

Interim Report
as at June 30, 2002



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Title page Monolith by Jean Nouvel,
Expo.02 arteplage, Murten, Switzerland
6 escalators and 2 elevators
manage the streams of visitors
(Photo: Peter Mosimann, Berne)

Group key figures as at June 30, 2002

The results for the first half of 2002 are substantially weighed down by the R03 program for the elevators and escalators business presented at the annual results media conference on February 28, 2002. This program foresees the investment of almost one year's net profit in increasing productivity. At the level of Group EBIT and Group net profit before taxes, the R03 project costs incurred in the reporting period were CHF 143 million, corresponding with our expectations.

Group	2001	2002	Δ in %	Δ in %
In million CHF	1st half	1st half		local currency
Orders received	4 214	4 029	-4.4	-0.1
Operating revenue	4 163	3 897	-6.4	-2.2
EBITDA*	290	218	-24.8	
in %	7.0	5.6		
EBIT**	195	84	-56.9	
in %	4.7	2.2		
Profit before taxes	159	67	-57.9	
Net profit	114	21	-81.6	
Cash flow***	190	218	+14.7	
Capital expenditure	57	39	-31.6	
	31.12.2001	30.06.2002		
Order backlog	4 039	3 978	-1.5	+6.6
Shareholders' equity	1 329	1 132	-14.8	
Personnel	41 524	40 110	-3.4	

In the interest of greater transparency and comparability, the summary shown below is of benefit. If the R03 project costs mentioned above are excluded, this results in the following key figures:

Key figures before charging of R03 project costs	2001	2002	Δ in %
In million CHF	1st half	1st half	
EBITDA*	290	311	+7.2
EBIT**	195	227	+16.4
Profit before taxes	159	210	+32.1
Net profit	114	118	+3.5
Cash flow***	190	202	+6.3

- * EBITDA: Operating profit plus depreciation and amortization
- ** EBIT: Operating profit
- *** Cash flow: Net profit before minority interests plus depreciation and amortization +/- change in provisions

R03 project costs weigh on positive performance



R03 project costs and currency effects weigh on half-year result

The results for the first half of 2002 are substantially affected by the R03 projects ("run rate 03") in the elevators and escalators business which were announced in the spring. The projects foresee the investment of almost of one year's net profit in increasing productivity, improving geographical positioning, and in projects for expansion. The pre-tax result for the first half year includes R03 project costs of CHF 143 million. The half-yearly result was also negatively affected by currency exchange rates. Leaving aside the extraordinary costs, both the elevators and escalators business and ALSO delivered a positive performance.

Orders received slightly lower

By comparison with the same period in the previous year, consolidated orders received fell by 4.4% (0.1% in local currencies) to CHF 4 029 million. This development was mainly due to the negative effects of exchange rates and lower sales (-11.7%) by ALSO.

Order bookings for elevators and escalators went down by 2.4% to CHF 3 230 million. In local currencies, however, there was growth of 2.7%. There was a particularly pleasing sales increase in Asia. Contracts were won for a number of major projects with Schindler 500 and high-rise elevators, and the market position of escalators was expanded throughout the entire region.

In Europe, too, orders were higher thanks to the success of the Schindler *Smart* und Schindler *Euro-Lift* machine room-less elevator lines, even though some markets displayed signs of recession. In North America and Latin America, order bookings went down. In Latin America this was entirely due to currency exchange rates, while in North America there was less demand in the modernization segment. On the other hand, the newly launched Schindler 330A hydraulic elevator, and escalators, sold very well. In Brazil, the market position was expanded, and a machine room-less elevator of the Schindler *Smart* type was newly introduced.

1 The UGC movie theater complex in Glasgow, England, houses 22 Schindler 9300 escalators

Operating revenue

Exchange rate effects and the fall in sales at ALSO caused consolidated operating revenue to fall by 6.4% to CHF 3 897 million. In local currencies, the decrease was 2.2%.

Operating revenue in the elevators and escalators business fell by 4.9% to CHF 3 098 million, although in local currencies it went up by 0.1%. In Europe and Latin America, operating revenue net of exchange rate effects increased slightly, whereas



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in North America and Asia there was a slight fall, even in local currencies.

In a contracting IT market, total sales by ALSO declined 11.7% to CHF 799 million. The Distribution division expanded its market share in spite of falling sales. Concentration by the Systems division of its activities on the three most important business areas of Switzerland also resulted in lower sales.

Elevators and escalators business

Affected by the R03 projects, EBITDA for the elevators and escalators business was CHF 199 million as against CHF 280 million for the first half of the previous year. EBIT amounted to CHF 70 million, after CHF 192 million in the same period last year.

As already announced, the R03 program comprises more than 50 individual projects. Of the projects commenced in the first half year, the merger in North America between Schindler and Millar is at an advanced stage and will be completed by the end of 2002. Besides the corresponding costs, the merger has already produced first savings. In Brazil, concentration of manufacturing into the modern elevator and escalator factory at Londrina, and closure of the old plant at Rio, are almost complete. In China, duplication and internal competition between the group companies has been largely eliminated by realign-



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ment of marketing activities and the field organization. As well as this, shared services were introduced into the product line management, IT, export, logistics, and training areas. In Russia, Schindler has regained a foothold by purchasing the majority share in Liftremont, an elevator company active in the Moscow area, which it has renamed to ZAO Schindler and will progressively expand to participate in the growth potential of the Russian market. Activities in Europe in the first half year were dominated by complex preparations for the standardization of business processes in line with best practices.

1 Re-entry to the Russian market under the name ZAO Schindler

2 The SchindlerSmart MRL machine room-less elevator launched in the Brazilian market is well received



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The operating profit earned by ALSO in the first half year was CHF 15 million, which compares with CHF 5 million for the same period last year. The result for Distribution was maintained by increased efficiency. The Systems business succeeded in reducing its operating loss to CHF 1 million from the CHF 11 million loss in the first-half last year.

Net income from financing and investing

Net income from financing and investing activities improved by CHF 19 million to CHF –17 million after CHF –36 million in the comparable period of the previous year. Exchange rate developments in the reporting period caused operational hedging transactions to result in a recorded, but not yet realized, exchange gain of CHF 10 million (previous year: expense of CHF 21 million). On the other hand, despite substantially higher liquidity, lower interest income caused net interest expense to rise.

Net profit and cash flow

After costs of CHF 143 million for R03 projects, profit before taxes for the reporting period was CHF 67 million (CHF 210 million before R03 project costs), which compares with CHF 159 million in the same period of the previous year. Because not all

R03 project costs are tax deductible, income taxes in the first half year were higher even though the pre-tax result was lower. Net profit declined to CHF 21 million by comparison with CHF 114 million in last year's first half. Cash flow increased by 14.7% from CHF 190 in the first half of the previous year to CHF 218 million.

Personnel

Relative to the end of 2001, the number of employees went down by 1414, or 3.4%, to 40 110. The reduction in elevators and escalators was 1 181 employees (2.9%) and at ALSO 233 persons or 17.2%.

Reduction in capital, repayment of nominal value, and share split

The change in capital determined by the General Meeting of March 26, 2002, became effective on June 14, 2002. In a first step, the second tranche of registered shares and bearer participation certificates acquired during the course of the completed repurchasing program was eliminated and the capital reduced accordingly. Secondly, a CHF 40.– partial repayment was made of the nominal value of each registered

1 Assembling a logistics order for Swisscom Mobile at ALSO (Photo: Peter Gunti, Solothurn)



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share and bearer participation certificate of the reduced capital. This reduced the nominal value per share and bearer participation certificate to CHF 10.– each. Thirdly, the shares and bearer participation certificates were split 10 for 1. The new value of the share capital is therefore CHF 7 356 820, divided into 7 356 820 registered shares with a nominal value of CHF 1.– each. The bearer participation certificate capital now consists of 5 506 990 bearer participation certificates with a nominal value of CHF 1.– each and amounting in total to CHF 5 506 990.

1 Schindler 9300 escalators in the Wöhrle department store, Würzburg, Germany

Outlook 2002

Although the outlook for the IT market is dull, ALSO expects net sales and net income in the second half of the year to be similar to that in the first.

Demand in the elevator and escalator markets remains subdued worldwide. In all regions of the market, the newly introduced products are proving their worth even under tough market conditions and will keep sales up in the second half of the year. No perceptible upturn is expected in Asia. In Europe, market conditions will toughen. Whether the expected recovery in North America will materialize is increasingly uncertain. In Latin America, the economic and monetary problems may get worse, especially in Brazil.

Despite signs of economic weakness and political uncertainties, the R03 program to increase operational performance will be pursued undimi-

nished. As already stated, it will cost between CHF 300 and 400 million for the whole year. Once implemented, the measures in the package should lastingly strengthen the elevators and escalators business and contribute to increasing EBITDA to 14% in the medium term.

The economic environment, and particularly the currency weaknesses in North and Latin America, are causes for concern. For this reason, the present expectation is that **pre-tax net profit for 2002 – before deduction of R03 project costs** – will remain at approximately the same level as the previous year. This is because by comparison with the first half-year (pre-tax net profit before R03 project costs +32.1%), in the second half-year there will be a greater impact of exchange losses.

Alfred N. Schindler
Chairman of the Board of Directors

Luc Bonnard
Vice Chairman of the Board of Directors

Group half-year financial statements 2002

Profit and loss statement

In million CHF	2001		2002	
	1st half	%	1st half	%
Operating revenue	4 163	100.0	3 897	100.0
Operating expenses	3 968	95.3	3 813	97.8
Operating profit	195	4.7	84	2.2
Net income from financing and investing activities	-36	-0.9	-17	-0.5
Profit before taxes	159	3.8	67	1.7
Taxes	40	1.0	46	1.2
Minority interests	5	0.1	0	-
Net profit	114	2.7	21	0.5

Earnings per share

Basic earnings per share and BPC in CHF	8.59	1.65
Diluted earnings per share and BPC in CHF	8.59	1.65

Balance sheet

In million CHF	31.12.2001		30.06.2002	
		%		%
Cash and cash equivalents	960	17.3	1 335	24.7
Other current assets	2 476	44.7	2 413	44.6
Non-current assets	2 102	38.0	1 660	30.7
Total assets	5 538	100.0	5 408	100.0
Current liabilities	2 313	41.8	2 510	46.4
Non-current liabilities	1 777	32.1	1 649	30.5
Total liabilities	4 090	73.9	4 159	76.9
Minority interests	119	2.1	117	2.2
Shareholders' equity	1 329	24.0	1 132	20.9
Total liabilities and shareholders' equity	5 538	100.0	5 408	100.0

Consolidated cash flow statement

In million CHF	2001 1st half	2002 1st half
Net profit before minority interests	119	21
Depreciation and amortization	95	134
Change of provision	-24	63
Other positions with no effect on liquidity	-12	-13
Change of securities	-165	75
Change in remaining net working capital	175	54
Cash flow from operating activities	188	334
Investments in fixed assets, net	-35	-28
Investments in other non-current assets, net	-6	172
Cash flow from investing activities	-41	144
Dividends paid by Schindler Holding Ltd.	-66	-64
Dividends paid to minority shareholders	-11	-12
Other financing activities	44	-116
Cash flow from financing activities	-33	-192
Translation exchange differences	-16	6
Change in net cash	98	292
Net cash at the beginning	620	894
Net cash at the end	718	1 186

Consolidated statement of shareholders' equity

In million CHF	31.12.2001	30.06.2002
Shareholders' equity as at January 1st	1 317	1 329
Restatement IAS 39	-4	-
Dividends	-66	-64
Additions/Disposals treasury stock	-128	8
Reduction in nominal value	-47	-51
Net profit	379	21
Valuation movements of financial instruments	-9	33
Translation exchange differences	-113	-144
Total shareholders' equity	1 329	1 132
Dividend per registered share and BPC (paid on 28.03.2002)	CHF 50.-	

Segment information as at June 30, 2002

Elevators and escalators

In million CHF	2001	2002	Δ in %	Δ in % local currency
	1st half	1st half		
Orders received	3 309	3 230	-2.4	+2.7
Operating revenue	3 258	3 098	-4.9	+0.1
EBITDA*	280	199	-28.9	
in %	8.6	6.4		
EBIT**	192	70	-63.5	
in %	5.9	2.3		

	31.12.2001	30.06.2002	
Personnel	40 169	38 988	-2.9

ALSO

In million CHF	2001	2002	Δ in %	Δ in % local currency
	1st half	1st half		
Operating revenue	905	799	-11.7	-10.4
EBITDA*	12	20	+66.7	
in %	1.3	2.5		
EBIT**	5	15	+200.0	
in %	0.6	1.9		

	31.12.2001	30.06.2002	
Personnel	1 355	1 122	-17.2

- * EBITDA: Operating profit plus depreciation and amortization
- ** EBIT: Operating profit

Segment information

	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E & E	Elevators and Escalators	ALSO	Finance/ Eliminations	Group
1st half 2001								
Operating revenue								
third parties	1 564	1 241	447	6	3 258	905	–	4 163
Intercompany sales	431	19	45	–495	–	2	–2	–
Total operating revenue	1 995	1 260	492	–489	3 258	907	–2	4 163
Operating profit								
					192	5	–2	195
Additions of fixed assets								
	31	9	10	3	53	4	–	57
Depreciation and amortization								
	46	28	12	2	88	7	–	95
1st half 2002								
Operating revenue								
third parties	1 543	1 134	417	4	3 098	799	–	3 897
Intercompany sales	425	20	46	–491	–	–	–	–
Total operating revenue	1 968	1 154	463	–487	3 098	799	–	3 897
Operating profit								
					70	15	–1	84
Additions of fixed assets								
	20	13	4	1	38	1	–	39
Depreciation and amortization								
	37	29	61	2	129	5	–	134
31. 12. 2001								
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
Personnel								
	19 684	13 433	6 794	258	40 169	1 355	–	41 524
30. 06. 2002								
Assets	2 021	1 272	598	57	3 948	367	1 093	5 408
Liabilities	1 537	820	434	160	2 951	223	985	4 159
Personnel								
	19 307	13 024	6 395	262	38 988	1 122	–	40 110

Reporting principles

The reporting principles applied to these statements as at 30.06.2002 comply with Swiss Corporation Law and with the International Accounting Standards (IAS).

Relative to 30.06.2001 and 31.12.2001 the scope of the consolidation is unchanged, but during the reporting year the holding in China-Schindler Elevator Co. Ltd. was increased from 62.7% to 100%.

The turnover-weighted effect of currency exchange rates on the Group P&L statement is -4.2%.

Currency exchange rates

			2001	2002	2001	2002
			December 31 Closing date rates	June 30 Closing date rates	1st half Average rates	1st half Average rates
USA	USD	1	1.68	1.48	1.71	1.63
Euro	EUR	1	1.48	1.47	1.53	1.47
Great Britain	GBP	1	2.43	2.27	2.47	2.37
Brazil	BRL	100	70.54	52.56	79.94	66.74
China	CNY	100	20.28	17.93	20.71	19.74

Panorama elevator in Business Tower, Frauenfeld, Switzerland. Control systems and counterweights are concealed in the two chrome columns (Photo: Ralph Bensberg, Zurich)



The Ordinary General Meeting of Shareholders of Schindler Holding Ltd. will take place at the Kultur- und Kongresszentrum Lucerne on Monday, March 24, 2003.

The Interim Report for 2002 and further information on the Schindler Group are available at:
www.schindler.com.

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

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