

Interim Report
as at June 30, 2003



Contents	1	Group key figures as at June 30, 2003
	2	Progress in a difficult market environment
	6	Group half-year financial statements 2003
	8	Segment information as at June 30, 2003
	10	Reporting principles

Title page Paddle steamer "Uri"
cruises past the Lucerne Culture
and Congress Center (KKL), Switzerland
Photo: SGV Lucerne

Group key figures as at June 30, 2003

At the Annual Results Media Conference on February 27, 2003, it was announced that in the reporting year 2003, R03 project costs in the elevators and escalators business amounting to approximately CHF 130 million would be incurred. At the level of Group EBIT and Group net profit before income taxes, the R03 project costs charged in the first half-year were CHF 56 million, as compared with CHF 143 million in the same period last year.

Group In million CHF	2002	2003	Δ in %	Δ in %
	1st half	1st half		local currencies
Orders received	4 029	3 817	-5.3	+1.8
Operating revenue	3 897	3 645	-6.5	+0.6
EBITDA*	218	274	+25.7	
in %	5.6	7.5		
EBIT**	84	200	+138.1	
in %	2.2	5.5		
Profit before taxes	67	167	+149.3	
Net profit	21	96	+357.1	
Cash flow***	218	160	-26.6	
Capital expenditure	39	39	-	

	31.12.2002	30.06.2003		
Order backlog	3 486	3 931	+12.8	+10.5
Shareholders' equity	1 067	1 109	+3.9	
Personnel at end of period	39 918	39 409	-1.3	

If the R03 project costs stated above are **excluded**, the following, more meaningful key figures for the operational business result:

Key figures before charging of R03 project costs	2002	2003	Δ in %
In million CHF	1st half	1st half	
EBITDA*	311	329	+5.8
EBIT**	227	256	+12.8
Profit before taxes	210	223	+6.2
Net profit	118	138	+16.9
Cash flow***	202	217	+7.4

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

Progress in a difficult market environment

R03 project costs and exchange-rate effects weigh on half-year results

The results for the first half of 2003 are substantially affected by the R03 projects, which are already having positive effects, as well as net negative turnover-weighted exchange effects of 7.1%. The slightly higher exchange rate of the euro relative to the Swiss franc was much more than offset by the weakening of the US dollar and its related currencies, as well as the Brazilian real. Relative to the previous year's exchange rates, currency effects were minus CHF 279 million on consolidated operating revenue, and minus CHF 24 million on the operating result.

The R03 project costs weigh on the half-yearly result before taxes by CHF 56 million, compared with CHF 143 million in the same period last year. The R03 program was launched in the first quarter of 2002 with the objective of increasing the EBITDA margin of the elevators and escalators business to 14% in the medium term. As announced at the Annual Results Media Conference on February 27, 2003, the profit and loss statement for 2003 will include R03 project costs of CHF 100–130 million.

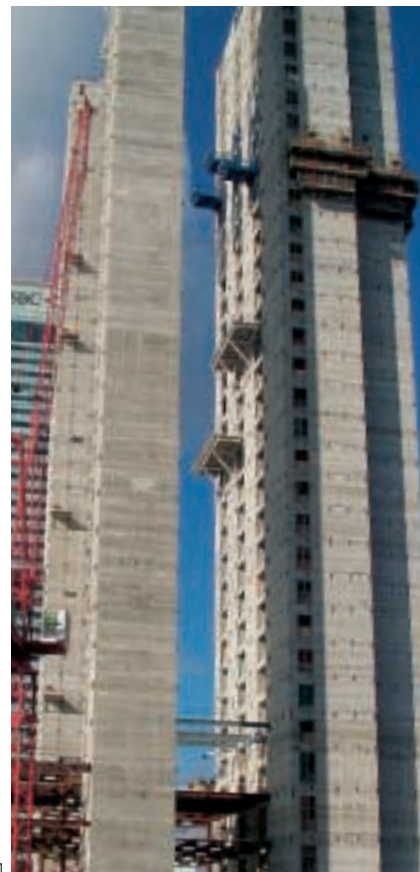
Orders received

Relative to the previous year's period, consolidated orders received declined by 5.3% to CHF 3 817 million. This development is entirely attributable to the negative effects of exchange rates, and lower revenues at ALSO. In local currencies, there was an increase of 1.8%.

Orders for elevators and escalators fell by 5.5% to CHF 3 051 million. In local currencies, however, there was growth of 3.7%. Contributions came from all market regions, from Europe as well as Asia and North and Latin America. This is all the more pleasing, since various markets were affected by weak demand, increased price competition, political risks, or SARS.

In Asia/Pacific, the sales volume in local currencies was increased. The launch of the new Schindler 700 high-rise elevator was well received and resulted in many orders, especially in China. Schindler *Smart* and Schindler *EuroLift* achieved increasing sales in Europe. In North America, the new Schindler 400 A elevator program was introduced, which is also offered in a machine room-less version.

At mid-year, the order backlog for elevators and escalators had increased by 12.9% to CHF 3 906 million (net of exchange +10.5%).



1 Installation of 24 units of the new Schindler 700 high-rise elevator in the One Churchill Place skyscraper, Canary Wharf, London, United Kingdom



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Operating revenue

Massive exchange rate effects and the fall in revenues at ALSO reduced consolidated operating revenue by 6.5% to CHF 3645 million. In local currencies, there was an increase of 0.6%.

Operating revenue in the elevators and escalators business fell by 6.7% to CHF 2891 million, although in local currencies it went up by 2.6%. In Europe, North America, and Latin America operating revenue increased, whereas in Asia it remained at the previous year's level.

In a contracting IT market, total revenues at ALSO declined by 5.6% to CHF 754 million. The Distribution and Systems Business divisions suffered lower levels of business, but were able to maintain their market shares.



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Operating result for the elevators and escalators business

In the elevators and escalators business, after charging R03 project costs, EBITDA for the reporting period was CHF 265 million as compared with CHF 199 million in the same period of the previous year. Excluding the R03 project costs, EBITDA rose by 9.6% to CHF 320 million. The EBITDA margin improved correspondingly from 9.4% to 11.1%. This demonstrates that the R03 projects which have already been completed are contributing to

increased operational efficiency. The improvements in profitability will increase further from 2004, when the new standardized business processes are implemented in Europe.

1 **2 SchindlerEuroLift elevators in the SCI Victoire office building, Paris, France**

2 **Transparent architecture in the Post Tower, Bonn, Germany: glass-walled panoramic elevators in the entrance lobby**

Operating result of ALSO

In the second quarter of 2003, the IT market developed much worse than expected. The resulting collapse of prices and pressure on margins negatively impacted the operating results of both the Distribution and Systems Business divisions. In the first half-year, this led to a substantially lower operating result for ALSO of CHF 8.5 million, compared with CHF 15 million for the same period last year.

Group net income from financing and investing

Net income from financing and investing activities deteriorated by CHF 16 million from the same period last year to CHF –33 million. Ex-



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change rate developments in the reporting period caused operational hedging transactions to result in a recognized, but not yet realized, exchange loss of CHF 3 million (same period last year: gain on exchange of CHF 10 million). With greater liquidity and lower interest rates, net interest expense on financial investments remained practically unchanged.

Net profit and cash flow

Net profit **after** taxes and **after** R03 project costs increased from CHF 21 million to CHF 96 million. **Before** charging R03 project costs, net profit **after** taxes rose by 16.9% to CHF 138 million.

Cash flow fell from CHF 218 million in the first half of the previous year to CHF 160 million. The decline is attributable to the elimination of provisions created in the previous year for payment of project costs in the reporting period. Before charging R03 project costs, the cash flow increased by 7.4% to CHF 217 million.

¹ ALSO's high-capacity logistics center at Emmen, Switzerland



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Personnel numbers

Relative to the end of 2002, the number of employees went down by 509, or 1.3%, to 39 409. The reduction in elevators and escalators was 439 employees or 1.1%, and at ALSO 70 persons or 6.3%.

1 **12 Schindler 9300 escalators for The Village of Merrick Park, Coral Gables, Florida, USA**

Photo: Thomas Delbeck Photography

2 **Maintenance work on the modern control cabinet of the SchindlerEuroLift**

Outlook 2003

Since no recovery of the global economy is in sight in the short term, it is assumed that competition in the elevators and escalators business will intensify in all market regions. With the newly introduced products, and improved structures and processes, Schindler is in a strong market position; quality products and services are rewarded even in this difficult environment.

Work on the R03 projects is progressing steadily. Except for the introduction of a uniform IT platform and standardized business processes, all projects will be completed by the end of 2003. The new business processes will be successively implemented in the European group companies starting in 2004.

In view of the very weak IT market and continuing pressure on margins, for 2003 ALSO expects net income of CHF 5 million at most (previous year CHF 19.7 million).

On the basis of these assessments, and leaving aside unforeseeable events such as, for example, massive exchange rate turbulence, it is assumed that net profit for 2003 **after** taxes and **after** R03 project costs (CHF 100–130 million) will, as announced in the spring, reach CHF 200 million.

Alfred N. Schindler
Chairman of the Board of Directors

Luc Bonnard
Vice Chairman of the Board of Directors

Group half-year financial statements 2003

Profit and loss statement

In million CHF	2002		2003	
	1st half	%	1st half	%
Operating revenue	3 897	100.0	3 645	100.0
Operating expenses	3 813	97.8	3 445	94.5
Operating profit	84	2.2	200	5.5
Net income from financing and investing activities	-17	-0.5	-33	-0.9
Profit before taxes	67	1.7	167	4.6
Taxes on profits	46	1.2	60	1.7
Minority interests	-	-	11	0.3
Net profit	21	0.5	96	2.6

Earnings per share

Basic earnings per share and BPC in CHF	1.65	7.68
Diluted earnings per share and BPC in CHF	1.65	7.68

Balance sheet

In million CHF	31.12.2002		30.06.2003	
		%		%
Cash and cash equivalents	1 181	23.0	1 271	24.6
Other current assets	2 440	47.4	2 328	45.1
Non-current assets	1 524	29.6	1 563	30.3
Total assets	5 145	100.0	5 162	100.0
Current liabilities	2 518	49.0	2 460	47.6
Non-current liabilities	1 437	27.9	1 465	28.4
Total liabilities	3 955	76.9	3 925	76.0
Minority interests	123	2.4	128	2.5
Shareholders' equity	1 067	20.7	1 109	21.5
Total liabilities and shareholders' equity	5 145	100.0	5 162	100.0

Consolidated cash flow statement

	2002	2003
In million CHF	1st half	1st half
Net profit before minority interests	21	107
Depreciation and amortization	134	74
Change of provision	63	-21
Other positions with no effect on liquidity	-13	9
Change of securities	75	105
Change in remaining net working capital	54	-11
Cash flow from operating activities	334	263
Investments in fixed assets, net	-28	-30
Investments in other non-current assets, net	172	-12
Cash flow from investing activities	144	-42
Dividends paid by Schindler Holding Ltd.	-64	-
Dividends paid to minority shareholders	-12	-10
Other financing activities	-116	-184
Cash flow from financing activities	-192	-194
Translation exchange differences	6	-
Change in net cash	292	27
Net cash at the beginning	894	1 122
Net cash at the end	1 186	1 149

Consolidated statement of shareholders' equity

	31.12.2002	30.06.2003
In million CHF		
Shareholders' equity as at January 1st	1 329	1 067
Dividends	-64	-
Partial repayment of nominal value	-51	-
Additions/Disposals treasury stock	8	-77
Options for participation plan (fair value)	1	1
Net profit	8	96
Financial instruments available for sale	2	-
Hedging transactions	22	-38
Translation exchange differences	-188	60
Total shareholders' equity	1 067	1 109
Dividend per registered share and BPC	CHF —.—	

Segment information as at June 30, 2003

Elevators and escalators

In million CHF	2002	2003	Δ in %	Δ in % local currencies
	1st half	1st half		
Orders received	3 230	3 051	-5.5	+3.7
Operating revenue	3 098	2 891	-6.7	+2.6
EBITDA*	199	265	+33.2	
in %	6.4	9.2		
EBIT**	70	195	+178.6	
in %	2.3	6.7		

	31.12.2002	30.06.2003	
Personnel at end of period	38 806	38 367	-1.1

Key figures elevators and escalators before charging of R03 project costs

In million CHF	2002	2003	Δ in %
	1st half	1st half	
EBITDA*	292	320	+9.6
in %	9.4	11.1	
EBIT**	213	251	+17.8
in %	6.9	8.7	

ALSO

In million CHF	2002	2003	Δ in %	Δ in % local currencies
	1st half	1st half		
Operating revenue	799	754	-5.6	-7.3
EBITDA*	20	12	-40.0	
in %	2.5	1.6		
EBIT**	15	8	-46.7	
in %	1.9	1.1		

	31.12.2002	30.06.2003	
Personnel at end of period	1 112	1 042	-6.3

- * 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 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								
before charging R03 project costs					70	15	–1	84
					213	15	–1	227
Additions of fixed assets								
	20	13	4	1	38	1	–	39
Depreciation and amortization								
	37	29	61	2	129	5	–	134
of which impairment	–	–	–	–	–	–	–	–
Share in profits								
of associated companies	4	1	–	–	5	–	–	5
1st half 2003								
Operating revenue								
third parties	1 604	930	356	1	2 891	754	–	3 645
Intercompany sales	494	17	33	–544	–	–	–	–
Total operating revenue	2 098	947	389	–543	2 891	754	–	3 645
Operating profit								
before charging R03 project costs					195	8	–3	200
					251	8	–3	256
Additions of fixed assets								
	20	10	6	2	38	1	–	39
Depreciation and amortization								
	40	21	6	3	70	4	–	74
of which impairment	–	–	–	–	–	–	–	–
Share in profits								
of associated companies	4	–	–	–	4	–	–	4
31. 12. 2002								
Assets								
	2 075	1 132	544	22	3 773	338	1 034	5 145
of which investments								
in associated companies	21	2	11	–	34	–	8	42
Liabilities								
	1 590	744	377	186	2 897	179	879	3 955
Personnel								
	19 815	12 569	6 147	275	38 806	1 112	–	39 918
30. 06. 2003								
Assets								
	2 060	1 138	537	41	3 776	338	1 048	5 162
of which investments								
in associated companies	31	2	9	–	42	–	7	49
Liabilities								
	1 708	734	369	175	2 986	149	790	3 925
Personnel								
	19 526	12 409	6 153	279	38 367	1 042	–	39 409

Reporting principles

The reporting principles applied to these statements as at 30.06.2003 comply with Swiss Corporation Law and with the International Financial Reporting Standards (IFRS).

Relative to June 30, 2002, the scope of consolidation has been expanded to include ZAO Schindler Moscow; relative to December 31, 2002, there is no change.

The turnover-weighted effect of currency exchange rates on the Group P&L statement is -7.1%.

Currency exchange rates

			2002	2003	2002	2003
			December 31 Closing date rates	June 30 Closing date rates	1st half Average rates	1st half Average rates
USA	USD	1	1.39	1.36	1.63	1.35
Euro countries	EUR	1	1.45	1.55	1.47	1.49
Great Britain	GBP	1	2.23	2.24	2.37	2.19
Brazil	BRL	100	39.23	47.03	66.74	41.95
China	CNY	100	16.78	16.50	19.74	16.36

**Visions in glass:
Post Tower in Bonn,
Germany.
Total of 17 elevators,
including 15 pan-
oramic elevators**



The Ordinary General Meeting of Shareholders of Schindler Holding Ltd. will take place at the Kultur- und Kongresszentrum Lucerne on Thursday, March 18, 2004.

The Interim Report for 2003 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.

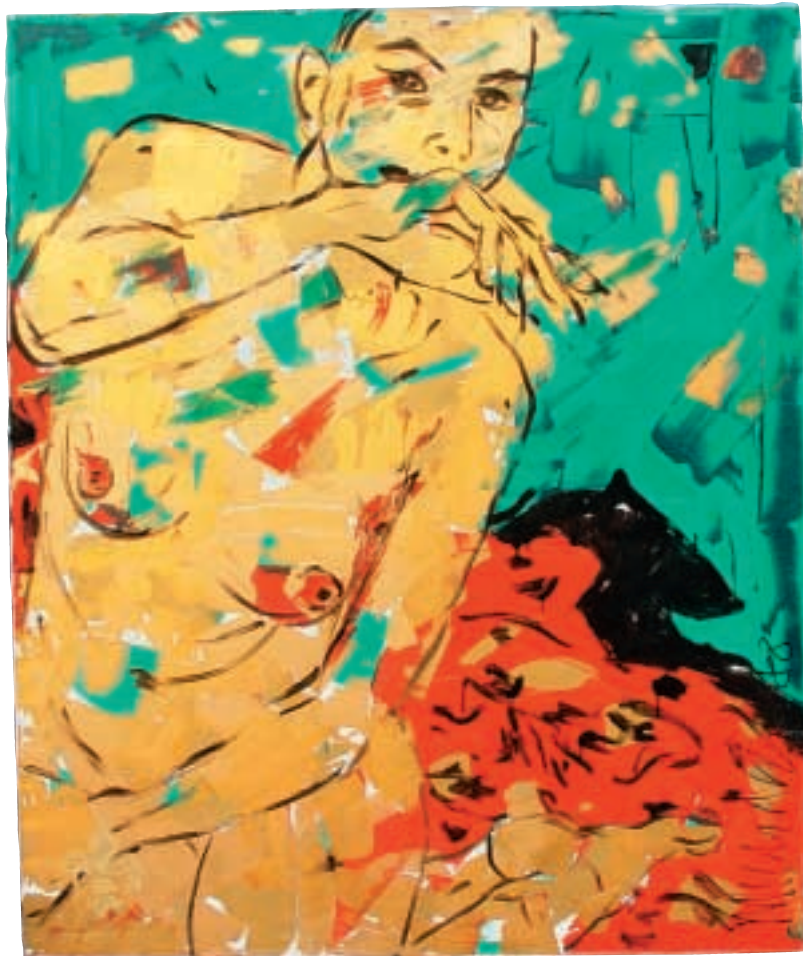
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