevators and 26 escalators at the Unified Port District Airport, San Diego; maintenance contract for 48 elevators for ANJAC Fashion Commercial Buildings, Los Angeles

Illinois:

Maintenance contract for 19 elevators at the One East Wacker office building, Chicago; maintenance contract for 10 elevators at the Presidential Towers residential and commercial building, Chicago

Maryland:

8 Schindler 9300 escalators and 8 Schindler 9500 moving walks for expansions to Washington International Airport, Baltimore; maintenance contract for 116 elevators and 4 escalators at Johns Hopkins Hospital, Baltimore

Minnesota:

Maintenance contract for 31 elevators and 4 escalators at Fifth Street Towers office complex, Minneapolis

Nevada:

37 Schindler 9300 escalators and 14 hydraulic elevators for the Fashion Show Mall, Las Vegas; maintenance contract for 12 escalators and 6 elevators for the Flamingo Road at Boulevard Pedestrian Bridge, Las Vegas

New York:

30 elevators, including 20 with Miconic 10, for Times Square Tower, New York City

Environmental friendliness and innovative technology are features of the Schindler 330 A. Most elevators sold in America are hydraulic. This elevator is installed at the Hilton Garden Inn, Canonsburg, Pennsylvania, USA



Ohio:

Maintenance contract for 18 elevators at Huntington office building, Cleveland

Texas:

Maintenance contract for 197 elevators at Texas A&M University, Houston; maintenance contract for 25 elevators at Millennium Center office building, Dallas; maintenance contract for 6 elevators at The Center office building, Houston; 26 elevators, including 12 Schindler 700, and 10 Schindler 9300 escalators at Houston Convention Center Hotel, Houston

Canada:

6 Schindler 9300 escalators and modernization of 3 elevators for the Hyatt Regency Hotel, Vancouver; 2 Schindler 9300 escalators for the Northlands Village Shopping Mall, Calgary; 4 Schindler 300 A elevators and one Schindler 9300 escalator for the Embassy Suites Hotel, Markham, Toronto; 6 Schindler 9300 escalators and 3 Schindler 330 A elevators for Union Railroad Station, Toronto; 4 Schindler 330 A elevators and 4 Schindler 9300 escalators for London Arena, Hamilton; 8 Schindler 9300 escalators for the Museum of Civilization, Ottawa; 6 Schindler 9300 escalators for the Bureau d'Affaires CDPQ commercial building, Montreal

Argentina:

20 Schindler 310 L elevators for Madero Plaza residential building, Buenos Aires

¹ The Palácio do Planalto, residence and office of the Brazilian president, where 8 elevators were modernized. The nation's most important public building was designed by architect Oscar Niemeyer; Brasília, Brazil

Brazil:

11 elevators, including 10 with Miconic 10, for the ItauSA Invest commercial building, São Paulo; 25 Schindler 9500 moving walks for Sonae, Porto Alegre; 10 Schindler 9500 moving walks for the Pão de Açúcar supermarket, São Paulo; 12 Schindler 9300 escalators and 2 elevators for the bus/subway station and shopping mall, Belo Horizonte; maintenance contract for 16 elevators at Banco Central do Brasil, Brasília; maintenance contract for 48 eleva-



tors at the Brazilian Central Court of Justice, Brasília; maintenance contract for 28 elevators at the Banco do Brasil commercial building, Brasília; maintenance contract for 15 elevators at ABN AMRO Real Bank, São Paulo; modernization of 11 elevators at the Embratel telecommunications company, Rio de Janeiro; modernization of 22 elevators and 10 escalators at Venancio shopping malls, Brasília; modernization of 16 elevators at the Felizardo Furtado residential building, Porto Alegre; modernization contract for 14 escalators and 8 elevators at the Pátio Brasil shopping mall, Brasília; modernization contract for 25 elevators of the Petrobrás oil company, Rio de Janeiro



Zentrum Corporate Tower, Mexico City; 8 escalators for 4 different department stores of the Milano chain; 10 elevators, including 9 with Miconic 10, for Marly Corporate Tower, Mexico City; 11 elevators, including 9 with Miconic 10 and 1 Schindler 330 A, for Qurvic Corporate Tower, Mexico City; 10 elevators, including 9 with Miconic 10, for AICON Corporate Tower, Mexico City; 9 elevators, including 6 Schindler 510 L and 2 Schindler 330 A, for the Velas Hotel, Nayarta; 9 Schindler 510 L elevators for the Mayer Levy residential project, Cuajimalpa Federal District; 8 Schindler 510 L elevators for the Cabo Lindo Hotel, Los Cabos; 6 elevators, including 3 with Miconic 10, for the Intelicorp Building, Mexico City

Venezuela:

5 elevators for the Teleferico El Avila cable car station, Caracas; 4 elevators with Miconic 10, 4 panorama elevators, and 2 escalators for the Torre Platinum office building, Valencia; 6 escalators and 4 elevators for the Buenaventura shopping center, Guarenas; 6 escalators and 6 elevators for the Hyperinversiones Shopping Center, Maracay

1 Modernization contract for the offices of Sudameris, a major bank, on the Avenida Paulista, heart of Brazilian business; São Paulo, Brazil

2 In the Isidora 2000 commercial building, 11 elevators with Miconic 10 serve the 27 floors with a speed of 2.5 meters per second; Santiago, Chile

Chile:

8 elevators, including 6 with Miconic 10, for the Vicente Huidobro office building, Santiago de Chile; 8 Schindler 100 L elevators for Icafal Ltd. residential building, Santiago de Chile; 6 Schindler Smart MRL 001 elevators for the Ralún Ltd. residential building, Santiago de Chile

Mexico:

67 Schindler 100 L elevators for Cuatro Caminos Social Housing Development, Mexico City; 10 elevators, including 9 with Miconic 10, for

The world-unique Miconic 10 hall call destination system increases the capacity of the three-car elevator system in the offices of Ing. Moisés Farca; Mexico City, Mexico



Asia/Pacific

Market position stronger despite lower momentum

Economic recovery throughout the Asia/Pacific region lost momentum in the reporting year, with all countries experiencing slower growth in 2001. Caused by globally declining demand, this development was especially marked in countries heavily dependent on exports, such as Singapore, Malaysia, Taiwan, and Hong Kong. On the other hand, there were positive developments in China, where robust domestic demand caused GNP to rise more than 7%.



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The construction industry as a whole was negatively affected by the less rapid development of the economy. Demand fell particularly sharply in Southeast Asia, whereas in other countries the decline was barely perceptible. In China and Japan there was massive public investment activity in infrastructure and residential buildings, which compensated for the fall-off in other segments.

The possibility of a prolonged economic downturn in the USA, and the unclear prospects for Japan, cloud the economic outlook for 2002 with uncertainty. However, some potential for stimulating demand exists: firstly, due to China's entry into the World Trade Organization (WTO); secondly, due to substantial reductions in taxation in Taiwan, Korea, and Thailand; and thirdly, due to major construction projects initiated in China and Hong Kong.

Products well received by market

Several products were launched in the reporting year. The innovative, pre-assembled Schindler 500 P elevator system designed for medium- to high-rise buildings met with good market acceptance in China, Hong Kong, and Southeast Asia. The Schindler 100 C elevator designed for residential buildings in China experienced strong demand. Its range of application was also extended to address new market

1 In Kuala Lumpur's main railroad station 18 commission elevators and 25 Schindler 9300 escalators ensure speedy train connections; Malaysia

2 The Island Resort residential development has more than 40 Schindler 700 high-performance elevators, 22 commission elevators, and 9 Schindler 9300 escalators. These include 32 elevators with Miconic 10 hall call destination control systems which check residents' identification cards to give them access to their respective floors. It is the first installation of this type in Hong Kong; China

3 A machine room-less Schindler 300 J MRL version of the proven Schindler 300 elevator line was installed in the Hysteria Glamour commercial building; Osaka, Japan



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segments. Thanks to the new Schindler 9700 escalator, which is specially intended for use in traffic-intensive transportation situations such as subway stations, a number of significant orders were won in this important market segment. All the new products therefore made a substantial contribution to enhancing Schindler's market position.

The trend to machine room-less elevators became much more pronounced in the reporting year. The market launch of the new Schindler 300 P MRL machine room-less elevator system scheduled for spring 2002 is therefore perfectly timed.

Improved competitiveness

Numerous projects for optimizing components and products delivered outstanding results. In addition, re-engineering of key processes and the introduction of shared services sharply improved productivity, which showed through in both the new installations and maintenance businesses. The new electronics factory in Suzhou, China, and the expanded responsibilities for escalator manufacturing in China and Malaysia, contributed to improving the cost situation.

To keep the structure in line with market needs, elevator manufacturing in Malaysia was discontinued at the end of 2001. By redistributing the production volume to other plants, costs were substantially reduced while maintaining customer service at a high level.

New corporate structure in China

Negotiations with the joint venture partners of China-Schindler Elevator Ltd. came to a positive conclusion, allowing the company to be completely taken over by Schindler. Operational improvements already initiated at the company are encouraging: they will be pursued even more vigorously in 2002. The newly gained independence simplifies operational management, enabling Schindler to coordinate better its total operations in China and bring them into line with Group strategy. Elimination of costly functional duplication, as well as intensive coordination of marketing activities, will improve Schindler's competitiveness and strengthen its position in one of the world's most important growth markets.

1 The China Century Monument where 4 Schindler 9300 escalators, including 2 outdoor versions, are installed. The order also included 1 freight and 3 kitchen elevators; Beijing, China

2 Visitors to Taichung Central Shopping Mall have 24 Schindler 9300 escalators and 10 Schindler 9500 moving walks at their disposal; Tai Chung, Taiwan



Major orders



Australia:

8 Schindler 9300 escalators and 12 hydraulic elevators for the Westfields Hornsby shopping center, Sydney; 4 Schindler 9300 escalators, 8 Schindler 9500 moving walks, and 1 hydraulic elevator for the Eastlands shopping center, Melbourne; 5 Schindler 300 P elevators and 1 Schindler 300 P MRL elevator for the Watermark residential building, Sydney; 11 Schindler 9300 escalators, 2 Schindler 300 P elevators, and 4 hydraulic elevators for the Macarthur Chambers residential and commercial development, Brisbane

Brunei:

3 elevators for Suri Seri Hospital, Brunei

China:

26 Schindler 9300 escalators for the Xin Min Line of Shanghai Light Railway, Shanghai; 15 Schindler 9300

escalators for the Shanghai Magnetic Suspension Railway; 8 Schindler 700 elevators, 25 Schindler 9300 escalators, and 10 elevators for the Chongqing Southwest commercial center, Chongqing; 124 Schindler 100 C elevators for the Hong Shi Yue residential building, Urumqi; 16 Schindler 9500 moving walks for the Century Mart supermarket, Shanghai; 38 Schindler 9300 escalators for the second phase of Junefield Plaza shopping center, Beijing; 16 elevators, including 13 Schindler 700 with Schindler/D and CIS-e-vision for the Shangmao Century Plaza shopping center and office building in Nanjing, which is Nanjing's tallest building

Hong Kong:

48 Schindler 9700 escalators for railroad stations of KCRC East Rail Extension; 11 Schindler 300 P elevators and 6 Schindler 700 elevators for Kwai Chung Estate apartment building; 14 elevators, including 7 Schindler 300 P MRL, for the Logistics Center at Hong Kong International Airport; 36 elevators, including 23 Schindler 700 and 6 Schindler 500 P, and 3 Schindler 9300 escalators for the K2 Urban Renewal office and hotel building; modernization of 19 elevators, including 18 Schindler 700, for the Edinburgh Tower office building; 22 elevators, including 18 Schindler 500 P and 3 Schindler 300 P, for the Tieh Chu Center residential building

Indonesia:

4 Schindler 100 P elevators for the Bank of Indonesia, Surabaya; 2 Schindler 9500 moving walks and 2 elevators for the Carrefour Puri Indah shopping center, Jakarta

Japan:

8 elevators for the Murayama Danchi metropolitan residential building, Tokyo; 2 elevators for the Otaki dam in Kinki District; 4 Schindler 300 J MRL elevators for Hitotsubashi University International Affairs Office, Tokyo; 3 Schindler 300 J MRL elevators for the Sugawara prefectural high-rise residential building, Osaka; 3 Schindler 300 J MRL elevators and 1 service lift for the Akasaka 6-chome Special Care Nursing Home, Tokyo; 9 Schindler Smart J elevators complete with hoistway structure for the Shimoshinjo residential building, Osaka

1 127 Schindler 9300 escalators were supplied for the first phase of extensions to the Shanghai Light Rail System; China

36 Schindler 700 high-performance elevators are in operation at the Plaza 66 commercial building in Shanghai, China



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Malaysia:

42 Schindler 9300 escalators, 6 Schindler 9700 escalators, 12 Schindler 9500 moving walks, and 63 elevators, including 25 Schindler 300 P, for the shopping center, convention center, and office buildings in Putrajaya, the new administrative city of the federal government; 24 elevators, including 6 Schindler 300 P, and 2 Schindler 9300 escalators for the apartment, college, and hospital complex of Sungai Buloh Hospital, Selangor; 12 Schindler 100 P

elevators for Sains Malaysia Asrama University, Penang; 14 elevators for Kuala Lumpur General Hospital, Kuala Lumpur; 12 Schindler 300 P elevators for Mara Teknologi University, Penang; 31 elevators for Petronas Teknologi University, Perak

Myanmar:

3 elevators for the Singapore Embassy, Yangon

Philippines:

12 Schindler 9300 escalators and 1 elevator for Quezon City metro station; 8 elevators, including 7 Schindler 300 P, for the Cebu Hilton Resort & Towers Hotel, Cebu

Singapore:

9 elevators for the Cable Car Tower office building; 9 elevators for the Parke-Davis industrial building; 25 elevators and 6 Schindler 9300 escalators for an office building at the Harbourfront; 20 elevators, including 3 Schindler 300 P, for the Woodlands Spectrum 2 office building

Taiwan:

9 elevators, including 4 Schindler 300 P, for the SET TV Headquarters Office Building, Taipei; 12 Schindler 9500 moving walks for the Taiwan Sugar Nan Zi shopping center in Kaohsiung; 19 Schindler 300 P elevators and 8 Schindler 9300 escalators for the Taipei Silicon #1 Office Building, Taipei

Thailand:

15 Schindler 9300 escalators, 8 Schindler 9500 moving walks, and 8 elevators for the Big C Rajdamri shopping center, Bangkok; 7 elevators, including 3 Schindler 300 P, for the Mayfair Marriott Executive Apartments, Bangkok; 4 Schindler

9300 escalators, 5 Schindler 9500 moving walks, and 5 elevators for the Carrefour Onnuch shopping center, Bangkok; 14 elevators, including 6 Schindler 300 P, for the Central Plaza Rama II shopping center, Bangkok; 12 Schindler 9300 escalators and 15 Schindler 9500 moving walks for Tesco Lotus Supercenters in five cities

Vietnam:

2 Schindler 100 P elevators for Da Nang Airport, Da Nang; 4 Schindler 100 P elevators and 4 Schindler 9300 escalators for Da Nang Business shopping center, Da Nang; 55 Schindler 100 P elevators for various apartment buildings in Hanoi; 2 Schindler 9300 escalators and 1 elevator for Noi Bai Airport, Noi Bai

1 The David Jones Shopping Center is served by 32 Schindler 9300 escalators; Sydney, Australia

2 The luxurious Roxas Triangle residential complex is fitted out with 9 Schindler 700 high-performance elevators; Makati City, Philippines



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People living in the Kerry Residence apartment complex have 12 Schindler 500 elevators at their disposal which are specially designed for mid-rise travel heights; Shanghai, China



India, Middle East and Africa (IMEA)

Consolidation in a sensitive region

Business activity in the IMEA region continued to be heavily influenced by the political situation. The aftermath of the terrorist attacks in the USA negatively affected the economic climate in all countries.

Despite a more aggressive stance by other major players, Schindler was able to strengthen its position in the most important markets of IMEA. All subsidiaries in the region endeavored to increase productivity and income by strictly aligning their business activities to the Group strategy. In doing so, the companies focused on improving customer orientation and quality of service. New global products were launched, and their success in the market has been sustained.



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Market penetration and reference projects in India

Business in India benefited from a growing market, even though there were preliminary signs of an economic slowdown. Thanks to the introduction of modernization solutions tailored to the Indian market, which went hand in hand with development of a service and maintenance organization, Schindler is now clearly identifiable as a leading player in the Indian elevator market. A noteworthy example is the modernization project for the Stock Exchange building in Bombay, where Schindler replaced the existing elevator installations with eight Schindler 300 P elevators and



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Miconic 10. By winning the order to supply the new Delhi Metro Rail subway system with 50 Schindler 9700 escalators – which were specially developed for transport applications – Schindler has now also taken the leading position in India's escalator market.

Complex economic environment in the Middle East and Persian Gulf

The market situation varied from country to country. In Lebanon, both the economy as a whole and the construction sector remained flat. In Israel, the political situation had a dramatically negative impact on the

1 Lobby for the 11 panorama elevators in Melrose Arch; Sandton, South Africa

2 A wide range of elevator types is installed for the transportation of people and goods in the Dubai Fairmont hotel and exhibition complex. They comprise 9 panorama, 13 passenger, and 8 freight elevators, as well as a hydraulic platform; Dubai

3 2 Schindler 300 P elevators are installed in the Godrai Bay View residential complex, Bombay, India



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construction industry and tourism. By contrast, the infrastructure sector and building industry in Iran experienced a boom. Schindler expanded its market presence there



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and won a major contract to supply 189 escalators for the Teheran subway system. The market position in the Persian Gulf region was also strengthened by introducing new products. This was against a backdrop of a slight economic upswing, especially in Kuwait

Market position in North Africa retained

In Egypt, Schindler put up a strong performance despite a recession and tough competition. In Morocco it was possible to retain market leadership, even though the economy steadily deteriorated.

Greater customer satisfaction in southern Africa

Despite stagnating markets, Schindler maintained its strong position in South Africa, Namibia, Botswana, and Mozambique. The Schindler *Smart* MRL 001 and Schindler *Smart*

MRL 002 machine room-less elevators made a major contribution to increasing new installation sales. Success in modernization came mainly from the enormous potential of the Miconic 10 control system, as well as greater utilization of Group components.

In Zimbabwe and Kenya demand for new installations remained low due to economic crisis. On the other hand, maintenance business in these markets developed well.

During the reporting year, Schindler improved customer satisfaction throughout the region. Progress continued on aligning the local companies to new social and legal structures incorporating government programs (Employment Equity Plan, Affirmative Action Initiative, etc.) for prohibiting discrimination against minorities and promoting equal employment opportunities.

- 1 **15 elevators are installed in the government offices in Haifa, including 4 with speeds of 4 or 5 meters per second; Israel**
- 2 **In the new headquarters of the Moroccan Bank Corporation a total of 6 elevators were installed, which include 2 panorama elevators with a view to the atrium; Casablanca, Morocco**
- 3 **Panorama elevator in the Gateway shopping center; Durban, South Africa**



Major orders

Bangladesh:

7 Schindler 700 elevators for the Westin Hotel, Dhaka; 6 escalators for the Shezan Point commercial building, Dhaka

Dubai:

9 Schindler 500 elevators for the Capricorn Towers commercial and residential building, Dubai; 10 elevators for the Beach Resort Hotel, Dubai

Egypt:

Modernization of 12 elevators for two Safir Hotels, Cairo; 10 escalators, 39 Schindler *Smart* MRL 001 elevators, and 5 Schindler *Smart* MRL 002 elevators for the El Rehab Project, Cairo; 3 elevators for the Mubarak Pumping Station in Toshka, the largest national project in Egypt, for creating a new valley near Aswan

India:

7 Schindler 300 P elevators with Miconic 10 for Hiranandani Gardens residential buildings, Mumbai; modernization of 8 Schindler 300 P elevators with Miconic 10 at the Bombay Stock Exchange, Bombay; 34 Schindler *Smart* MRL 001 elevators for the National Games Village residential complex, Hyderabad; 50 Schindler 9700 escalators for the Delhi Metro Rail Corporation, New Delhi; 16 Schindler 001 elevators for the Tata Housing Sherwood residential building, Bangalore

32 Schindler elevators, including 11 panorama elevators, as well as 6 Schindler 9300 escalators are in operation in the Melrose Arch office, shopping, residential, and leisure complex in Sandton, South Africa

Iran:

189 Schindler 9300 escalators for the Teheran Metro; 4 elevators for the Saba Towers residential building, Teheran

Israel:

4 high-rise elevators for the Kanyon Kiryat Ono Tower office building, Kiryat Ono; 9 elevators for the State Comptroller's Offices, Tel Aviv; 8 elevators and 6 Schindler 9300 escalators for the Haifa Auditorium shopping center, Haifa

Jordan:

9 elevators for the Le Meridien Hotel, Amman

Kenya:

5 elevators for the US Embassy, Nairobi

Kuwait:

16 Schindler 700 elevators and 8 escalators for the Arraya Center shopping center and hotel, Kuwait City; 7 elevators and 6 escalators for the Hawalli Commercial Complex, Hawalli; 6 Schindler 500 elevators for the Burgan Bank, Kuwait City

Mali:

7 elevators for the Hôtel de l'Amitié, Bamako

Malta:

29 Schindler *Smart* MRL elevators for the Hilton hotel and residential complex, Portomaso; 56 elevators and 2 escalators for the hospital in La Valletta



1

Morocco:

18 elevators for the Zenith Millennium office building, Casablanca; 10 elevators for the Atlas Asni Hotel, Marrakesh; 8 elevators for the Sheraton Hotel, Marrakesh; 2 Schindler 9300 escalators and 1 elevator for Menara Airport, Marrakesh

Nigeria:

4 elevators for the Bank of the North, Kano

Saudi Arabia:

70 elevators for the Saudi National Complex residential building, Mecca; 5 elevators for the Saudi Telecom Company commercial building, Riyadh; 4 elevators for the Marriott Hotel, Medina

Syria:

21 elevators for the Al-Bab, Azaz, and National hospitals, Aleppo; 23 elevators for the hospital in Lattakia

14 escalators and 1 Schindler *Smart* MRL 002 are installed in the El Rehab shopping center; Cairo, Egypt





A former theater was converted into the El Ateneo Gran Splendid bookstore, the largest bookstore in South America. Quiet Schindler 9300 escalators connect the fantasy worlds of literature; Buenos Aires, Argentina



ALSO



1



2

Demanding year for ALSO

ALSO, which is active in the IT logistics and services business, had a demanding year. Heavy customer spending on IT prior to the new millennium, combined with an unexpectedly rapid weakening of the economy, caused the PC market throughout Europe to contract

In Emmen/Lucerne ALSO handles the entire e-fulfillment for Swiscom Mobile as an outsourcing service. A separate department was set up for this logistatics project, which combines expertise in logistics and IT

sharply for the first time. Although the first quarter began promisingly, the second quarter saw the start of a decline in global markets, which gathered pace in quarters three and four.

The effects of this trend on developments at ALSO varied between the different business areas. Considering the adverse conditions, the result of the Distribution Division was good. On the other hand, the renewed drop in demand caused the Systems Division to undertake further restructuring.

Group makes operational progress

Against this unfavorable backdrop, ALSO's net revenue fell by 7.3 percent to CHF 1726 million in the reporting year. However, on the operational side, ALSO improved sharply relative to the previous year, with operating profit reaching CHF 20 million (2000: CHF 6 million). Net profit at CHF 11.1 million was also substantially higher than the previous year (2000: CHF 4.5 million). Personnel numbers went down again from the preceding year: in the reporting year ALSO had a total of 1355 employees (2000: 1571).

Good result again in Distribution

The main focus of the Distribution Division in the reporting year was on improving performance. Because of this, revenue in Switzerland went down by 13.3 percent to CHF 910 million, and at the German subsidiary it only went up by 1.3 percent to CHF 605 million. Although operating profit at CHF 30.4 million was below the previous year's level (2000: CHF 37.6 million), the operating margin of 2.2 percent (prior year 2.0 percent) is at a pleasing level for this industry. The increasing proportion of service business caused the Distribution Division to expand its workforce by 47 employees to 596.

1/2 Cellphones ordered by customers of Swisscom Mobile pass through numerous stations at ALSO before they are ready for shipping

The sustained high level of performance by the subsidiaries in both countries was again honored by the customers. The Swiss and German subsidiaries each won "Best Distributor" awards in independent dealer surveys. In Switzerland, ALSO received a comprehensive logistics outsourcing contract from telecommunications provider Swisscom Mobile, which was successfully implemented within the year. This e-fulfillment solution also won the Logismatics Innovation Prize awarded by the Swiss Forum for Logistics. The core IT application already installed in Switzerland a year ago was installed in Germany without problem. The two national companies now therefore work with the same, efficient ERP (Enterprise Resource Planning) platform which is the prerequisite for successful execution of logistics projects.



2

Operational improvement in Systems business

After a good first quarter, European sales in the large-customer segment of the industry dropped sharply in the wake of a rapidly weakening economy. In response to the lower demand, ALSO realigned the structure of its Systems Division to the changed market situation in the second half of the year. It cut its workforce, streamlined the branch network, and permanently reduced other operating costs, with the objective of returning to profitability in the current year. In spite of the unfavorable market conditions, as well as the incidence of extraordinary cost for the restructuring, the operating loss diminished from CHF 32.6 million in the previous year to CHF 10.4 million. Reported net sales in 2001 were CHF 209 million (2000: CHF 217 million). The number of employees went down from 1012 to 747.



1



3

Improved income in 2002

ALSO expects income to improve in 2002, even though it may be the third quarter of 2002 before there is a recovery in demand. The Distribution business will continue to focus on strengthening its income. Looking further ahead, the growing demand for logistics services, and the continuing trend to outsourcing of services by large companies, give ALSO confidence for the future.

1-3 **In the network integration and support functions of ALSO Comsynt at Adligenswil/Lucerne, providing an optimal service to customers demands team spirit as well as personal commitment and know-how**

The Swisscom Mobile contract covers the entire order processing of Swisscom Mobile customer orders, from inventory management through packaging to billing. Around 2000 order units are processed every day



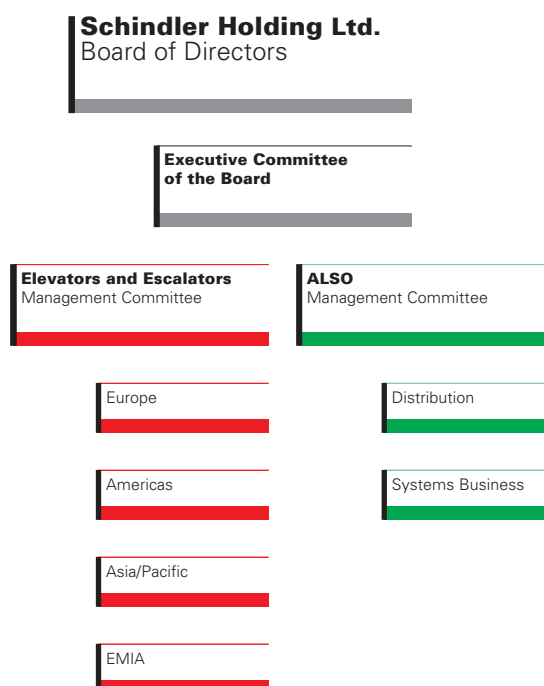
Corporate Governance

Status January 1, 2002

Board of Directors Schindler Holding Ltd.

	Term of office expires***
Alfred N. Schindler*	
Chairman; Hergiswil, Switzerland	2002
Luc Bonnard*	
Vice Chairman; Hergiswil, Switzerland	2002
Alfred Spörri*	
Zug, Switzerland	2002
Prof. Dr. Dr. h.c. mult. Rolf Dubs	
Professor emeritus at the University of St. Gallen; St. Gallen, Switzerland	2002
Walter G. Frehner	
Riehen, Switzerland	2002
Dr. Hubertus von Grünberg	
Chairman of the Executive Board of Continental Aktiengesellschaft; Hannover, Germany	2002
Scott D. Miller**	
Chairman Hyatt Hotels Corporation; Chicago, USA	
Dr. Jenö C. A. Staehelin	
New York, USA	2002
Robert Studer	
Schönenberg, Switzerland	2002

- Member of the Executive Committee of the Board
- Nominated to be elected at the Annual General Meeting of March 26, 2002
- Ordinary General Meeting in the year 2002





**Board of Directors Schindler
Holding Ltd.**
From l to r:
**Dr. Hubertus von Grünberg,
Prof. Dr. Dr. h.c. mult. Rolf Dubs,
Robert Studer, Alfred Spörri,
Alfred N. Schindler,
Walter G. Frehner, Luc Bonnard,
Dr. Jenö C. A. Staehelin**

Management Committee Elevators and Escalators

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

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



**Management Committee
Elevators and Escalators**
From l to r:
Miguel A. Rodríguez,
Jürgen Tinggren,
Jörgen Svenningsson,
David J. Bauhs,
Peter J. Zbinden,
Heikki Poutanen,
Erich Ammann,
Brent Glendening,
Dr. Rudolf W. Fischer

Management Committee ALSO

Thomas C. Weissmann	President (CEO)
Jürgen Baumgartner	Finance (CFO)
Alberto Comolli	Human Resources
Dr. Axel Keller	Distribution Germany
Marc Schnyder	Distribution Switzerland
Thomas Willenegger	Systems Business
Peter Zurbrügg	Information Technology (CIO)



**Management Committee
ALSO From l to r:
Peter Zurbrügg,
Jürgen Baumgartner,
Alberto Comolli,
Thomas C. Weissmann,
Marc Schnyder,
Dr. Axel Keller,
Thomas Willenegger**

Statutory auditors

The statutory auditors of the Schindler Group and Schindler Holding Ltd. are Ernst & Young Ltd. of Berne.

Nomination Committee

The procedure for electing candidates to the Board of Directors is for the Executive Committee of the Board, as Nomination Committee, to submit appropriate nominations to the complete Board of Directors. Each member also has the right to make appropriate nominations of his own. The Board of Directors makes the final decision regarding the nominations to be proposed to the General Meeting.

Compensation Committee

The function of the Compensation Committee is to review and approve the compensation of the Group's topmost management. The entire Board of Directors decides on an annual basis whether, and to what extent, the top management shall be rewarded within the framework of the corporate stock and stock option plans.

The Compensation Committee, whose members have for many years been from outside the company, is unchanged and comprises Prof. Dr. Dr. h.c. mult. Rolf Dubs, formerly Rector of the University of St. Gallen, and Walter G. Frehner, formerly Chairman of the Board of Directors of the Swiss Bank Corporation.

Audit Committee

Within the scope of its supervision of the Management Committees (Swiss Code of Obligations, Art. 716a), the Executive Committee of the Board also exercises the function of an Audit Committee at board level. In this function it is supported by an Audit Committee. The chairman of this committee is Alfred Spörri, Member of the Executive Committee of the Board. Its other members are Professor Dr. Karl Hofstetter, General Counsel, and Peter Fraefel, a member of the management of Schindler Holding Ltd. The Audit Committee coordinates the controlling instruments of the Executive Committee of the Board, which are ultimately responsible to the Chairman of the Board. These are:

- Internal Audit
- Code of Conduct Compliance
- Technical Compliance

Internal Audit Team

The Internal Audit Team comprises a team of four specialists which in collaboration with the statutory auditors is responsible for the usual activities associated with its function. The Internal Audit Team is led by Gilberto Bezzola.

**Compliance Officer
Code of Conduct**

To audit and assure worldwide compliance with the Code of Conduct, which is binding for all employees in the Group, the Executive Committee of the Board has appointed Othmar Koch, lic. iur., as Compliance Officer. Within the scope of an annually approved Audit Plan, the role of the Compliance Officer is to audit compliance with the Code of Conduct which was introduced in 1998.

**Compliance Officer
Technical Standards**

To audit and assure compliance with technical and safety standards, the Executive Committee of the Board has appointed Giandomenico Dagnello, Dr. Ing., as Technical Compliance Officer.

**Management of
Schindler Holding Ltd.**

The management of Schindler Holding Ltd. consists of Erich Ammann, Peter E. Fraefel, Prof. Dr. Karl Hofstetter, Bernard Illi, Stephan Jud, Joachim Walker, and Dr. Henry Zheng.

**Shareholding representation by
the Board of Directors**

On 31.12.2001, the Members of the Board of Directors represent in total 61.86% of the voting rights (465 690 registered shares) of the share capital of Schindler Holding Ltd. entered in the Register of Companies. This

includes the 61.8% of the voting shares (465 236 registered shares) which the representatives of the stockholder retainer contract on the Board of Directors (Alfred N. Schindler, Luc Bonnard, and Dr. Jenö C. A. Staehelin) represent (see page 62 of this report or page 36 of the Financial Statements).

Board members' fees

The members of the Board of Directors receive for their activities total fees of CHF 1.1 million (previous year CHF 1.1 million). In addition, the members of the Executive Committee of the Board and of the Management Committees receive a fixed salary plus performance-related remuneration customary for the industry. (See also page 36 of the Financial Statements.)

**Meetings of the Board of
Directors**

In 2001 the Board of Directors held six meetings.

Severance Compensation

There are no agreements of any kind with members of the Executive Committee of the Board, or with members of the Management Committees, which provide for special severance compensation ("golden parachutes") in favor of these persons.

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).

Shares not registered

On 31.12.2001, the number of shares which were not registered was 5.8% of the total number of shares of Schindler Holding Ltd.

Number of shareholders

At the end of 2001, shares were held by 3 159 shareholders.

Financial statements Group

Condensed

Balance sheet December 31	1997	1998*	1999**	2000	2001
In million CHF					
Current assets	2 847	2 978	3 335	3 381	3 436
Non-current assets	1 385	1 371	2 219	2 279	2 102
Total assets	4 232	4 349	5 554	5 660	5 538
Current liabilities	1 381	1 916	2 219	2 359	2 313
Non-current liabilities	1 440	1 316	2 000	1 847	1 777
Total liabilities	2 821	3 232	4 219	4 206	4 090
Minority interests	80	105	150	137	119
Shareholders' equity	1 331	1 012	1 185	1 317	1 329
Total liabilities and shareholders' equity	4 232	4 349	5 554	5 660	5 538

- * After restatement and in compliance with IAS
- ** As of 1999 in compliance with IAS

Profit and loss statement	1997	1998*	1999**	2000	2001
In million CHF					
Operating revenue	6 203	6 594	7 657	8 530	8 327
Operating expenses	5 970	6 343	7 275	8 108	7 843
Operating profit	233	251	382	422	484
Financing activities	-21	-17	-86	-53	-58
Investing activities	-	84	29	5	17
Non-operating revenues/expenses	1	-	-	-	-
Profit before taxes	213	318	325	374	443
Taxes	70	73	67	71	46
Profit before minority interests	143	245	258	303	397
Minority interests	23	21	20	4	18
Net profit	120	224	238	299	379

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

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

Cash flow statements

	1997	1998	1999*	2000	2001
In million CHF					
Cash flow from operating activities	339	163	313	539	635
Cash flow from investing activities	-94	-577	-694	-344	-94
Cash flow from financing activities	125	-7	488	-146	-251
Translation exchange differences	-	-5	20	-10	-16
Change in net cash	370	-426	127	39	274

* As of 1999 in compliance with IAS

Financial statements Schindler Holding Ltd.

Condensed

Balance sheet December 31	1997	1998	1999	2000	2001
In million CHF					
Current assets	904	397	679	465	701
Non-current assets	1 314	1 726	1 462	1 601	1 369
Total assets	2 218	2 123	2 141	2 066	2 070
Debtors	350	350	800	785	785
Other liabilities	401	239	229	208	210
Total liabilities	751	589	1 029	993	995
Share capital	76	76	76	64	38
Bearer participation capital	61	61	61	50	29
Retained earnings	1 246	1 306	880	855	893
Net profit for the year	84	91	95	104	115
Shareholders' equity	1 467	1 534	1 112*	1 073	1 075
Total liabilities and shareholders' equity	2 218	2 123	2 141	2 066	2 070

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

Profit and loss statement	1997	1998	1999	2000	2001
In million CHF					
Income from subsidiaries	103	115	179	201	225
Other revenue	57	124	37	34	39
Total revenue	160	239	216	235	264
Depreciation and adjustments	33	97	57	85	108
Other expenses	43	51	64	46	41
Total expenses	76	148	121	131	149
Net profit for the year	84	91	95	104	115

Dividend payment	1997	1998	1999	2000	2001
In million CHF					
Registered shares	23	35	35	38	38*
Bearer participation certificates	18	27	27	29	29*
Total dividend payment	41	62	62	67	67*

* Proposal by the Board of Directors

Schindler is represented in the Smichov Shopping Center with a SchindlerEuroLift elevator and several Schindler 9300 escalators which are especially suitable for use in shopping malls and airports; Prague, Czech Republic



Information for shareholders

Charts

Group	1997	1998*	1999**	2000	2001
In million CHF					
Orders received	6 362	6 604	7 695	8 750	8 426
Operating revenue	6 203	6 594	7 657	8 530	8 327
EBITDA ¹	387	451	532	624	680
in %	6.2	6.8	6.9	7.3	8.2
EBIT ²	233	251	382	422	484
in %	3.8	3.8	5.0	4.9	5.8
Net income from financing and investing activities	-21	67	-57	-48	-41
Profit before taxes	213	318	325	374	443
Profit before minority interests	143	245	258	303	397
in %	2.3	3.7	3.4	3.6	4.8
Net profit ³	120	224	238	299	379 ⁵
Cash flow ⁴	287	394	329	417	555 ⁵
Capital expenditure	140	177	158	157	122
Order backlog	3 515	2 954	3 689	3 713	4 039
Personnel at year-end	38 100	38 574	43 654	43 334	41 524
Shareholders' equity	1 331	1 012	1 185	1 317	1 329
Equity ratio	31.4	23.3	21.3	23.3	24.0
Equity ratio incl. minority interests in %	33.3	25.7	24.0	25.7	26.1

* Balance sheet positions after restatement and in compliance with IAS

** As of 1999 in compliance with IAS

¹ EBITDA: Operating profit and depreciation/amortization

² EBIT: Operating profit

³ Adjusted for minority interests in years 1997 and 1998

⁴ Cash flow: Net profit before minorities and depreciation/amortization +/- change of provision

⁵ See Financial Statements, page 28, note 22, effect of deferred taxes

Elevators and Escalators	1997	1998*	1999**	2000	2001
In million CHF					
Orders received	5 486	5 325	6 028	6 852	6 658
Operating revenue	5 333	5 324	5 996	6 669	6 601
EBITDA ¹	371	427	482	612	654
in %	7.0	8.0	8.0	9.2	9.9
EBIT ²	225	236	342	422	471
in %	4.2	4.4	5.7	6.3	7.1
Personnel at year-end	37 473	37 543	42 140	41 763	40 169

* Balance sheet positions after restatement and in compliance with IAS

** As of 1999 in compliance with IAS

¹ EBITDA: Operating profit and depreciation/amortization

² EBIT: Operating profit

ALSO

	1997	1998 [•]	1999 ^{••}	2000	2001
In million CHF					
Orders received	876	1 279	1 667	1 898	1 768
Operating revenue	870	1 270	1 661	1 861	1 726
EBITDA ¹	23	40	46	18	33
in %	2.6	3.1	2.8	1.0	1.9
EBIT ²	16	31	36	6	20
in %	1.8	2.4	2.2	0.3	1.2
Personnel at year-end	627	1 031	1 514	1 571	1 355

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

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

¹ EBITDA: Operating profit and depreciation/amortization

² EBIT: Operating profit

Holding

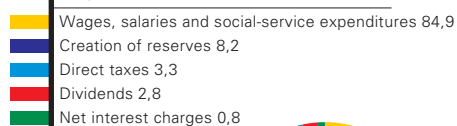
	1997	1998	1999	2000	2001
In million CHF					
Share capital	76	76	76	64	38
Bearer participation capital	61	61	61	50	29
Shareholders' equity	1 467	1 534	1 112 [*]	1 073	1 075
Debentures	350	350	800	785	785
Net profit for the year	84	91	95	104	115
Dividend payment	41	62	62	67	67^{**}

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

^{**} Proposal by the Board of Directors

Allocation of the Group's net value added 2001

In %



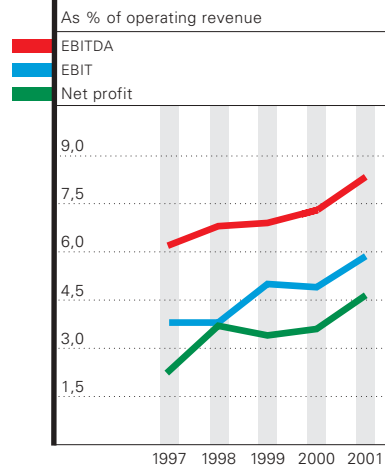
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

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

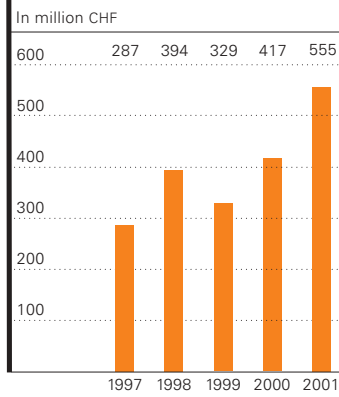
The distribution of the Group's net value added shows how employees, the governments, the company itself, the shareholders, and other providers of finance participate in this economically relevant amount.

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

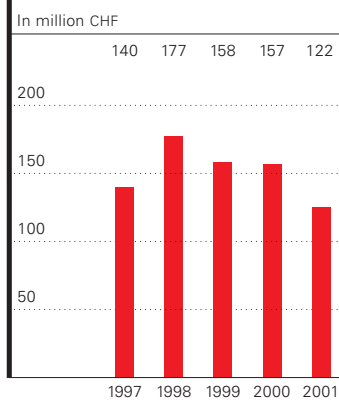
EBITDA, EBIT, net profit



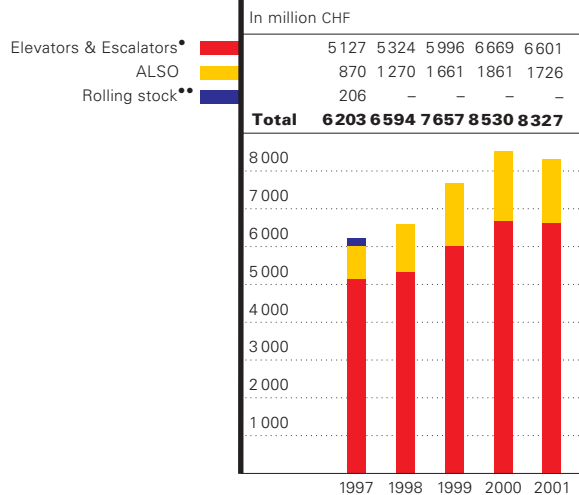
Cashflow



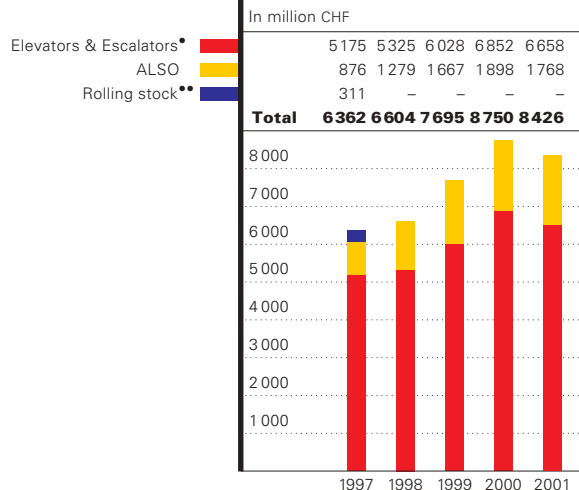
Capital expenditure



Operating revenue by product group

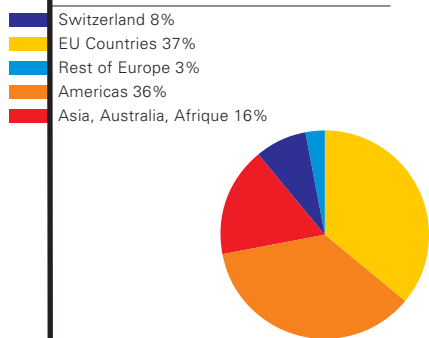


Orders received by product group

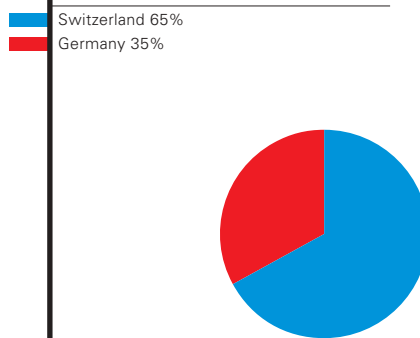


* Incl. other products
 ** As of 1998 included in Elevators & Escalators

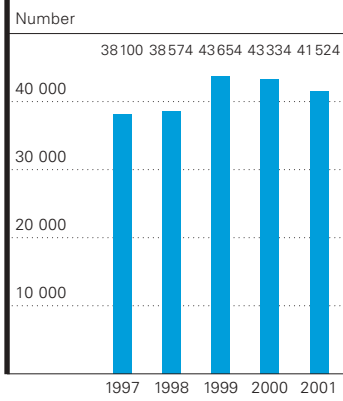
Invoiced sales 2001 by market Elevators & Escalators



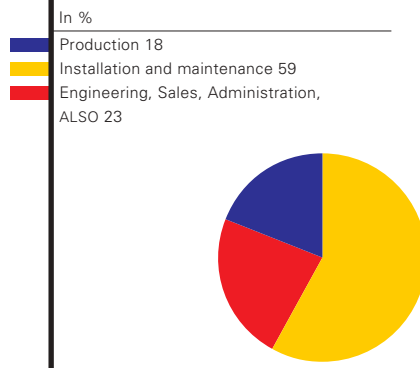
Invoiced sales 2001 by market ALSO



Personnel at end of year

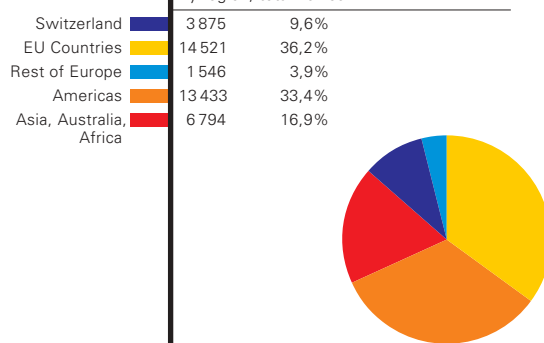


Personnel 2001 by sector



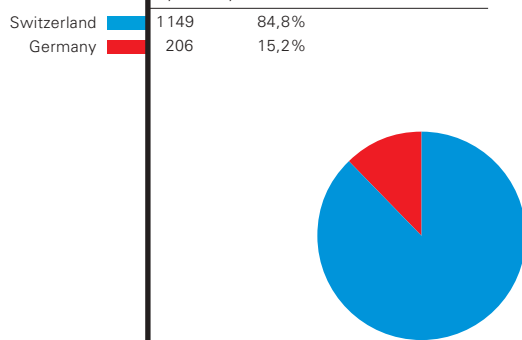
Personnel 2001 Elevators & Escalators

By region, total 40 169



Personnel 2001 ALSO

By country, total 1 355



Information per registered share / bearer participation certificate

	1997	1998 [•]	1999 ^{••}	2000	2001
In CHF					
Net profit	88	164	174	222	282
Cash flow	210	288	240	310	413
Shareholders' equity at year-end	973	753	894	992	1 047
Gross dividend	30	45	45	50	50^{•••}
Pay-out ratio	% 34.2	27.5	25.9	22.5	17.7
Market capitalization (in million)	2 119	3 118	3 490	3 402	3 208

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

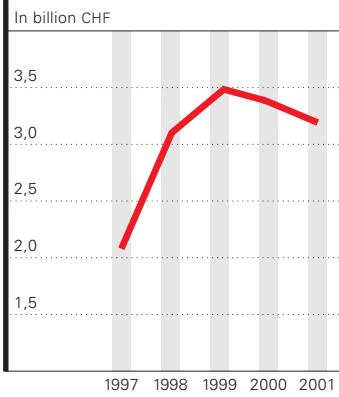
Registered shares

	1997	1998	1999	2000	2001
In CHF					
Number of shares outstanding	763 066	763 066	763 066	752 866	752 866
Thereof in treasury stock	5 890	20 170	27 040	16 790	32 561
Nominal value	100	100	100	85	50
Price high	2 130	2 730	2 600	2 995	2 801
Price low	1 300	1 530	2 060	2 320	2 000
Price year-end	1 569	2 340	2 550	2 549	2 380
P/E ratio December 31	17.8 ×	14.3 ×	14.7 ×	11.5 ×	8.4 ×

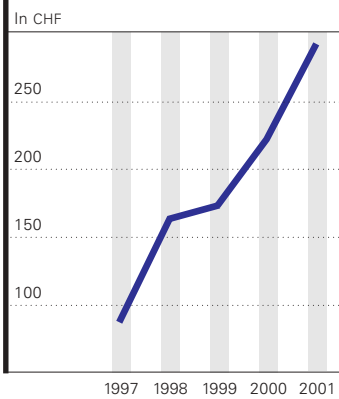
Bearer participation certificates

	1997	1998	1999	2000	2001
In CHF					
Number of certificates outstanding	605 425	605 425	605 425	592 424	592 424
Thereof in treasury stock	60 280	4 004	15 444	1 410	42 880
Nominal value	100	100	100	85	50
Price high	2 000	2 710	2 620	2 925	2 700
Price low	1 370	1 209	2 050	2 320	2 050
Price year-end	1 522	2 200	2 550	2 503	2 390
P/E ratio December 31	17.3 ×	13.4 ×	14.7 ×	11.3 ×	8.5 ×

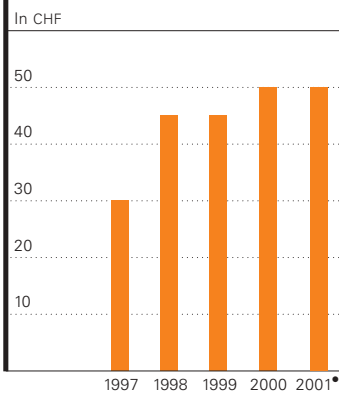
Market capitalization



Net profit per registered share



Dividends per registered and bearer participation certificate



*Proposal by the Board of Directors

Trading

	Registered share	Bearer participation certificate
Bloomberg	SCHN	SCHP
Reuters	SCHZn	SCHZp
Valor	227 618	227 617

Registered shares are traded on the Swiss Exchange. Bearer participation certificates are traded on the Swiss, Berlin and Frankfurt Exchanges. 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 61.8% of the voting rights (465 236 registered shares) of the share capital of Schindler Holding Ltd. entered in the Register of Companies.

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

Ordinary General Meeting

Monday, March 26, 2002, 4.30 pm
at the Kultur- und Kongresszentrum
Luzern, Europaplatz 1,
CH-6005 Lucerne, Switzerland

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Developments on the fringe of the revitalized ABB industrial site include the Regina-Kägi-Hof residential complex with 12 SchindlerSmart MRL 002 elevators; Zurich-Oerlikon, Switzerland



Multidimensional thinking to benefit the environment

The Activity Report for 2000 contained the first report by the Schindler Group on its environmental performance in the elevator and escalator business, and described its strategy for continuous and sustainable reduction of its environmental burden. As well as an article each year in the Annual Report, it is planned to issue a separate special report on environmental issues every five years.

The strategy is based on the findings of a comprehensive life-cycle analysis (LCA) for standard elevators in which all phases of their life cycle – development, raw material procurement, production, packaging and transportation, utilization, maintenance, and disposal – were evaluated. The LCA demonstrated that the energy consumed by an elevator during operation and standby makes up no less than two thirds of its total environmental burden during its entire lifetime of 20 to 30 years or longer. This means that the greatest scope for ecological leverage

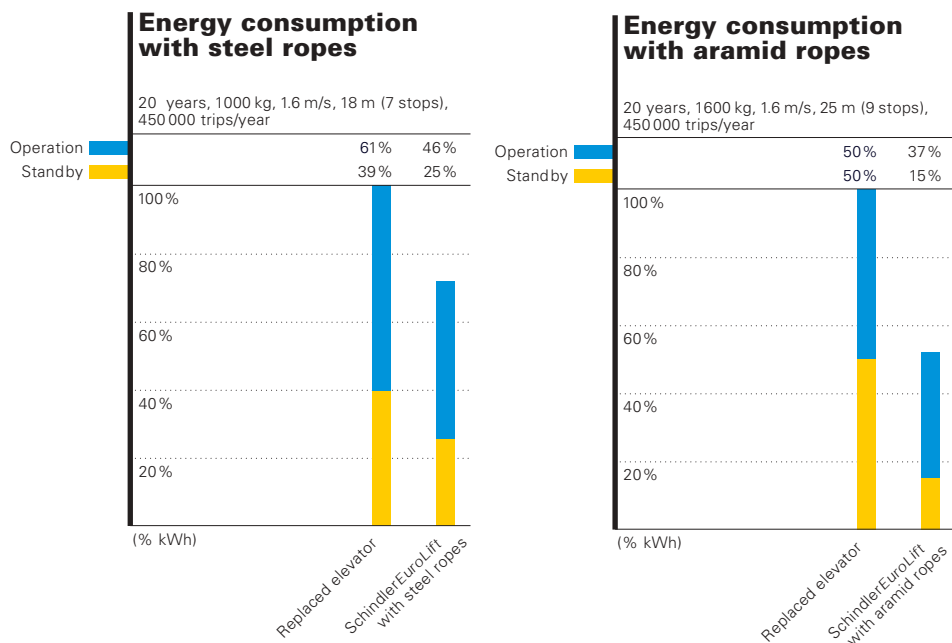
lies in the utilization phase, followed by raw materials procurement, and final disposal according to Swiss standards. The remaining phases of the life cycle are environmentally less relevant. In particular, the manufacturing phase of an elevator accounts for less than 10% of the total environmental burden during its life cycle. In view of these findings, Schindler is concentrating its efforts on the product development process, and within that process primarily on reducing the environmental impact during the three phases of utilization, raw material procurement, and final disposal. The SchindlerEuroLift is an illustrative example of this approach.

Eco-performance of the SchindlerEuroLift
 Launched in the reporting year, the SchindlerEuroLift stands comparison with any other elevator of its class, especially as regards environmental performance. It requires no machine room, its permanent magnet drive uses no oil, since it has no gears, and its components are lighter in weight than those

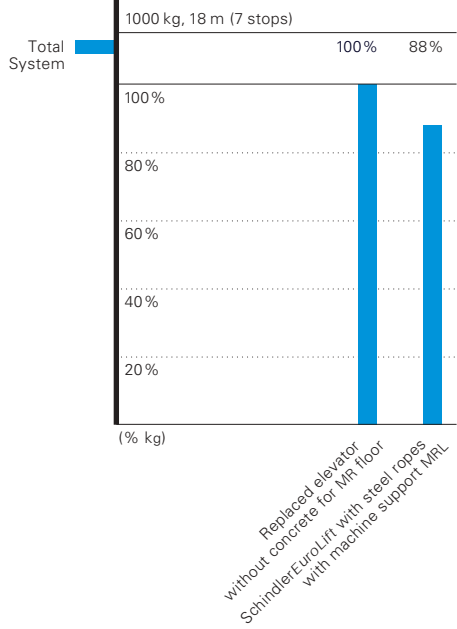
of its comparable predecessor. But how environment-friendly is the SchindlerEuroLift in reality? To obtain a well-founded answer to this question, the two phases of greatest environmental relevance – utilization and raw materials procurement – were systematically evaluated.

Elevator utilization

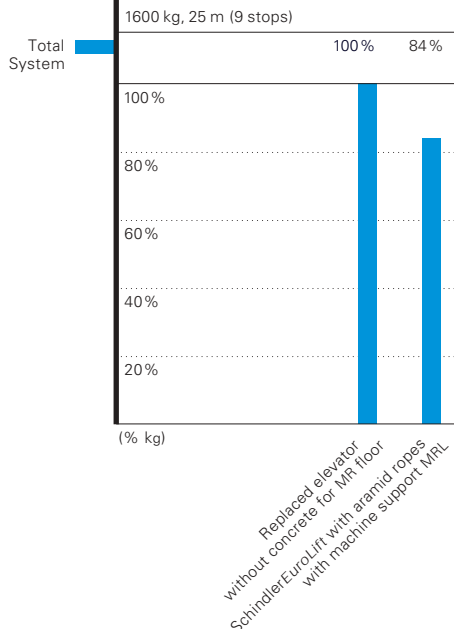
The energy consumption of the two elevator types was determined both during operation and while on standby for typical traffic conditions over a service life of 20 years. Result: The steel-rope version of the SchindlerEuroLift consumes about 30% less energy, and the aramid rope version even as much as 50% less energy, than their corresponding forerunners for the same transportation performance. This not only relieves the environment, but also cuts the customer's electricity costs during the entire service life of the elevator. The SchindlerEuroLift is one example of how ecological customer benefits have been improved by innovation.



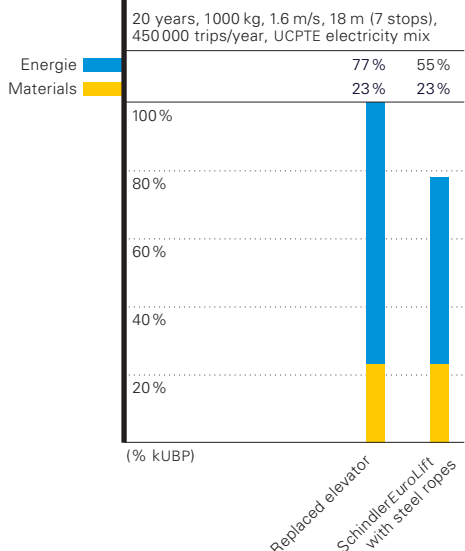
Weight of materials with steel ropes



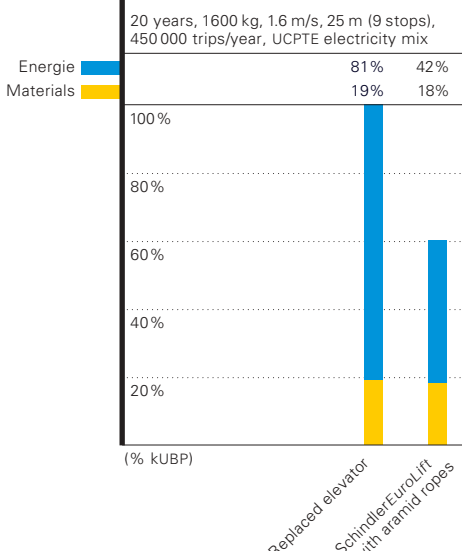
Weight of materials with aramid ropes



Environmental impact (UBP) with steel ropes



Environmental impact (UBP) with aramid ropes



Materials procurement

The raw materials used for the two elevator types were also determined and evaluated according to weight and type of material: the materials needed for installation were determined analytically, while spare parts material was estimated by experts, based on a service life of 20 years.

Result: The total weight (installation material and spare parts) of the Schindler EuroLift is significantly lower than that of the earlier product. This means lower costs for materials and manufacturing, as well as a reduced environmental burden due to transportation and packaging.

Environmental impact

The potential environmental impact of raw materials procurement and energy consumption was measured according to the method of ecological scarcity defined by the Swiss Agency for the Environment, Forests, and Landscape (SAFEL) in environmental pollution points (UBP 97) and eco-indicator points (EIP 95). Result: The cumulative environmental burden of the various components arising from materials procurement and energy consumption is much lower (approximately 20% in UBPs) for the Schindler EuroLift than for the previous product, the same result being obtained by both methods. For the Schindler EuroLift with aramid ropes, a reduction in environmental burden relative to its predecessor of as much as 40% (UBP) was determined. This provides quantitative proof of the benefit of Schindler's endeavors to continuously improve the environmental performance of its products from one generation to the next.

Where ecological product characteristics are conceived

Strictly speaking, products are only indirect causes of environmental damage, because they are developed and produced by human beings. This applies equally to elevators and escalators. It is engineers and designers who specify the function, form, and materials of elevators, based on market requirements, and thereby also determine their technical, economic, and ecological characteristics. Many of the processes that occur during the product life cycle, as well as more than 80% of the associated costs and environmental effects, are already anticipated and finally determined in the development phase. Because of this, Schindler focuses its efforts on developing ecological products, and in the Corporate Research & Development / Strategic Procurement area works with an environmental management system certified to ISO 14001. However, within this framework, permanently conflicting goals relating to environmental compatibility, safety, reliability, customer wishes, legal requirements, standards, and competitiveness have to be resolved, and compromises found.

Ecological leverage

In addition to the knowledge gained from the LCA, it is also instructive to consider the ecological leverage effect of improvement measures as a means of highlighting the ecological focus of a product. This means comparing the potential benefits of

measures to improve eco-efficiency at the customer end (utilization or product ecology) with those at the manufacturing end (production ecology). Where do investments have the greatest ecological benefit – in the product itself, or in the production processes and the operating environment?

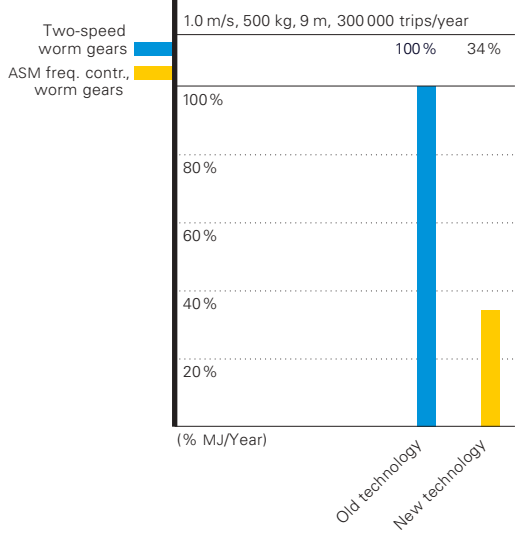
In 2000, the companies of the Schindler Group worldwide spent CHF 25 million on electricity, gas, and water for manufacturing and installing elevators. In the same year, the electricity consumed in operating the elevators Schindler maintains around the world was estimated to cost CHF 500 million. The ratio between these two cost amounts is 20. This value highlights the dominant long-term leverage effect of product development, rather than manufacturing, in an environmentally optimized product. (For more about this, see Innovation 2001 on page 12.) This leverage effect is confirmed by the findings of the LCA (see Environmental Report 2000). The LCA indicates a ratio of 9 between the environmental burden in the utilization phase, and that in the manufacturing phase.

Because elevators and escalators are products with long lives, more efficient product lines only gradually improve the overall environmental performance of the total population of installations, and the effect at the global level is difficult to determine. The crucial factor for achieving improvement is the rate at which old installations are replaced by new, more ecologically efficient, systems and components.

More efficient elevator drives

The amount of energy consumed by an elevator is trip-dependent and is largely determined by its drive system. Electromechanical drives have gone through a phase of rapid development, each step of which has contributed to improving their eco-efficiency. Single-speed drives, which are characterized by a jerk when stopping, are now only found in older buildings. They were followed by two-speed AC drives, and subsequently by partially regulated drives. Parallel to this, direct current drives were developed, which make higher speeds possible and have a high efficiency coefficient. Along with the further development of micro- and power electronics came frequency-regulated drives, which cover the entire range of speeds and loads. Almost all new drives today are frequency regulated. They allow the energy released during braking to be recuperated into the power supply. (For more about recuperation, see page 68 of the Activity Report 2000.) If rope traction elevators also make use of new technologies such as planetary gears, or even drives with no gears at all, further optimization effects can be achieved.

Energy consumption* Low rise



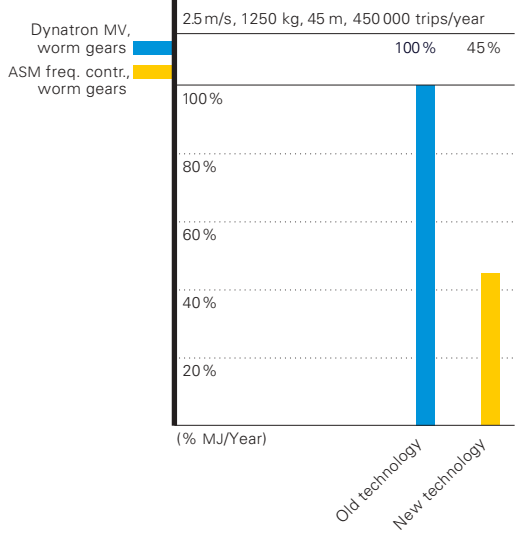
- The new drive systems are highly efficient, which has a major positive effect on their energy consumption.

Definition:
 Low rise: < 8 floors
 Mid rise: < 8 floors
 High rise: ≥ 8 floors

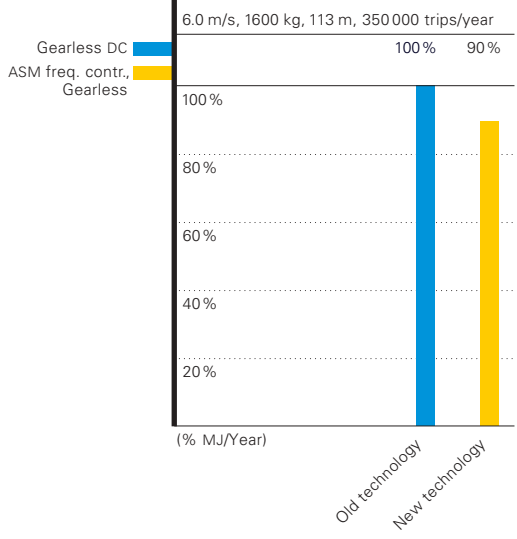
Environmental endeavors in Austria, Hong Kong and Malaysia

Although the focus is on ecological product development, endeavors toward environmental improvement are also being pursued locally at the Group companies and factories. Examples are Schindler Lifts (Hong Kong) Limited and Antah Schindler Malaysia Sdn Bhd, which both introduced environmental concepts during the reporting year. And in Austria, Schindler Elevator and Escalator AG was awarded the Ecoprofit Certificate 2001, a state environment certificate which attests the company's implementation of a continuous and successful environmental management system.

Energy consumption* Mid rise



Energy consumption* High rise



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The Annual Report of the Schindler Group for 2001 consists of the Activity Report and the Financial Statements.

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

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"Modern accounting rules are like dynamite. In the wrong hands..."
Alfred N. Schindler

Artist: Patrick Bucher

Annual Report 2001 Financial Statements



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Consolidated balance sheet

Assets		31.12.2000		31.12.2001	
In million CHF	Notes		%		%
Current assets					
Cash on hand		737	13.0	960	17.3
Securities	3	87	1.5	125	2.3
Accounts receivable	4	1 364	24.1	1 331	24.0
Taxes receivable		34	0.6	40	0.7
Net assets of production orders in progress	5	483	8.5	481	8.7
Inventories	6	526	9.3	418	7.5
Prepaid expenses and accrued income		150	2.7	81	1.5
Total current assets		3 381	59.7	3 436	62.0
Non-current assets					
Fixed assets	7	758	13.4	743	13.4
Intangible assets	8	918	16.2	782	14.1
Investments in associates	9	86	1.5	56	1.0
Financial assets	10	307	5.5	247	4.5
Deferred taxes	11	154	2.7	220	4.0
Employee benefits	12	56	1.0	54	1.0
Total non-current assets		2 279	40.3	2 102	38.0
Total assets		5 660	100.0	5 538	100.0

Liabilities and shareholders' equity

		31.12.2000		31.12.2001	
In million CHF	Notes		%		%
Liabilities					
Current liabilities					
Financial debts	15	160	2.8	164	3.0
Accounts payable	13	878	15.5	793	14.3
Taxes payable		58	1.0	85	1.5
Net liabilities of production orders in progress	5	467	8.3	487	8.8
Accrued expenses and deferred income	14	620	11.0	613	11.1
Provisions	16	176	3.1	171	3.1
Total current liabilities		2 359	41.7	2 313	41.8
Non-current liabilities					
Financial debts	15	1 149	20.3	1 118	20.2
Provisions	16	236	4.2	202	3.6
Deferred taxes	11	86	1.5	86	1.6
Employee benefits	12	376	6.6	371	6.7
Total non-current liabilities		1 847	32.6	1 777	32.1
Total liabilities		4 206	74.3	4 090	73.9
Minority interests		137	2.4	119	2.1
Shareholders' equity					
Share capital and bearer participation certificate capital	29	114	2.0	67	1.2
Share premiums		259	4.6	259	4.7
Treasury stock		-38	-0.7	-166	-3.0
Fluctuations in value of financial instruments		-	-	-13	-0.2
Translation exchange differences		-80	-1.4	-193	-3.5
Retained earnings		1 062	18.8	1 375	24.8
Total shareholders' equity		1 317	23.3	1 329	24.0
Total liabilities and shareholders' equity		5 660	100.0	5 538	100.0

Consolidated profit and loss statement

In million CHF	Notes	2000		2001	
			%		%
Operating revenue	17	8 530	100.0	8 327	100.0
Material cost		3 435	40.3	3 223	38.7
Personnel cost	18	3 079	36.1	3 057	36.7
Other operating cost	19	1 480	17.3	1 405	16.9
Depreciation and amortization	7, 8	202	2.4	196	2.4
Change of provision	16	-88	-1.0	-38	-0.5
Total operating cost		8 108	95.1	7 843	94.2
Operating profit		422	4.9	484	5.8
Financing activities	20	-53	-0.6	-58	-0.7
Investing activities	21	5	0.1	17	0.2
Profit before taxes		374	4.4	443	5.3
Income taxes	22	71	0.8	46	0.5
Profit before minority interests		303	3.6	397	4.8
Minority interests		4	0.1	18	0.2
Net profit		299	3.5	379	4.6
Earnings per share					
Basic earnings per share and BPC	30	in CHF	225.44	288.99	
Diluted earnings per share and BPC	30	in CHF	225.44	288.99	

Consolidated cash flow statement

		2000	2001
In million CHF	Notes		
Profit before minority interests		303	397
Depreciation and amortization		202	196
Change of provision		-88	-38
Other positions with no effect on liquidity		-6	-38
Change of securities		-35	-36
Change of remaining net working capital		163	154
Cash flow from operating activities		539	635
Additions to			
Fixed assets		-157	-122
Intangible assets		-38	-28
Investments in associates		-34	-4
Financial assets		-210	-20
Disposals of			
Fixed assets		64	38
Intangible assets		1	-
Investments in associates		6	1
Financial assets		31	43
Additions/disposals of investments in subsidiaries	23	-7	-2
Cash flow from investing activities		-344	-94
Change of financial debts		-53	24
Additions/disposals treasury stock		3	-128
Payment of dividends and partial repayment			
of nominal value by Schindler Holding Ltd.		-80	-113
Dividends paid to minority shareholders		-16	-34
Cash flow from financing activities		-146	-251
Translation exchange differences		-10	-16
Change in net cash	23	39	274
Net cash at the beginning		581	620
Net cash at the end		620	894
Income taxes paid		83	115
Interests paid		105	81
Interests received		57	55

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, 1999	137	311	-96	10		823	1 185
Dividends						-60	-60
Elimination of own shares and BPC	-3	-52	55				-
Partial repayment of nominal value	-20						-20
Additions/disposals treasury stock			3				3
Net profit						299	299
Translation exchange differences				-90			-90
December 31, 2000	114	259	-38	-80		1 062	1 317
Restatement IAS 39						-4	-4
Dividends						-66	-66
Partial repayment of nominal value	-47						-47
Additions/disposals treasury stock			-128				-128
Net profit						379	379
Financial instruments available for sale						-1	-1
Hedging transactions						-8	-8
Translation exchange differences				-113			-113
December 31, 2001	67	259	-166	-193	-13	1 375	1 329

[•] See also Note 29, page 35

^{••} 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 2001, turnover in this segment was CHF 6.6 billion. Schindler also owns 63.3% of the ALSO Group, which is active in the IT logistics and services field, listed on the Swiss Exchange, and in 2001 had net revenue of CHF 1.7 billion. ALSO is the leading company in the IT industry as a logistics and service company in Switzerland, and also holds a strong position in Germany.

2 Principles of consolidation and valuation

2.1 General principles

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

The following new IAS standards were applied from 1.1.2001:

IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

Newly enacted interpretations of the Standard Interpretations Committee (SIC) were also applied.

The effect of applying IAS 39 is shown in the statement of shareholders' equity on page 6. The balance sheet values from the previous year have been taken over unchanged. The introduction of IAS 40 has no effect on shareholders' equity or the previous year's values.

The financial statements based on IAS 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, 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 50 to 52.

During the reporting year Schindler India PTV Ltd., India, and Schindler Electronics (Suzhou) Co. Ltd., China, were added to the scope of consolidation. The effect of these first-time consolidations on Group operating revenue and Group operating profit is less than 0.5 percent.

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.

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 20 years. 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 net assets plus the accumulated translation exchange differences is recognized as net profit on disposal of investments in the consolidated profit and loss statement.

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

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

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

			2000	2001	2000	2001
			Year-end exchange rates	Year-end exchange rates	Average exchange rates	Average exchange rates
USA	USD	1	1.64	1.68	1.69	1.69
Euro	EUR	1	1.52	1.48	1.56	1.51
Germany	DEM	100	77.82	75.76	79.77	77.18
France	FRF	100	23.20	22.59	23.78	23.01
Great Britain	GBP	1	2.44	2.43	2.57	2.44
Italy	ITL	100	0.0786	0.0765	0.0806	0.0780
Austria	ATS	100	11.06	10.77	11.34	10.97
Spain	ESP	100	0.91	0.89	0.94	0.91
Brazil	BRL	100	84.01	70.54	92.74	73.17
China	CNY	100	19.79	20.28	20.39	20.41

2.6 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

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

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

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. Foreign currency transactions are generally hedged for a period of 12 months, but such transactions are not recorded as cash flow hedges.

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

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

2.7 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, page 26).

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.

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.).

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.

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

Contract-related engineering costs are capitalized in work in progress. Other research and development expenses are immediately recognized in the profit and loss statement because they do not qualify for capitalization.

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.

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 multi-employer 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 credited or debited to employee benefit costs for a maximum of the average remaining working life of the insured employees.

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

2.17 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.

2.18 Financial Risk Management

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

Interest rate risk

Interest rate risks result from changes in interest rates which could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and cost of interest-bearing assets or liabilities. They can also, as explained below under Market risk, affect the market value of certain financial assets, liabilities, and financial instruments. The management of long-term interest rate risk is achieved centrally. Presently, the most significant portion of the Group's long-term financing is set at fixed interest rates (see Note 15, page 24 and 25), thereby minimizing the effects of interest rate fluctuations on Group income. Local, short-term interest rate risk is generally not hedged by Group companies.

Foreign exchange risk

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

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

Market risk

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

Credit loss risk

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

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

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

Derivative financial instruments

Derivative financial instruments are utilized in the scope of Group asset and liability management in order to optimize and hedge the flow of goods and financial income. The table on page 31 shows the contract value of financial instruments outstanding at the balance sheet date. The positive/negative gross repurchasing values are calculated by reference to the respective market parameters using price calculation models for options and the discounted cash flow method and reflect the market value of the financial instruments as of the balance sheet date.

2.19 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 elimination of own shares and bearer participation certificates.

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

2.20 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.

2.21 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.

3 Securities	2000	2001
In million CHF		
Marketable securities	25	30
Time deposits with a maturity ranging from 3 to 12 months	62	95
Total securities	87	125

4 Accounts receivable	2000	2001
In million CHF		
Supplies and services, gross	1 408	1 368
Allowance for doubtful accounts	-145	-141
Supplies and services, net	1 263	1 227
Associates and other related parties	9	7
Other accounts receivable	92	97
Total accounts receivable	1 364	1 331

5 Production orders in progress	2000	2001
In million CHF		
Work in progress	827	948
Down payments from customers	-344	-467
Net assets of production orders in progress	483	481
Work in progress	371	454
Down payments from customers	-838	-941
Net liabilities of production orders in progress	-467	-487

6 Inventories	2000	2001
In million CHF		
Raw material and trading material	378	258
Semifinished and finished goods	122	143
Down payments to suppliers	26	17
Total inventories	526	418

Write-downs totaling CHF 144 million (in 2000: CHF 146 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, 2000	–	85	596	609	522	1 812
Additions	9*	2	11	41	59	122
Disposals	–2	–7	–11	–22	–49	–91
Reclassifications	159	–25	–72	19	11	92
Change in scope of consolidation	4	–2	–2	2	8	10
Translation exchange differences	–	–2	–7	–10	–9	–28
December 31, 2001	170	51	515	639	542	1 917
Accumulated depreciation						
December 31, 2000	–	13	288	404	349	1 054
Additions	7	–	19	48	66	140
Disposals	–2	–	–10	–18	–30	–60
Reclassifications	59	–2	–33	19	14	57
Translation exchange differences	–	–	–3	–7	–7	–17
December 31, 2001	64	11	261	446	392	1 174
Net book value						
as of December 31, 2001	106	40	254	193	150	743
Fire insurance value						2 404
Net book value						
of fixed assets under finance lease	–	–	15	3	10	28
*Includes capitalized goods and services for own account of	0					
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 15 million in the year under review (in 2000: CHF 24 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 (in 2000: CHF 10 million).

Additional write-downs due to impairment losses amounted to CHF 0 million (in 2000: CHF 2 million).

8 Intangible assets

In million CHF

	Goodwill	Other intangible assets [•]	Total
Net book value			
December 31, 2000	864	54	918
Additions	18	10	28
Disposals	–	–	–
Amortization	–47	–16	–63
Reclassifications	–	2	2
Translation exchange differences	–101	–2	–103
December 31, 2001	734	48	782
Overview as of December 31, 2000			
Gross carrying amount	1 001	134	1 135
Accumulated amortization	137	80	217
Net book value	864	54	918
Overview as of December 31, 2001			
Gross carrying amount	892	143	1 035
Accumulated amortization	158	95	253
Net book value	734	48	782

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

The net book value of goodwill consists to approximately 65% of the goodwill acquired with the purchase of Elevadores Atlas Schindler S.A., São Paulo, in 1999. The remaining life for the goodwill of Elevadores Atlas Schindler S.A. is 17 years.

9 Investments in associates

	2000	2001
In million CHF		
Net book value		
January 1	77	86
Additions	34	4
Disposals	-6	-1
Share of net profit	1	18
Dividends received	-7	-31
Reclassifications	-11	-19
Exchange differences	-2	-1
December 31	86	56

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 assets

	2000	2001
In million CHF		
Loans to associates and other related parties	6	12
Securities	22	25
Other financial assets	279	210
Total financial assets	307	247

Other financial assets include time deposits of CHF 180 million with a life-time of more than 12 months (previous year CHF 200 million). The average interest rate is 3.9% (previous year 3.9%).

11 | Deferred taxes

11.1 Net book values of deferred tax assets and liabilities

	2000	2001
In million CHF		
Deferred taxes on account of temporary differences		
Current assets	-9	33
Fixed assets	-17	-20
Provisions	16	55
Employee benefits	16	39
Tax loss carryforwards	58	39
Other temporary differences	4	-12
Total net book value	68	134
Thereof recognized in the balance sheet as deferred tax liabilities	-86	-86
Thereof recognized in the balance sheet as deferred tax assets	154	220

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

	2000	2001
In million CHF		
January 1	56	68
Set up and reversal of temporary differences	15	67
Translation exchange differences	-3	-1
December 31	68	134

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 IAS and taxable balance sheet values) for which no deferred tax assets have been capitalized amount to CHF 149 million (previous year CHF 561 million). The reduction has been made primarily because of the improved outlook for income in the USA relative to the previous year, which

will also permanently improve the taxable result. The resulting one-time positive tax effect of CHF 85 million has been recognized in the profit & loss statement for the reporting year as a deferred tax credit (see Note 22, Income taxes, page 28).

11.4 Tax loss carryforwards

In million CHF	2000	2001
Total tax loss carryforwards	371	328
Includes tax loss carryforwards in deferred taxes of	200	135
Total unused tax loss carryforwards	171	193
These can be carried forward as follows:		
Within one year	4	6
In two to five years	120	49
In more than five years	47	138
Tax effect of unused tax loss carryforwards	58	59

12 Employee benefit plans

12.1 Defined benefit plans

In million CHF				2000
	Funded	Unfunded	Others	Total
Net assets at market value	1 685	–	–	1 685
Present value of defined benefit obligation	–1 671	–179	–144	–1 994
Financial surplus/shortfall	14	–179	–144	–309
Unamortized actuarial gains and losses/past service cost	–20	–	9	–11
Total net book value 2000	–6	–179	–135	–320
Amount reported as employee benefits under assets				56
Amount reported as employee benefits under liabilities				–376

12.2 Defined benefit plans

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

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 2000: CHF 7 million).

12.3 Statement of changes

	2000	2001
In million CHF		
January 1	–332	–320
Periodic pension cost	–63	–71
Contributions paid	61	58
Translation exchange differences	14	16
December 31	–320	–317

12.4 Periodic pension cost for defined benefit plans

	2000	2001
In million CHF		
Current service cost	80	83
Interest cost on present value of defined benefit obligation	94	97
Expected return on plan assets	–90	–95
Amortization of actuarial gains/losses or past service cost	1	2
Less employee contributions	–22	–21
Change in assets not shown in the balance sheet	–	5
Periodic pension cost	63	71
Actual return on plan assets	7.0%	3.8%

12.5 Basis of actuarial calculations

	2000	2001
Weighted averages	%	%
Technical interest rate	5.7	5.7
Expected return on assets	5.8	5.8
Increase in salaries/wages	3.5	3.5
Increase in pensions	2.1	1.7
Fluctuation rate	4.6	4.6

13 Accounts payable

	2000	2001
In million CHF		
Supplies and services	660	546
Associates and other related parties	11	7
Social security institutions	55	66
Indirect taxes and capital taxes	71	71
Other accounts payable	81	103
Total accounts payable	878	793

14 Accrued expenses and deferred income

	2000	2001
In million CHF		
Personnel cost	191	241
Late cost	54	51
Service contracts	48	44
Other accrued expenses and deferred income	327	277
Total accrued expenses and deferred income	620	613

15 Financial debts**15.1 Current financial debts**

	2000	2001
In million CHF		
Bank overdrafts	117	66
Current portion of non-current financial debts of bank loans	35	91
Current portion of non-current financial debts of financial leases	8	7
Total current portion of non-current financial debts	43	98
Total current financial debts	160	164

15.2 Non-current financial debts

	2000	2001
In million CHF		
4% debenture 1997–2004, nominal value CHF 200 million	185	185
3½% debenture 1999–2009, nominal value CHF 300 million	296	296
4⅛% debenture 1999–2006, nominal value CHF 300 million	295	296
2½% bond issue with warrants 1996–2003, nominal value CHF 170 million (Schindler Finance, Cayman Islands)	120	122
0% convertible loan 1999–2004, nominal value CHF 51 million (ALSO Holding Ltd.)	48	39
Total outstanding debentures and bonds	944	938
Bank loans	176	156
Finance leases	24	23
Other non-current financial debts	5	1
Total non-current financial debts	1 149	1 118
Thereof CHF portion	83.7%	84.7%

In the previous year, parts of the 4% debenture and 2½% bonds with warrants issues were repurchased. The nominal value (CHF 15 million) and cash value (CHF 43 million) of the repurchased items are offset against the corresponding value of the debentures.

In the reporting year ALSO Holding Ltd. repurchased units of the convertible bond issue to the nominal value of CHF 12 million.

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	2000	2001	2000	2001
	Book value	Book value	Effective interest rate in %	Effective interest rate in %
Within one year	160	164	5.4	8.7
Within two to five years	529	786	4.5	4.3
Greater than five years	620	332	4.1	4.7
Total financial debts	1 309	1 282	4.4	4.9

16 Provisions

In million CHF	Loss jobs	Guarantees	Structure adaptation cost	Product liabilities	Other provisions	Total
Current provisions	28	47	12	37	47	171
Non-current provisions	38	12	12	86	54	202
Total provisions	66	59	24	123	101	373
Statement of changes						
December 31, 2000	76	56	48	120	112	412
Statement of profit and loss						
Set up	28	18	10	48	36	140
Usage	-35	-14	-32	-48	-34	-163
Reversal	-2	-1	-2	-	-10	-15
Translation exchange differences	-1	-	-	3	-3	-1
December 31, 2001	66	59	24	123	101	373

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

Provisions for structure adaptation cost are only recognized if a formal social plan has been communicated to all concerned.

Provisions for product liability are based on actuarial calculations by independent experts on damage incurred but not yet reported and on cases not yet closed.

17 Operating revenue

In million CHF	2000	2001
Billings	8 399	8 056
Sundry operating revenue	99	58
Change in balance of work in progress	28	210
Capitalized own production of fixed assets	4	3
Total operating revenue	8 530	8 327

CHF 3 095 million (2000: CHF 3 152 million) of the operating revenue were calculated according to the percentage of completion-method.

18 Personnel cost and headcount

18.1 Personnel cost	2000	2001
In million CHF		
Salaries and wages	2 360	2 352
Social charges	719	705
Total personnel cost	3 079	3 057
18.2 Headcount	2000	2001
Average headcount	43 471	42 327
Headcount at year-end	43 334	41 524

19 Other operating cost

	2000	2001
In million CHF		
Special cost	441	417
Employee-related expenses	235	222
Rent, maintenance and repairs	211	212
Energy supply, consumables and packing material	121	121
Insurance, fees and capital taxes	99	95
General administration and advertising	217	203
Other operating expenses	156	135
Total other operating cost	1 480	1 405

Research and development cost of CHF 125 million (in 2000: CHF 130 million) have been charged to the profit and loss statement.

20 Financing activities

	2000	2001
In million CHF		
Interest income third parties	66	56
Interest expense third parties	109	83
Net interest income/expense	-43	-27
Foreign exchange income/loss	-5	-15
Other financial income/expense	-5	-16
Total financing activities	-53	-58

21 Investing activities	2000	2001
In million CHF		
Income from investments in associates	1	18
Other investing activities	4	-1
Total investing activities	5	17

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

22 Income taxes	2000	2001
In million CHF		
Current income taxes of the reporting period	83	110
Current income taxes of previous period	-	-
Deferred income taxes	-12	-64
Total income taxes	71	46

Deferred income taxes 2001 of CHF -64 million include release of deferred tax credits of CHF 21 million as well as an extraordinary amount in the USA of CHF -85 million. This one-time positive effect derives from the improved outlook for income in the USA and the corresponding capitalization of deferred tax credits.

22.1 Reconciliation of income taxes	2000	2001
In million CHF		
Net profit before taxes	374	443
Weighted average income tax rate in %	31	36
Expected income tax expense	116	158
Set up/use of unrecognized tax loss carryforwards	-10	-5
New inclusion of deferred taxes	-31	-98
Other	-4	-9
Effective income taxes	71	46
Effective income taxes in % of profit before taxes	19	10

The weighted average tax rate is calculated using the 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, 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:

	2000	2001
In million CHF		
Current assets	1	1
Fixed assets	3	1
Current liabilities	-10	-3
Non-current liabilities	-8	-
Net assets acquired	-14	-1
Goodwill	22	3
Total acquisition	8	2
Less acquired cash	-1	-
Cash used for the acquisition	7	2

23.2 Total net cash

	2000	2001
In million CHF		
Cash on hand	737	960
Less bank overdrafts (see also Note 15, page 24)	-117	-66
Total net cash	620	894

24 Off-balance sheet transactions

24.1 Contingent liabilities

	2000	2001
In million CHF		
Total value of guarantees, pledges and guarantee obligations in favor of third parties	19	12

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

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

24.2 Other commitments

In million CHF

	2000	2001
Irrevocable payment commitments resulting		
from contracts not to be shown in the balance sheet	89	84

24.3 Synopsis of maturity of rental and lease payments 2000

In million CHF

	Rental contracts	Operating leases	Finance leases
Within one year	21	46	10
Within two to five years	42	92	19
Greater than five years	23	47	13
Total payments	86	185	42
Less interests			-10
Total finance lease borrowings 2000			32

24.4 Synopsis of maturity of rental and lease payments 2001

In million CHF

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

25 Financial instruments

25.1 Market value of financial assets and liabilities

	2000	2000	2001	2001
In million CHF	Net book value	Fair value	Net book value	Fair value
Financial assets				
Cash on hand	737	737	960	960
Marketable securities	87	87	125	125
Accounts receivable	1 364	1 364	1 331	1 331
Financial assets (non-current)	307	310	247	247

Financial liabilities

Current and non-current financial debts	1 309	1 308	1 282	1 282
Accounts payable	936	936	878	878

25.2 Open derivative financial instruments 2000

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	18	19	1 078	502	456	120	–
Options	–	–	18	18	–	–	–
Foreign exchange	18	19	1 096	520	456	120	–
Forward	–	–	–	–	60	68	–
Options	–	–	–	–	–	–	–
Interest	–	2	128	–	60	68	–
Forward	–	–	–	–	–	–	–
Options	–	–	–	–	–	–	–
Other derivatives	–	–	–	–	–	–	–
Total derivatives	18	19	1 224	520	516	188	–

25.3 Open derivative financial instruments 2001

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

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

25.4 Hedging transactions

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

For financing purposes, the ALSO Group sold trade accounts receivable of CHF 45 million (previous year CHF 178 million) to a foreign bank. These receivables were eliminated from the accounts excluding an unutilized reserve.

Assets pledged or assigned as security

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

In million CHF	2000	2001
Securities	4	35
Accounts receivable	21	20
Inventories	24	25
Fixed assets	64	63
Total pledged assets	113	143

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 2000

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E&E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue								
third parties	3 236	2 497	920	16	6 669	1 861	–	8 530
Intercompany sales	860	32	63	–955	–	5	–5	–
Total operating revenue	4 096	2 529	983	–939	6 669	1 866	–5	8 530
Operating profit								
					422	6	–6	422
Assets								
	2 057	1 693	758	20	4 528	476	656	5 660
Liabilities								
	1 359	797	500	117	2 773	343	1 090	4 206
Additions of fixed assets								
	76	30	15	5	126	31	–	157
Depreciation								
and amortization	88	68	31	3	190	12	–	202
Share in profits of								
associated companies					1	–	–	1
Personnel at year-end	20 039	13 858	7 624	242	41 763	1 571	–	43 334

27.2 Segment information 2001

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E&E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue								
third parties	3 188	2 493	907	13	6 601	1 726	–	8 327
Intercompany sales	838	38	92	–969	–	3	–3	–
Total operating revenue	4 027	2 531	999	–956	6 601	1 729	–3	8 327
Operating profit								
					471	20	–7	484
Assets								
	2 247	1 591	716	16	4 570	384	584	5 538
Liabilities								
	1 320	876	456	47	2 699	242	1 149	4 090
Additions of fixed assets								
	70	24	16	4	114	8	–	122
Depreciation								
and amortization	94	59	26	4	183	13	–	196
Share in profits of								
associated companies					18	–	–	18
Personnel at year-end	19 684	13 433	6 794	258	40 169	1 355	–	41 524

28 Capital participation plans

There is a capital participation plan for the top management employees of the Group. The plan has a lifetime of six years and provides for entitled employees to receive a predefined portion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined valuation. These shares and bearer participation certificates carry all associated rights, but are subject to the restriction that for a period of three years they may not be sold. The first awards under the participation plan made in April 2001 for the financial results of 31.12. 2000 required 573 shares with a market value on December 31, 2000, of CHF 1.4 million. The corresponding number of shares was withdrawn from treasury. The equivalent value is charged to personnel expenses.

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

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

	2001
January 1	-
Options awarded	1 542
Options exercised	-
Options expired	-
December 31	1 542

The period in which the options may be exercised runs from April 30, 2004, to April 29, 2007. The exercise price at that time is set at CHF 2 687. The option premium is not recorded, since the option has no intrinsic value.

29 Share capital and bearer participation certificate capital

29.1 Number of shares and bearer participation certificates

The share capital as of December 31, 2001, amounts to CHF 38 million (2000: CHF 64 million) and consists of 752 866 (2000: 752 866) registered shares with a nominal value of CHF 50 (2000: CHF 85) per share.

As of December 31, 2001, the bearer participation certificate capital consists of 592 424 (2000: 592 424) bearer participation certificates with a nominal value of CHF 50 (2000: CHF 85) each, and thereby amounts to CHF 29 million (2000: CHF 50 million).

29.2 Treasury stock

in million CHF

	Registered shares Number	Registered shares Value	Bearer participation certificates Number	Bearer participation certificates Value
December 31, 1999	27 040	59	15 444	37
Sales	-50	-	-1 033	-3
Elimination	-10 200	-24	-13 001	-31
December 31, 2000	16 790	35	1 410	3
Repurchases	19 185	43	41 725	93
Sales	-2 841	-6	-255	-1
Withdrawals for employee stock plan	-573	-1	-	-
December 31, 2001	32 561	70	42 880	96

30 Earnings per share and bearer participation certificate

In CHF

	2000	2001
Net profit	299 000 000	379 000 000
Outstanding number of shares and BPC	1 345 290	1 345 290
Less number of treasury stock (weighted average)	18 973	33 825
Outstanding number of shares and BPC (weighted average) for calculation	1 326 317	1 311 465
Basic earnings per share and BPC	225.44	288.99
Diluted net profit	299 000 000	379 000 000
Diluted number of shares and BPC	1 326 317	1 311 465
Diluted earnings per share and BPC	225.44	288.99

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

31 Related parties

According to information published under stock exchange law, the Schindler and Bonnard families hold within the scope of a stockholder retainer contract 465 236 registered shares, i.e. 61.8% 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%.

In total the members of the Board of Directors were remunerated for their activities with CHF 1.1 million during the period reported (in 2000: CHF 1.1 million). In addition, the members of the Executive Committees of the Board of Directors as well as the Management Committees receive a fixed salary plus an industry and performance-related compensation.

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 2001 of CHF 50.– (previous year CHF 50.–) 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 22, 2002.

34 Events after balance sheet date and outlook

Now that the operational goals which were set for 2001 have been attained, the elevator and escalator business is well positioned. With the objective of achieving further operational progress and increasing the EBITDA margin from its current level of 10% to 14% in the medium term, a large number of significant projects will be proposed to the Board of Directors for approval in the course of the first quarter of 2002.

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

On the basis of current, provisional assessments, it is estimated that the cumulative project costs of all planned measures which have not yet been finalized will amount to between approximately CHF 300 and 400 million and reduce the consolidated net result for 2002 accordingly.

By this means, approximately the equivalent of one year's net profit will be invested in increasing productivity, in improved geographical positioning, and in projects for expansion. If the stated extraordinary project costs were in fact to fall entirely in 2002, the consolidated profit before taxes for that year would be approximately 80% lower than the corresponding CHF 443 million of 2001. It is the view of the company that for the years 2003 and 2004, conditions in relation to all other things remaining unchanged, substantial improvements in the result can already be expected relative to the consolidated net profit for 2001. The main points of the planned measures will be presented at the annual results media conference for financial year 2001.

Report of the Group auditors

To the General Meeting of Schindler Holding Ltd., Hergiswil

As auditor 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 2 to 37) of Schindler Holding Ltd. for the year ended December 31, 2001.

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 issued by the International Federation of Accountants (IFAC), 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 Accounting Standards (IAS) and comply with Swiss law.

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

Bern, February 25, 2002

ERNST & YOUNG LTD.

Peter Bühler
Certified accountant
(in charge of the audit)

Roland Ruprecht
Certified accountant

Balance sheet

of Schindler Holding Ltd. before appropriation of profits

Assets		31.12.2000		31.12.2001	
In 1000 CHF	Notes		%		%
Current assets					
Cash and cash equivalents	1	178 060		409 731	
Securities	1	38 368		166 587	
Accounts receivable from subsidiaries	2	223 552		108 379	
Accounts receivable from third parties	3	18 290		7 806	
Prepaid expenses and accrued income	4	6 797		8 271	
Total current assets		465 067	22.5	700 774	33.9
Non-current assets					
Investments in subsidiaries	5	1 301 000		1 028 000	
Loans to subsidiaries	6	97 515		159 264	
Financial assets	7	202 570		182 000	
Total non-current assets		1 601 085	77.5	1 369 264	66.1
Total assets		2 066 152	100.0	2 070 038	100.0

Liabilities and shareholders' equity

In 1000 CHF	Notes	31.12.2000	%	31.12.2001	%
Liabilities					
Accounts payable to subsidiaries	8	112 390		105 943	
Accounts payable to third parties	9	12 479		20 975	
Debentures	10	784 530		784 530	
Provisions	11	69 843		63 187	
Accrued expenses and deferred income	12	13 954		20 377	
Total liabilities		993 196	48.1	995 012	48.1
Shareholders' equity					
Share capital	13	63 994		37 643	
Bearer participation capital	13	50 356		29 621	
Statutory reserves	14	317 121		317 121	
Reserves for treasury stock	15	38 020		166 240	
Other reserves	16	492 845		405 242	
Brought forward from previous year		6 497		4 265	
Net profit for the year		104 123		114 894	
Total shareholders' equity	17	1 072 956	51.9	1 075 026	51.9
Total liabilities and shareholders' equity		2 066 152	100.0	2 070 038	100.0

Profit and loss statement

of Schindler Holding Ltd.

Revenue		2000	2001
In 1000 CHF	Notes		
Income from subsidiaries	18	200 864	225 006
Extraordinary income	19	9 435	6 500
Income from financial operations	20	25 196	32 640
Total revenue		235 495	264 146
Expenses			
Financial expenses	21	40 609	34 482
Depreciation and adjustments	22	85 029	108 454
Administration expenses and taxes	23	5 734	6 316
Total expenses		131 372	149 252
Net profit for the year		104 123	114 894

Appropriation of profits

Proposals to the General Meeting

	31.12. 2000	31.12. 2001
In 1000 CHF		
Total available profit		
Net profit for the year	104 123	114 894
Brought forward from previous year	6 497	4 265
Profits as per balance sheet	110 620	119 159
Appropriation of net profit		
Gross dividends proposed		
per registered share CHF 50 (previous year CHF 50)	36 804*	37 643**
per bearer participation certificate CHF 50 (previous year CHF 50)	29 551*	29 622**
Total dividend	66 355	67 265
Appropriation to other reserves	40 000	50 000
Total appropriation of net profit	106 335	117 265
Balance carried forward to new account	4 265	1 894

- Distribution excludes dividend on treasury stock (see also Note 29 to the consolidated financial statements, page 35)
- The proposed dividend applies to all outstanding registered shares and bearer participation certificates. However, the treasury stock still held at the date of the dividend proposal is not eligible for dividend payments. This may, as in the previous year, reduce the reported total dividend accordingly

Notes

to the financial statements of Schindler Holding Ltd.

Principles of valuation

The financial statements as at December 31, 2001, comply with Swiss corporation law. Regarding inclusion of Schindler Holding Ltd. in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

Notes and explanations

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

1 Cash, cash equivalents and securities

At the end of the year under review, the value of cash, cash equivalents, and securities amount to CHF 576.3 million, representing 27.8% of total assets. On 31.12.2000 the comparable value was CHF 216.4 million, or 10.5% of total assets. The substantial increase of CHF 359.9 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 45). This positive cash flow is offset by negative cash flows, mainly for the purchase of own shares and bearer participation certificates, repayment of nominal value, and payment of dividends from the previous year's profits.

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

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

On the date of the balance sheet, Schindler Holding Ltd. holds 15 377 own registered shares (previous year 16 790) and 1 155 own bearer participation certificates (previous year 1 410), which will be used for the stock plan and stock option plan for the top management of the Group which runs for six years and was introduced in the previous year.

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 35).

- 2 Accounts receivable from subsidiaries** Accounts receivable from affiliated and associated companies amount to CHF 108.4 million, compared with CHF 223.6 million at the end of 2000. The reduction of CHF 115.2 million per year-end is attributable to the reduction in short-term accounts receivable from 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 close at CHF 7.8 million (previous year CHF 18.3 million). The decrease is due to lower withholding tax balances, as well as other decreases in accounts receivable from third parties.
- 4 Prepaid expenses and accrued income** This item, consisting mainly of accrued interest, amount to CHF 8.3 million (previous year CHF 6.8 million).
- 5 Investments in subsidiaries** At the end of the reporting year, the balance sheet value of investments in subsidiaries is CHF 1 028.0 million. This is a net reduction of CHF 273.0 million on the previous year's value of CHF 1 301.0 million. A gross increase of CHF 45.0 million was made up of capital increases, purchase of additional shares in existing affiliated companies, and establishment of new companies. Capital repayments by subsidiaries totaling CHF 209.6 million, together with depreciation as described in the notes to the profit and loss statement, result in the reported net value for investments in subsidiaries.
- The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 50 to 52 of the financial statements.
- 6 Loans to subsidiaries** Loans to subsidiaries and associated companies amount to CHF 159.3 million, compared with CHF 97.5 million at the end of the previous year. The higher value reflects an increase in the long-term financing of a subsidiary.
- 7 Financial assets** In the financial statements for 31.12. 2001, financial assets comprise time deposits with a term longer than 12 months of CHF 180.0 million (previous year CHF 200.0 million), as well as loans and other financial assets of CHF 2.0 million (previous year CHF 2.6 million).
- 8 Accounts payable to subsidiaries** Accounts payable to subsidiaries, including associated companies, amount to CHF 105.9 million, which is CHF 6.5 million less than the previous year's value of CHF 112.4 million.
- 9 Accounts payable to third parties** At CHF 21.0 million, accounts payable to third parties are above the previous year's value of CHF 12.5 million. The increase of CHF 8.5 million results from the addition of a number of creditors to this balance sheet item.

10 Debentures

	2000	2001
In 1000 CHF		
4% debenture 1997–2004, due 28.05.2004*	184 530	184 530
3½% debenture 1999–2009, due 02.06.2009	300 000	300 000
4⅛% debenture 1999–2006, due 26.10.2006	300 000	300 000
Total debentures outstanding	784 530	748 530

*Early redemption possible on 28.05.2002 or 28.05.2003

During the previous year there was a partial repurchase of the 4% debenture. In the reporting year, the nominal value of CHF 15.5 million of this partial repurchase (unchanged from the previous year) is again offset against the debenture value of CHF 200.0 million.

11 Provisions

The existing provisions to cover financial risks in conjunction with international business commitments amount to CHF 63.2 million (previous year CHF 69.8 million). They consist mainly of provisions for guarantees, bad debts, and currency risks, as well as provisions to cover commitments entered into. CHF 6.6 million were released in the reporting year.

12 Accrued expenses and deferred income

Accrued expenses and deferred income amount to CHF 20.4 million (previous year CHF 14.0 million), and mainly comprise accrued interest for the outstanding debentures, as well as greater negative replacement values of derivative financial instruments than in the previous year.

13 Share capital/participation certificate capital

Relative to the previous year the following changes in the share capital and participation certificate capital took place:

13.1 Share capital

	Number	Nominal value CHF	Share capital CHF
31.12.2000	752 866	85	63 993 610
Partial repayment of nominal value on June 22, 2001		-35	-26 350 310
31.12. 2001	752 866	50	37 643 300

13.2 Participation certificate capital

	Number	Nominal value CHF	PC capital CHF
31.12.2000	592 424	85	50 356 040
Partial repayment of nominal value on June 22, 2001		-35	-20 734 840
31.12. 2001	592 424	50	29 621 200

- 14 Statutory reserves** The value of the statutory reserves, including unchanged share premiums of CHF 311.3 million, is CHF 317.1 million, the same as in the previous year.
- 15 Reserves for treasury stock** The reserves for treasury stock, which stood at CHF 38.0 million at the end of the previous year, increased by 31.12.2001 to CHF 166.2 million as a result of the repurchasing program for registered shares and bearer participation certificates described in Note 1 on page 44 of the financial report. This amount covers the purchase value of the holdings in treasury of registered shares of CHF 70.7 million (previous year CHF 34.6 million) and bearer participation certificates of CHF 95.5 million (previous year CHF 3.4 million).
- 16 Other reserves** The other reserves, which amounted to CHF 532.8 million at the end of 2000 after the approved appropriation of profits, amount to CHF 405.2 million on 31.12.2001. The reduction of CHF 127.6 million reflects the change in reserves for treasury stock mentioned above, and the amount of the reduction in nominal value of the shares and bearer participation certificates held in treasury.
- 17 Shareholders' equity** Including profits brought forward from the previous year, the reduction in nominal value described in Note 13, dividends paid, and the net profit for 2001, shareholders' equity prior to appropriation of net profits amounts to CHF 1075.0 million as against the previous year's value of CHF 1073.0 million. The equity ratio is unchanged at 51.9%.
- 18 Income from subsidiaries** The income from subsidiaries, totaling CHF 225.0 million (previous year CHF 200.9 million), includes the ordinary dividends of the subsidiaries and associated companies, in addition to contractually agreed payments for services rendered by the holding company.
- 19 Extraordinary income** Extraordinary income reflects release of a provision for CHF 6.5 million. The previous year's value consisted of an extraordinary elimination of provisions for bad debts, as well as income from the sale of subsidiaries and holdings in associated companies.
- 20 Income from financial operations** Income from financial operations, consisting of interest on investments in third parties and in subsidiaries, together with income received from other financial investments, amounts to CHF 32.6 million. This is CHF 7.4 million (29.4%) higher than the previous year's level of CHF 25.2 million. The increase is mainly due to higher interest income.

21 Financial expenses

The financial expenses of CHF 34.5 million (previous year CHF 40.6 million) include payment of interest to subsidiaries for current-account loans, interest on long-term liabilities in the form of outstanding debentures, charges for short-term bridging loans, together with realized losses and adjustments on derivative financial instruments. Financial expenses in the previous year included one-time expenses for the benefit of a subsidiary. Absence of this expense item, and slightly lower interest costs, are the main reasons causing financial expenses to be CHF 6.1 million lower in the reporting period.

22 Depreciation and adjustments

Depreciation and adjustments on investments in subsidiaries and loans amount to CHF 108.5 million in the year under review, by comparison with CHF 85.0 million in the previous year. The increase is mainly due to the prudent assessment of economic, political, and currency risks associated with investments in the subsidiaries and affiliated companies.

23 Administration expenses and taxes

The main items included under this heading, amounting to CHF 6.3 million (previous year CHF 5.7 million), are personnel costs, general business expenses, and taxes accrued to the period under review.

24 Contingent liabilities

In 1000 CHF

2000

2001

Total contingent liabilities in favor of

affiliated companies for bank guarantees,

loans, and supply contracts

781 400

810 600

25 Liabilities to employee benefit schemes

In 1000 CHF

2000

2001

Total liabilities

1 142

1 225

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

26 Treasury stock

Information concerning the inventory of shares and bearer participation certificates held in treasury by Schindler Holding Ltd., together with details of the purchases and redemptions made, is contained in the Notes to the Consolidated Financial Statements on page 35.

27 Significant shareholders

Regarding the existence of a stockholder retainer contract and other aspects of the shareholding structure see note 31 to the consolidated financial statements, Related parties, on page 36.

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, 2001.

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

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

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

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

Bern, February 25, 2002

ERNST & YOUNG LTD.

Peter Bühler
Certified Accountant
(In charge of the audit)

Roland Ruprecht
Certified Accountant

Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2001

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	4 000 ATS				○	
		Schindler Aufzüge und Fahrtreppen AG	96.9	4 362 EUR	●			○	
		Schinac Verwaltungs AG	100	70 070 EUR					○
Belgium	Brussels	S.A. Schindler N.V.	100	6 250 EUR	●			○	
Czech Republic	Prague	Vytahy Schindler A.S.	88	227 408 CZK	●			○	
Denmark	Herlev	Schindler Elevatorer A/S	100	1 000 DKK				○	
	Kibaek	Kibaek Specialfabrik Aps	100	200 DKK				○	
Finland	Helsinki	Schindler Oy	100	100 EUR				○	
France	Illzach	Elevator Car System	99.9	9 000 EUR	●			○	
		Etablissements Henri Peignen S.A.	99.9	1 220 EUR	●			○	
	Vélizy-Villacoublay	Roux Combaluzier Schindler	99.9	22 500 EUR				○	
		Schindler	99.9	7 500 EUR	●			○	
Germany	Berlin	Schindler Deutschland Holding GmbH	100	100 000 DEM				○	
		Schindler Aufzüge und Fahrtreppen GmbH	100	19 000 DEM				○	
	Stuttgart	C. Haushahn GmbH & Co.	100	13 587 DEM				○	
Great Britain	Feltham	Schindler Ltd.	100	48 800 GBP				○	
		Schinvest Ltd.	100	67 460 GBP				○	
Greece	Athens	Schindler Hellas S.A.	100	530 000 GRD				○	
Hungary	Budapest	Schindler Hungária KFT	100	460 000 HUF				○	
Iceland	Reykjavik	HÉDINN Schindler Lyftur hf.	51	20 000 ISK				○	
Ireland	Dublin	Schindler Ltd.	100	20 IEP				○	
Italy	Concorezzo	Schindler S.p.A.	100	8 400 EUR	●			○	
Jersey	St. Helier	Schinvest (Jersey) Ltd.	100	213 EUR				○	
Latvia	Riga	A.S. Latvijas Lifts Schindler	97	123 LAT				○	
Liechtenstein	Vaduz	Reassur AG	100	10 000 CHF				○	
Lithuania	Vilnius	UAB Schindler Liftas	100	1 365 LIT				○	
Luxembourg	Luxembourg	Schindler S.à.r.l.	100	175 EUR				○	
Monaco	Fontvieille	Schindler Monaco	98	150 EUR				○	
Netherlands	The Hague	Hovanes B.V.	100	147 NLG				○	
		Schindler Liften B.V.	100	1 246 NLG				○	
Norway	Bergen	Stahl Heiser A/S	100	550 NOK				○	
	Vennesla	Reber-Schindler Heis A/S	100	8 000 NOK				○	
Poland	Warsaw	Schindler Polska sp. z. o.o.	100	5 000 PLZ				○	
Portugal	Lisbon	Schindler S.A.	100	4 000 EUR				○	
Rumania	Bucharest	Schindler Romania S. R. L.	100	1 250 000 LEI				○	

● 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 vyťahy a eskalatory a.s.	100	29 000 SKK					○
Spain	Zaragoza	Schindler S.A.	99.5	18 028 EUR	●				○
Sweden	Stockholm	Schindler Hiss AB	100	9 440 SEK					○
		Schindler Scandinavian Holding AB	100	28 000 SEK					○
Switzerland	Ebikon	Schindler Aufzüge AG	100	25 000 CHF	●				○
		SchindlerConsulting AG	100	250 CHF					○
		Schindler Informatik AG	100	1 000 CHF					○
		Schindler Management AG	100	1 000 CHF					○
		SchindlerRepro AG	52	150 CHF					○
	Hergiswil	ALSO Holding AG	63.3	5 977 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					○
Turkey	Istanbul	Schindler Türkelı Asansör san. a.s.	100	18 738 000 TRL	●				○

The Americas

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

● Production
○ Services

Africa

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

Asia/Australia

Australia	Sydney	Deve Hydraulic Lifts Pty. Ltd.	100	2 AUD					○
		Schindler Lifts Australia Pty. Ltd.	100	22 950 AUD					○
Brunei, Bandar Seri Begawan		Schindler Liftec Sdn. Bhd. •	50	1 000 B\$					○
China	Beijing/Shanghai	China-Schindler Elevator Co. Ltd.	62.7	868 618 CNY	●	●			○
	Shanghai	Shanghai Schindler Elevator Technology Service Co. Ltd.	100	90 330 CNY					○
	Suzhou	Suzhou Schindler Elevator Co. Ltd.	55	155 373 CNY	●	●			○
		Suzhou Esca Step Co. Ltd.	100	38 914 CNY		●			
		Schindler Electronics (Suzhou) Co. Ltd.	100	13 000 CNY	●				
Hong Kong	Hong Kong	Schindler Lifts (Hong Kong) Ltd. •	100	25 000 HKD					○
India	Bombay	Schindler India PVT Ltd.	100	428 875 RS					○
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	Sin El Fil/Beirut	Schindler Lebanon S.A. L.	70	600 000 LBP					○
Malaysia	Ipoh	Schindler Manufacturing (Malaysia) Sdn. Bhd.	50	78 245 MYR	●	●			
	Kuala Lumpur	Antah Schindler Sdn. Bhd. •	70	10 450 MYR					○
Myanmar	Yangoon	Myanmar Jardine Schindler Ltd. •	100	300 KYAT					○
New Zealand	Auckland	Schindler Lifts NZ Ltd.	100	1 010 NZD					○
Philippines	Manila	Jardine Schindler Elevator Corp. •	100	121 000 PHP					○
Singapore	Singapore	Schindler Lifts (Singapore) Pte. Ltd. •	100	11 764 SGD					○
		Jardine Schindler Logistics Pte. Ltd. •	100	1 000 SGD					○
Taiwan	Taipei	Jardine Schindler Lifts •	100	276 000 TWD					○
Thailand	Bangkok	Jardine Schindler (Thai) Ltd. •	100	90 268 THB					○
Vietnam	Ho Chi Minh City	SGE-Schindler Ltd. •	70	1 000 USD					○

• Participations of Jardine Schindler Holdings Ltd., BVI

● Production

○ Services

The Annual Report of the Schindler Group for 2001 consists of the Activity Report and the Financial Statements.

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

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