

Annual Report 2004 Activity Report

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Environmental performance Separate report in summer 2005

Illustration concept The illustrations show Schindler's latest products in typical applications.

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

Activity Report 2004

of the Board of Directors of
Schindler Holding Ltd.,
CH-6052 Hergiswil NW, Switzerland,
to the Ordinary General Meeting
of March 21, 2005

77th Financial Year



Teamwork was needed to install the 18 Schindler 9500 moving walks in the Pilatusmarkt Schlund shopping mall. Schindler also supplied 10 Schindler 80 freight elevators, 4 SchindlerEuroLift elevators, and 2 glass elevators; Kriens, Switzerland

Key figures 2004

| Group | 2003 | 2004 | Δ % | Δ % local currency |
|--|--------|---------------|-------|--------------------------|
| In million CHF | | | | |
| Operating revenue | 7 725 | 8 259 | +6.9 | +8.1 |
| EBITDA ¹ Group | 566 | 656 | +15.9 | |
| EBITDA Elevators and Escalators in % | 8.8 | 10 | | |
| EBITDA ALSO in % | 1.8 | 1.9 | | |
| EBIT ² Group | 406 | 521 | | |
| EBIT Elevators and Escalators in % | 6.4 | 7.9 | | |
| EBIT ALSO in % | 1.0 | 1.6 | | |
| Profit before taxes | 344 | 483 | +40.4 | |
| Net profit | 184 | 308 | +67.4 | |
| Cash flow ³ | 368 | 429 | +16.6 | |
| Orders received Elevators and Escalators | 6 246 | 6 546 | +4.8 | +6.6 |
| Orders received ALSO | 1 620 | 1 882 | +16.2 | +15.2 |
| Shareholders' equity | 1 165 | 1 376 | +18.1 | |
| Personnel at year-end | 39 617 | 39 443 | -0.4 | |

¹ EBITDA: Operating profit plus depreciation/amortization

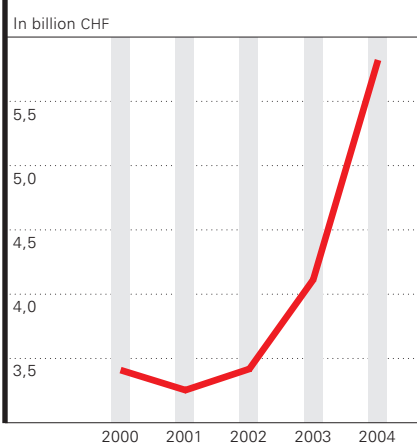
² EBIT: Operating profit

³ Cash flow: Net profit before minority interests plus depreciation/amortization and change in provisions

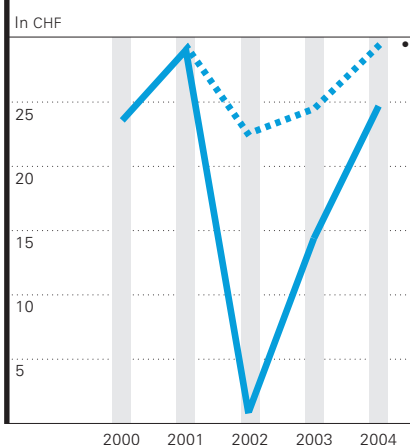
Dividends proposed by the Board of Directors of Schindler Holding Ltd.

| | 2003 | 2004 |
|----------------------------------|---------|----------------|
| Registered share | CHF 6.– | CHF 7.– |
| Bearer participation certificate | CHF 6.– | CHF 7.– |

Market capitalization as of December 31



Net profit per registered share and bearer participation certificate



• Before R03 project costs

2000 and 2001 adjusted for
10:1 split on June 11, 2002



Substantially improved result

Economic recovery and sharply higher raw materials prices

The global economic recovery continued in the reporting year. It was driven mainly by China and North America. In the real estate sector, the economic expansion was especially reflected in the construction of residential buildings, whereas the overcapacities in the commercial buildings segment were still not absorbed. Vacancy rates for this segment in the most important European cities were between 10% and 15%. The North American high-rise market has not yet recovered from the trough, which has lasted for several years.

Thanks to its very good products and global presence, Schindler succeeded in participating in the growth in all markets. The pleasing developments were, however, clouded by three negative external factors. These are, firstly, the constant pressure on prices and, secondly, the weakness of the US dollar. Added to these are, thirdly, externally caused cost increases which, in view of the tough competition, could only partly be offset by price increases. In the elevators and escalators business, the massive leap in raw materials prices, especially for steel, weighed on the margin. The higher prices for fuel also increased

the cost of operating the service fleet comprising 11 000 vehicles worldwide. Furthermore, in some countries personnel costs were driven up much higher than the rate of inflation by automatic increases that had to be granted under collective agreements on wages and salaries. Despite these external negative factors, and especially thanks to the increased productivity which was achieved, the result in the reporting year was substantially improved.

Improved operating performance

Consolidated operating revenue rose by 6.9% from CHF 7 725 million to CHF 8 259 million. In local currencies the increase was 8.1%. At the level of operating revenue, losses due to exchange amounted to CHF 88 million. The major part of these further losses on exchange accrued from the US dollar (CHF -138 million) and various other currencies (CHF -18 million), while the euro exerted a positive effect amounting to CHF 68 million. The scope of the consolidation was expanded to include small companies of minor significance in Romania, Slovakia, and Costa Rica. The effect of all first-time consolidations on both operating revenue and operating profit of the elevators and escalators business is less than 1.0%. For information regarding changes in the scope of consolidation of ALSO – especially with regard to divestment of the systems business – and associated effects, please refer to the annual report of ALSO.

Consolidated operating profit

(EBIT) increased by 28.3% to CHF 521 million. This includes R03 project costs of CHF 83 million (previous year CHF 137 million). Reflected in the substantially higher operating profit are operational improvements in the elevators and escalators business as well as ALSO, which also achieved a substantially higher profit after separating from the systems business.

Pre-tax consolidated net profit

was CHF 483 million, following CHF 344 million the previous year. Consolidated net profit after taxes and minority interests reached CHF 308 million, which is 67.4% above the previous year's amount as well as higher than the expectations announced in February 2004. Net of the R03 project costs incurred in both years, the increase was CHF 70 million, or 23.3%.

14 Schindler 700 high-rise elevators as well as a further 12 elevators are installed in the awe-inspiring Highlight Munich Business Towers; Munich, Germany

At CHF 8428 million, **consolidated orders received** were 7.1% above the previous year's amount of CHF 7866 million. In local currency values the increase was 8.4%. The consolidated order backlog at the end of 2004 rose 0.3% above the previous year's value (+5.2% in local currencies) to CHF 3723 million.

Relative to the end of 2003, the **number of employees** went down by 174, or 0.4%, to 39443. In the elevators and escalators business, the number of people employed increased by 198, or 0.5%. The total number of employees at ALSO dropped by a total of 372 as a consequence of selling the systems business.

Growth in the elevators and escalators business

Orders received rose by 4.8% to CHF 6546 million from CHF 6246 million the previous year. The growth in local currencies was 6.6%. The good level of orders received was derived from all products, especially machine room-less elevators. Since these were introduced in mid-1997, Schindler has sold more than 70000 units worldwide. The proportion of new and standardized products contained in the orders received has now reached almost 85%. In North America, Schindler gained higher sales mainly of hydraulic elevators and escalators, in addition to which in Asia and South America Schindler won orders for noteworthy major projects with high-rise elevators and escalators.



The Schindler 700 high-rise elevator is distinctly well received, not only in the new elevators business but also for modernizations. In the case of modernizations, maintaining or increasing the transportation capacity during and after the replacement of an installation is an important sales argument. To achieve this, the superior technology of the Miconic 10 hall call destination control system in conjunction with the Schindler *ID* access control system has gained supremacy in the market. This is also apparent from the fact that Miconic 10 is prescribed by consultants and copied by the competition. As already earlier at the Tour Ariane in

Paris, this product was also impressively deployed at, for example, the prestigious and highly frequented White House Hotel in London, where the elevators of a competing supplier were modernized.

1 Modernization of the elevators at the renowned White House Hotel with the Miconic 10 hall call destination control system; London, UK



1

The escalators business grew substantially in the reporting year. Schindler already attained market leadership in this business in 1993, and has successfully defended its number one position ever since. This year's report on innovation (see page 12) is devoted to escalators.

Operating revenue in the elevators and escalators business rose from CHF 6 133 million to CHF 6 404 million. This is an increase of 4.4%, or 6.1% in local currencies.

Operating revenue (EBITDA) was CHF 638 million. The EBITDA margin rose by 1.2 percentage points to 10.0% (excluding R03 project costs, to 11.3%). EBIT was CHF 508 million. The EBIT margin improved by 1.5 percentage points to 7.9%. This corresponds to a margin of 9.2% before R03 project costs.

In Europe, the first subsidiaries were successfully converted to the standardized IT platform, and to standardized business processes based on best demonstrated practices. All large European subsidiaries will adopt the new platform in the course of 2005, and thereby achieve further progress in productivity.



2

The progressive build-up of young managers in Asia, especially in China, which was already started at an earlier stage, helped to master the strong growth of business activity in the region and lay the foundations for future expansion of the business.

The positive development in the elevators and escalators business was clouded by sharp cost increases for raw materials, which could not everywhere be passed on to customers in the form of price increases.

EU antitrust investigations

In January 2004, the European Commission initiated investigations of the elevator and escalator industry regarding suspected pan-European collusions. The Board of Directors immediately instructed the Audit Committee to launch an extensive internal investigation to find out whether or not, and to what extent, infringements of the Code of Conduct of 1997 and/or regulations of antitrust laws have occurred. Based on the results of the internal investigations one has to assume that in a small number of EU coun-

tries isolated infringements occurred in the past. No indications of pan-European infringements were found. Schindler is providing information and continues to cooperate actively with the European Commission.

1 Paul Friedli, Research & Development, and Emmanuel Altmayer, Head of Schindler France, received the Innovation Prize 2004 for the Schindler/ID access control system at the SIMI exhibition in Paris. Schindler/ID recognizes specific passenger needs and controls access authorizations. The system is deployed successfully worldwide.

2 Neratziotissa Olympic Stadium metro station in Athens with 8 Schindler 9300 escalators and 7 elevators; altogether, Schindler supplied 273 elevators and escalators for projects of the Athens Olympiad; Greece

At this point no decisions have been made by the European Commission. The class-action lawsuits filed in the USA following the announcements of the EU investigations were rejected by the responsible judge in New York due to lack of evidence. An estimation of financial consequences of the EU proceedings cannot be made at present. As a consequence, no provisions were set up in the closing 2004.

ALSO: Successful focus on the core business

The management of ALSO, which is active in the IT logistics and services business, succeeded in bringing the company back onto the path to growth and selling the redimensioned systems business. Focusing on the core business brought a very substantial improvement in the result, to which a positive contribution was also made by ACS Trading, which was acquired during the reporting year.



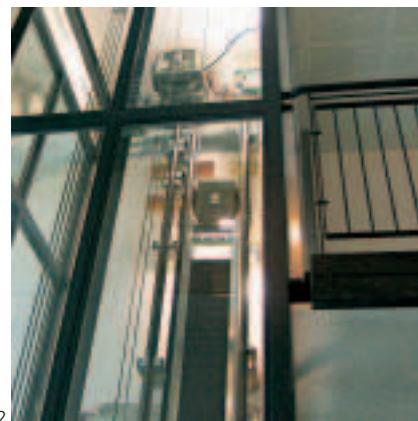
1

ALSO posted strong growth in both sales and income. Net sales increased from CHF 1 598 million to CHF 1 857 million (+16.2%). Relative to the previous year, operating profit increased by 93.6% to CHF 30.4 million. Net income attained CHF 21.2 million (previous year CHF 1.8 million).

Changes in top management

On January 1, 2005, Dr. Clemens Kolbe, formerly a Member of the Executive Committee of ThyssenKrupp Elevator and Chairman of the Executive Board of ThyssenKrupp Aufzüge GmbH, joined the Schindler Group. In the rank of a Member of the Management Committee he reports directly to the Executive Committee of the Board, and is entrusted with strategic assignments.

Also on January 1, 2005, after almost 10 years working for Schindler in various demanding positions, Heikki Poutanen, Member of the Management Committee responsible for North, Central, and South



2

America, relinquished his line function because of ill health. After his convalescence he will continue to be available for strategic projects. His function has been taken over temporarily by Roland W. Hess in addition to his role as President of the Management Committee Elevators and Escalators.

1 Fork lift trucks of the latest generation, which are capable of receiving information via a wireless network, are used to transfer IT products into and out of the warehouse; ALSO logistics center; Emmen, Switzerland

2 A SchindlerEuroLift solves the transportation needs of the primary school; Neskaupstadur, Iceland



1

The Board of Directors has also designated Roland W. Hess as successor to Alfred Spörri, Member of the Executive Committee of the Board, who will retire on April 1, 2007. Roland W. Hess will then be succeeded as President of the Management Committee Elevators and Escalators by Jürgen Tinggren, currently Member of the Management Committee responsible for Asia/Pacific.



2

Dividend of Schindler Holding Ltd.

Schindler Holding Ltd. closed the 2004 reporting year with a net profit of CHF 133 million (previous year CHF 127 million). The next General Meeting on March 21, 2005, will be requested to approve payment of a dividend of CHF 7.– per registered share and bearer participation certificate.

The change in capital resulting from repurchase of shares determined by the General Meeting of March 18, 2004, became effective on June 3, 2004, with the following new capital structure: The share capital is CHF 7 356 820, which is divided into 7 356 820 registered shares with a nominal value of CHF 1.– each. The participation certificate capital is CHF 5 141 640, comprising 5 141 640 bearer participation certificates with a nominal value of CHF 1.– each (see also page 58 of the Financial Statements).

The program that was announced on February 28, 2002, to repurchase a maximum of 10% of the outstanding registered shares and bearer participation certificates, has been extended until December 31, 2005.

Outlook

Global economic growth will probably slow somewhat in 2005. The prospects for growth in the USA are subject to uncertainty. Demand in China is likely to decline because of inflation, higher interest costs, more expensive raw materials, and increasing bottlenecks in energy supplies. The decline in demand will also cause a slowdown to growth in the surrounding countries, since these have a positive balance of trade with China. In important countries of Europe, only modest growth can be expected because of unsolved structural problems.

1 Modernization of 23 elevators with the Miconic 10 hall call destination control system in the Tour Ariane; Paris, France

2 The Cosco commercial building is served by 18 elevators, including 13 Schindler 700, in addition to 4 Schindler 9300 escalators; Beijing, China

Despite this cautious assessment of global growth and continuously rising costs, Schindler expects a further improvement in the result for the elevators and escalators business, since various measures will exert a positive effect on productivity. A significant step will take place with the striven-for reduction in manufacturing depth. For example, starting in 2005, permanent-magnet drives will be produced to Schindler's designs and quality specifications by a Japanese manufacturer in China, and subsequently in other regions of the world. Some of the European projects to improve productivity will, as already stated, only take full effect in 2005. In China, escalator production is being concentrated at the Shanghai factory, while the Suzhou plant is specializing in the production of elevators. And finally, the launch of new products that underscore the great innovative strength and high quality of Schindler will generate additional impulses.



In the light of the foregoing assessments, and leaving aside unforeseeable events, it is anticipated that Schindler will report a substantially better consolidated net profit for 2005.

Thanks to employees

In the reporting year, a very heavy workload had to be mastered. Throughout the year, our employees worked with great dedication and high motivation to attain the specified goals. The Board of Directors and the Management Committee appreciate these exemplary efforts and extend their sincere thanks to every individual employee.

1 Maintenance work in the machine room of the Hilton Americas Hotel, which has 37 elevators, including 12 Schindler 700, and 10 Schindler 9300 escalators; Houston, Texas, USA

Alfred N. Schindler
Chairman of the Board
of Directors

Luc Bonnard
Vice Chairman of the Board
of Directors

The 8 elevators at DEKA Bank are equipped with the Miconic 10 hall call destination control system; Luxembourg



Schindler 9300 Advanced Edition – innovation for individual customer needs

“With an escalator you can transport customers and triple your sales.” That’s how Ernst Weber, Regional Vice President of Migros Lucerne, Switzerland, sums up the role of the escalator.

In recent years, innovative concepts and groundbreaking technologies have enabled Schindler to consolidate its position as world market leader in escalators and moving walks. Without these means of transportation, movement of the ever-increasing numbers of passengers in the commercial as well as in the public transport segment would no longer be feasible. In shopping malls and office buildings, as well as railroad stations, subway stations, and airports, smooth flows of people are essential for efficient functioning of the infrastructure in such complexes.



Planning support with SchindlerDraw

With SchindlerDraw, Schindler escalators can be planned efficiently, professionally, and interactively by the customer’s representative. This online program is available on the website free of charge, and offers traffic flow analyses, true-to-scale plans, and predefined specifications. Users can save their projects in their personal project folder and download the plans they have created in a standard CAD format for further processing.

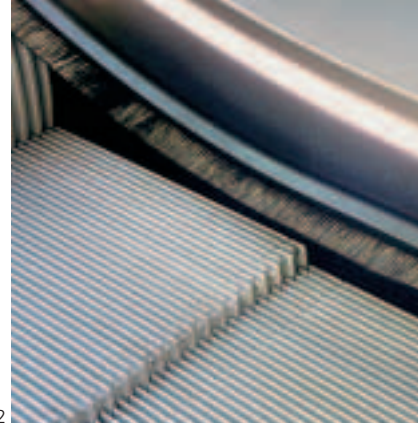
Schindler 9300 Advanced Edition – a complete program

The Schindler 9300 Advanced Edition escalator is the latest generation of the Schindler 9300 escalator for commercial as well as standard public transportation applications. It is being introduced worldwide and covers with new solutions customers’ needs throughout the product life cycle from planning to modernization.

1 The Schindler 9300 Advanced Edition escalator allows implementation of special requirements regarding design, location, and energy saving, besides offering variable dimensions and a range of functions to reduce running costs

2 Escalator production; Vienna, Austria

2

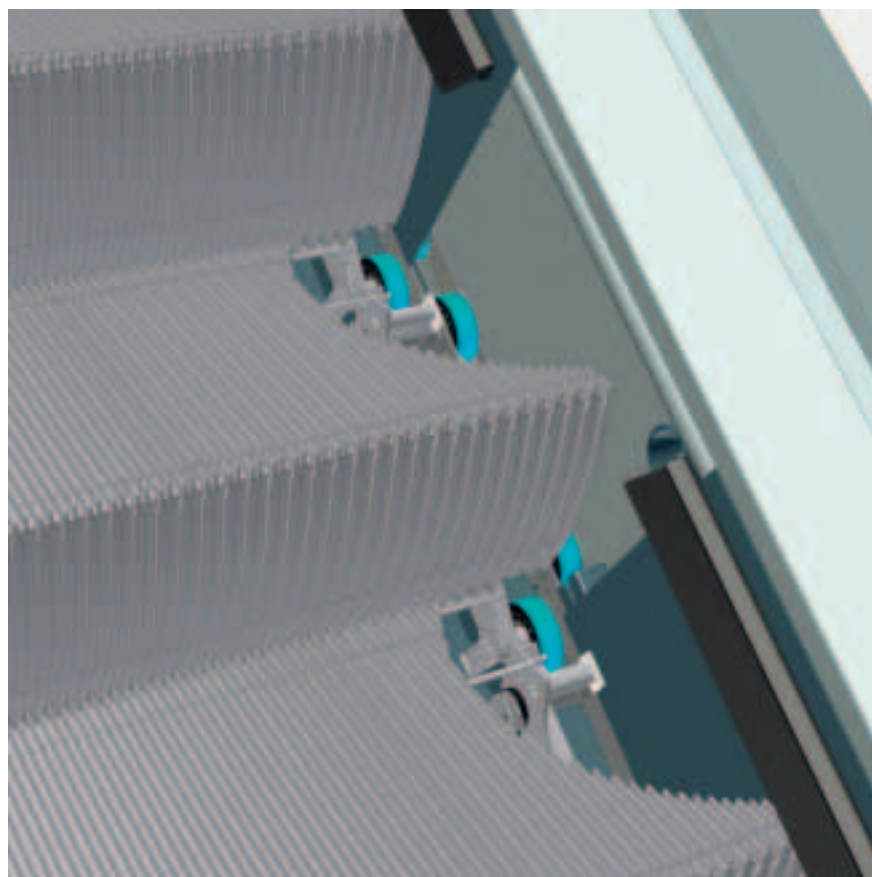


Safety – no compromises

In the new generation of escalators, proven systems have been enhanced with new elements in an innovative safety package. Thanks to two independent microprocessors, which communicate via a bus system, the MICONIC F4 controller increases reliability and monitors all safety equipment. The step monitor continuously checks the speed of the installation and that no steps are missing. The unique step guidance system in combination with skirt brushes reduces the risk of entrapment. With all these enhancements, Schindler provides additional customer value and sets new standards in terms of reliability and safety.

1+2 The skirtings have reinforced backs and antifricion coated fronts. These prevent shoes or other objects becoming wedged between the steps and the skirtings. Cleverly designed skirt brushes reduce the risk of wedging even further.

1



Synchronized production system

For the first time in the escalator industry, this most modern production method is used for manufacturing the Schindler 9300 Advanced Edition. Unlike the assembly at a fix

position, the escalators pass through several work stations at synchronized intervals and are assembled in stages by small teams. At the end of each interval, the respective team is responsible for its own quality control, which allows efficient quality management and increases the employees' motivation. Use of this production method has reduced the lead time by a quantum leap.

Efficient operation and quiet running

The Schindler 9300 Advanced Edition is the quietest escalator on the market. The combination of a 6-pole motor with the Schindler reduction gear allows unusually quiet running. In addition, the 3-cm-thick aluminum floor covers at both ends of the installation dampen footsteps and serve to soundproof the drive. The microprocessor-controlled automatic lubrication system provides additionally quiet running, protects components, and reduces oil consumption.

The new motor concept allows the nominal power of the motor to be reduced by up to 27% relative to older models of escalators. Utilization of the proven ECOLINE packages makes further energy savings possible. For example, when the escalator is not being used, it switches automatically to the so-called crawling speed, which is approximately 20% of the normal speed.



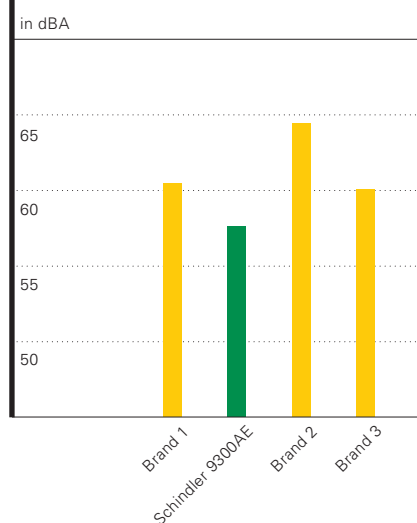
Modernization

Older models of escalators and moving walks can be brought up to the current state of the art with a range of modernization kits. There is a selection of safety, design, functionality, energy, and environmental kits.

12 escalators in the Luxembourg Chamber of Commerce building; Luxembourg

Quiet running

Average sound level of commercial escalators from leading manufacturers



4 Schindler 9300 escalators transport visitors in the Malba Museum; Buenos Aires, Argentina



Europe

Contradictory economic signals

The extent of the economic recovery differed from country to country. In practically all markets, residential construction activity was more dynamic than anticipated at the start of the year. Commercial building construction presented a totally different picture: growth was still too slow to absorb the high overcapacities of office space.

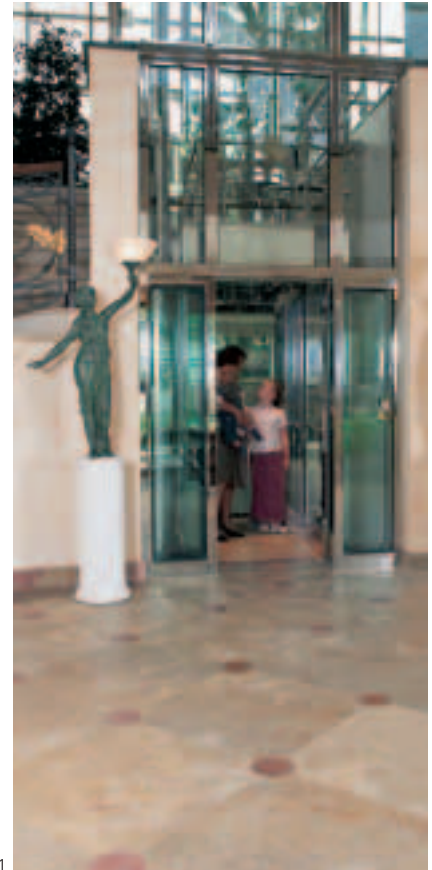
In addition, the unexpected steep rise in prices for steel and oil weighed on the cost side and could not be completely offset by improved efficiency and price increases.

Competitive products

With the Schindler *Smart* elevator line, Schindler successfully participated in the expanding market segment for residential building construction and strengthened its good position. Demand for the construction of commercial buildings was

still extremely weak, which negatively affected price realization. Schindler countered this challenge effectively with a low-cost version of the Schindler *EuroLift*. The business volume in the high-rise segment remained small and was therefore very competitive. Schindler actively participated in the modernization market of high-rise elevators with the Miconic 10 hall call destination control system. In such modernization projects the control system is overlaid on top of the existing system right at the start of the renovation process. This has the advantage that while one elevator is taken out of service for modernization, the remaining elevators are controlled so efficiently that users do not notice that a car is out of service. When the modernization work is complete, the performance of the elevators is sharply increased by the Miconic 10 hall call destination control system.

The escalator business was exceptionally successful. Not only did numerous retailers place major orders for Schindler products and services, but Schindler escalators will also be installed in the world-famous new Wembley soccer stadium. And in the transportation segment, negotiations with Deutsche Bahn were successfully concluded with the award of a frame contract.



1 Panoramic elevator in the 4-star hotel Château de Ligny; Ligny-en-Cambrésis, France



1

Successful introduction of standardized business processes

Following extensive test runs the previous year, the first European subsidiaries were successfully converted to the harmonized business processes based on best demonstrated practices utilizing a standardized IT platform.

Outlook

Demand for construction of residential buildings should continue to be positive in 2005. The market for high-rise elevators will remain weak and in the commercial sector continued low demand is expected, particularly in Germany. However, Schindler is confident that it can expand its strong position with the existing range of products and also with the planned new products and services for both the new installations business as well as the modernization and maintenance business.



2

1 23 Schindler 9300 escalators and 4 elevators transport spectators in the Amsterdam Arena, Netherlands' largest soccer stadium; Amsterdam, Netherlands

2 For the Migros Surseepark shopping mall Schindler supplied 9 elevators and 4 Schindler 9500 moving walks; Sursee, Switzerland



Major orders

Austria:

10 elevators for Hotel Sacher, Vienna; 7 Schindler 9700 escalators for Vienna metro system, Vienna; 10 Schindler 9300 escalators, 7 Schindler*EuroLift* elevators, and 3 freight elevators for shopping mall, Wels

Belgium:

19 elevators, including 11 Schindler*EuroLift*, for Commission of European Communities ILOT 65 office building, Brussels; 20 Schindler 500 elevators for European Council Lex 2000 building, Brussels; 18 Schindler*EuroLift* elevators and 15 Schindler*Smart* MRL 002 DE elevators for Charlemagne office building and parking garage, Louvain-la-Neuve

France:

60 Schindler 9300 escalators and 44 Schindler 9500 moving walks for Satellite S3 at Roissy Charles-de-Gaulle Airport, Roissy; 26 elevators including 15 Schindler*EuroLift* with Miconic 10 for Capital 8 office building, Paris; maintenance contract for 205 elevators at ICADE residential buildings in Paris and suburbs, 195 of which will be modernized during the next three years

6 elevators Schindler*EuroLift*, including 3 panoramic elevators, are installed in the shopping mall and office building of the Poldrini Group; Bolzano, Italy



Germany:

14 Schindler 9300 escalators, 14 Schindler 9500 moving walks, and 2 other escalators for Europapassage shopping mall, Hamburg; 6 elevators, including 5 Schindler 500 elevators with Miconic 10, for RWE Tower, Dortmund; 10 Schindler*EuroLift* elevators for Officium office building, Stuttgart; 15 elevators and 7 escalators for Köln Arcaden shopping mall, Cologne



Greece:

12 Schindler*EuroLift* elevators and 12 Schindler 9300 escalators for 5 stations of ISAP electric rail system, Athens; 8 Schindler 9300 escalators and 7 Schindler*EuroLift* elevators for Neratziotissa – Olympic Stadium station of Athens Suburban Railway, Athens

1 For Tower CBX, Schindler supplied 10 Schindler 700 high-rise elevators equipped with the Miconic 10 hall call destination control system and Schindler*ID* access control system, as well as 3 further elevators; Paris, France

2 Schindler*Smart* MRL 002 elevator in a residential complex; Vienna, Austria

Iceland:

2 Schindler 9500 moving walks for Smáratorg shopping mall, Kópavogur – first moving walks in Iceland

Italy:

25 elevators, including 10 Schindler *EuroLift*, 35 Schindler 9500 moving walks, and 8 Schindler 9300 escalators for Centro Polifunzionale, Porta di Roma; 28 Schindler 9700 escalators and 15 elevators, including 10 panoramic elevators, for Metropolitana di Torino subway, Turin; 6 elevators with Miconic 10 for Palazzo Alto Grandi Stazioni office building, Naples; 32 elevators and 8 Schindler 9300 escalators for Cruise Liner 6122, built by Carnival/Costa; 12 Schindler 9500 moving walks and 6 elevators for La Romanina shopping center, Rome

Netherlands:

4 elevators and 23 Schindler 9300 escalators for Amsterdam Arena football stadium, Amsterdam; 9 elevators, including 7 Schindler *EuroLift*, for Shell office building, The Hague; modernization of 16 elevators at Marshall Square residential complex, Rijswijk

**Norway:**

11 elevators, including 9 Schindler *EuroLift*, for the opera house, Oslo

Portugal:

12 Schindler 9500 moving walks, 8 Schindler 9300 escalators, and 8 Schindler *EuroLift* elevators for Sonae shopping mall, Loures; modernization of 6 Schindler 500 elevators at Torre 2 Amoreiras office building, Lisbon

Spain:

6 elevators with Miconic 10 for Torre Lugano, Europe's tallest residential building, Benidorm, Alicante; 27 elevators, including 20 Schindler 700, for the Torre Espacio office building, Madrid; maintenance contract for 48 Schindler 9300 escalators, 12 Schindler 9500 moving walks, and 8 elevators, including 2 Schindler *EuroLift*, at El Corte Inglés shopping mall, Valencia

Sweden:

8 Schindler 9300 escalators and 2 Schindler 9500 moving walks for Kupolen shopping center, Borlänge

Switzerland:

47 elevators, comprising 37 Schindler *EuroLift* and 10 freight elevators, as well as 12 Schindler 9300 escalators for Sihlcity shopping, office, and residential complex, Zurich; 20 elevators, including 10 Schindler *EuroLift* and 5 panoramic elevators, for Dolder Grand Hotel, Zurich; 6 Schindler 80 freight elevators and 3 Schindler *EuroLift* elevators for Roche Building 95, Basel; modernization of 17 elevators in high-rise ward building of Inselspital hospital, Bern

United Kingdom:

30 Schindler 9300 escalators, 25 Schindler *EuroLift* elevators, and 1 freight elevator for Wembley Stadium, London; 9 Schindler 500 elevators for Beetham Hilton Hotel, Manchester; 22 Schindler 9300 escalators and 11 Schindler *EuroLift* elevators for Race Course building, Ascot; modernization of 5 elevators with Schindler *ID* and Miconic TX at Deutsche Bank, London; modernization of 5 elevators with Schindler *ID* at Lloyds Chambers office building, London

1 Installed in the Palais Coburg are 10 Schindler elevators, including 5 panoramic elevators; Vienna, Austria

The physician center in Krems is served by a Schindler *Smart MRL 002* elevator; Krems, Austria



North, Central, and South America

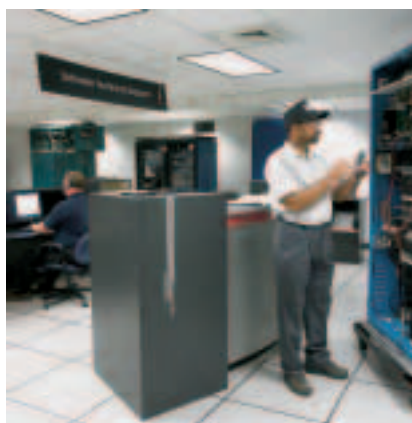
Economic upswing

Economic expansion in North America brought 3% growth to the construction industry overall, but there were differences between individual segments. On the one hand, construction of residential buildings benefited from demographic developments. On the other hand, the public sector contracted slightly, reflecting higher prices for construction materials. The vacancy rates in the office market finally stabilized but still remained at a high level.

Further expansion of the strong market position in North America

Schindler held its number one position in the escalators market, and in the commodity elevators segment was exceptionally successful with the Schindler 300 A hydraulic elevator. Increasing use of the Miconic 10 hall call destination control system strengthened the modernization business.

In 2004, the production plant at Gettysburg, Pennsylvania, celebrated its 35th anniversary. In the last decade the elevator factory doubled its output, and invested in the reporting year in new technology for processing sheet metal to increase productivity. This will enable it to successfully satisfy the continuously increasing demand for high-quality products.



1+2 Employees receive ongoing education and training at the new North American Center for Service Excellence; Holland, Ohio, USA

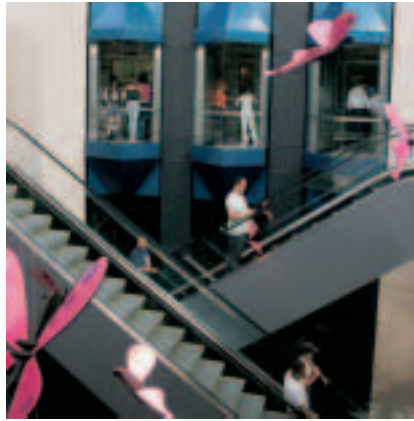


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The maintenance business experienced strong competition. The tailored customer solutions launched in the previous year contributed to higher customer satisfaction and led to an increase in the maintenance portfolio. To adapt the Schindler services even better to the diverse needs of customers, the North American Center for Service Excellence was set up in Holland, Ohio. It provides technical expertise, sales support, quality assurance, and training.

Leading position in Latin America strengthened

The recovery in the Latin American countries continued and affected the elevators and escalators business positively. The strongest growth was experienced in Mexico and Chile. In Brazil, the most impor-



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tant market in Latin America, there was strong demand for construction of residential buildings as well as in the lower segment of the commercial sector, whereas in the top segment of the commercial sector there was still a large amount of unoccupied space.

In the escalator business, infrastructure projects for public transportation as well as investments in new shopping malls brought expansion to the escalator market for the second year in succession.

Schindler strengthened its market leadership position in all segments. During the year, the Schindler 300 L elevator was launched, which meets the requirements for up-scale residential buildings. In Mexico, significant orders were received for elevators equipped with the Miconic 10 hall call destination control system.

The Latin American market also suffered from high prices for steel. This negative factor could be at least partially offset by cost-reduction measures.

Outlook

Current expectations are for the growth rate in North America to slow due to high oil and steel prices. Growth in residential construction should prove stable. Demand for office space may slightly increase, causing the vacancy rates to gradually improve.

In view of the historically low interest rates in most Latin American countries, an increase in gross national product can be expected, which will favorably affect the elevators and escalators business.

Based on the strengths of its competitive product range and customized services, Schindler is optimistic that it can fully participate in the growth in all segments.

1 The 6 Schindler elevators in the Vicente Huidobro commercial building are equipped with the Miconic 10 hall call destination control system; Santiago, Chile

2 31 Schindler 9300 escalators, 5 Schindler 510 L panoramic elevators, and 2 Schindler 310 L service elevators transport people in the El Tolón commercial building; Caracas, Venezuela



Major orders

Alaska:

Maintenance contract for 32 elevators at Providence Alaska Medical Center, Anchorage

California:

20 elevators, including 13 Schindler 500 A, and 18 Schindler 9300 escalators for 2000 Avenue of Stars retail and office building, Los Angeles; maintenance contract for 54 elevators at Century Plaza Towers office building, Los Angeles; maintenance contract for 39 elevators at City of Beverly Hills public administration building, Beverly Hills

Florida:

Maintenance contract for 52 elevators at Florida International University Park Campus, Miami; maintenance contract for 39 elevators at Saint Joseph's Hospital, Tampa

Georgia:

31 elevators, including 17 Schindler 330 A, and 22 Schindler 9300 escalators for Atlantic Station commercial and office building, Atlanta

Illinois:

Maintenance contract for 49 elevators and 2 escalators at Sears Corporate Headquarters, Hoffman Estates; modernization of 16 elevators with Miconic 10 and Miconic TX at 55 West Monroe office building, Chicago

Schindler supplied 10 elevators, 8 of them equipped with the Miconic 10 hall call destination control system, for the Qurvic office building; Mexico City, Mexico



Indiana:

Maintenance contract for 11 elevators and 16 escalators at Indiana Government Center South office building, Indianapolis

Louisiana:

Modernization of 14 elevators with Miconic 10 at Marriott Hotel, New Orleans

Michigan:

Maintenance contract for 69 elevators and 2 escalators at Henry Ford Hospital, Detroit; modernization of 17 elevators at Michigan State University, East Lansing; modernization of 20 elevators at University of Michigan, Ann Arbor

Minnesota:

Maintenance contract for 36 elevators at Northwest Airlines office building, Eagan

Nevada:

8 elevators with Miconic TX and 20 Schindler 9300 escalators for World Market Center office and commercial building, Las Vegas

New Jersey:

Maintenance contract for 22 elevators and 6 escalators at Mall at Short Hills shopping center, Short Hills

New York:

Maintenance contract for 31 elevators and 6 escalators at Worldwide Plaza office building, New York; modernization of 33 elevators with Miconic TX at 1345 Avenue of Americas office building, New York; modernization of 22 elevators with Miconic TX at 299 Park Avenue office building, New York; modernization of 23 elevators with Miconic TX at Park Avenue Plaza office building, New York

Ohio:

Maintenance contract for 34 elevators and 21 escalators at Hopkins International Airport, Cleveland

Oregon:

Modernization of 22 elevators with Miconic 10 at Wells Fargo office building, Portland

1 33 Schindler 9300 escalators and 15 hydraulic elevators are installed in the Fashion Show Mall; Las Vegas, Nevada, USA



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Pennsylvania:

Modernization of 24 elevators with Miconic 10, and maintenance contract for 28 elevators and 2 escalators, at Mellon Bank office building, Philadelphia; maintenance contract for 26 elevators and 2 escalators at David L. Lawrence Convention Center, Pittsburgh; modernization of 13 elevators with Miconic 10 at Aramark office building, Philadelphia

Texas:

Maintenance contract for 21 elevators and 30 escalators at George R. Brown Convention Center, Houston; modernization of 20 elevators at University of Texas, Arlington; modernization of 14 elevators at KBR office building, Houston

Virginia:

Modernization of 7 elevators at Rosslyn Center office building, Arlington

Washington:

Maintenance contract for 26 elevators and 2 escalators at Bank of America, Seattle

Canada:

3 Schindler 330 A hydraulic elevators and 7 Schindler 9300 escalators for Marche Centrale shopping mall, Montreal; 2 Schindler 9300 escalators for Bay shopping mall, St. Catharines; 21 Schindler 9300 escalators and maintenance contract at Metro-polis entertainment center, Toronto



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Argentina:

8 Schindler 510 L elevators, 9 Schindler *Smart* MRL 002 elevators, and 1 hydraulic elevator for Sofitel Madero hotel, office, and residential building, Buenos Aires; 7 Schindler *Smart* MRL 002 elevators for Punta Chica Village residential building, San Isidro City

Brazil:

15 Schindler *Smart* MRL 002 L elevators and 18 Schindler 9300 escalators for metro, Recife; 14 Schindler 9300 escalators for Estação da Luz railroad station, São Paulo; 23 Schindler 310 L elevators and 4 Schindler *Smart* MRL 002 L elevators for Tribunal Superior do Trabalho labor court, Brasília; modernization of 16 Schindler 510 L elevators at Academia Brasileira de Letras office building, Rio de Janeiro; modernization of 8 elevators with Miconic 10 at Telecomunicações de São Paulo office building, São Paulo

Chile:

6 elevators with Miconic 10 for Isidora 2004 commercial building, Santiago-Las Condes; 3 Schindler *Smart* MRL 002 elevators, 3 Schindler 9300 escalators, and 4 Schindler 9500 moving walks for Mall Los Trapenses, Santiago-La Barnechea; 6 Schindler 9500 moving walks for Líder supermarket in Mall Plaza Vespucio, Santiago-La Florida; mod-

ernization of 4 elevators with Miconic 10 for Fundación office building, Santiago Downtown

Mexico:

25 elevators, comprising 9 Schindler *EuroLift* and 16 with Miconic 10, and 18 Schindler 9300 escalators for Reforma 222 shopping, office, hotel, and residential building, Mexico City; 21 elevators, including 13 Schindler *EuroLift*, for Los Atrios shopping, office, and hotel building, Mexico City; 15 elevators and 2 Schindler 9300 escalators for Torre Reforma Ángel office building, Mexico City

Venezuela:

26 Schindler *EuroLift* elevators, 42 Schindler 9700 escalators, and 2 Schindler 9500 moving walks for Metro de Caracas, Caracas; 2 Schindler 510 L elevators, 2 Schindler 310 L elevators, and 4 Schindler 9300 escalators, for Desarrollos Rehov 1977 de Venezuela shopping mall, Caracas; modernization of 12 elevators with Miconic 10 at Centro Financiero Latino office building, Caracas

1 Passengers at Boise Airport are served by 5 Schindler 9300 escalators and 6 hydraulic elevators; Idaho, USA

2 The Hilton Americas Hotel has 10 Schindler 9300 escalators and 37 elevators, including 12 Schindler 700; Houston, Texas, USA

Schindler supplied 8 escalators and 13 elevators for Ohtake Cultural, the architectural reference building designed by Ruy Ohtake, one of Brazil's foremost architects; São Paulo, Brazil



Asia/Pacific

Dynamic markets

In most countries of the Asia/Pacific region, growth rates – especially in the first half of 2004 – were higher than forecast. Later in the year, rising prices for raw materials slightly reduced this dynamism. Hong Kong and Singapore recovered well from the economic downturn of the previous year caused by SARS, and Japan continued on its path to economic revival. Developments in Korea were overshadowed by rising inflation and weak domestic demand. Growth in Australia and New Zealand slowed in the second half of the year. China, on the other hand, continued the pace of rapid growth despite intervention by the Chinese government to cool the economy.

Except in Japan, the elevators and escalators market reflected the favorable economic conditions. The Chinese market grew strongly, and nearly all Southeast Asian countries experienced increasing demand.



Further gains in market share

Schindler benefited from the favorable market conditions as well as its renewed product range. It strengthened its market position, gained shares of key markets, and posted a sharp increase in sales.

The new Schindler *Elegant* MRL product line of machine room-less elevators designed for basic residential buildings, as well as the Schindler 300 P MRL for high-requirement residential buildings and the commercial segment, were both well ac-

1 48 Schindler 9700 escalators and 9 Schindler 9500 moving walks provide mobility on the Ma On Shan Line of the Kowloon-Canton Railway Corporation (KCRC); Hong Kong, China



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cepted by the market and showed excellent growth rates. Schindler secured substantial projects with the Schindler 700 high-rise elevator, and expanded its strong position in the escalators business where major orders for the extension of the subway systems in Guangzhou and Nanjing were won with the Schindler 9700 escalator.

However, the sharply higher prices for steel and other raw materials presented a tough challenge. Costs had to be cut rapidly in all areas to reduce the negative effects on the margins of the order backlog. Price adjustments on sales of new installations also became unavoidable.



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Outlook

The economic growth is expected to continue in 2005, driven by stable domestic demand and brisk international business. However, in view of the sharp increases in raw material prices, especially for oil, steel, and cement, as well as higher interest rates, construction activity is expected to lose some of its dynamism.

To absorb the growth and improve competitiveness, investments are being made to expand the production capacity in China. The upgraded elevator and escalator factories will supply the Schindler Group globally and will be among the largest and most modern in the industry. In view of the developments regarding costs, in 2005 Schindler will again focus on further increases in efficiency and measures to reduce costs. These endeavors, along with well-positioned products, better market coverage, and growing customer satisfaction, should contribute to enabling Schindler to further strengthen and expand its market position.

1 All 8 Schindler 700 elevators in Civic Tower are equipped with the Miconic 10 hall call destination control system and the SchindlerID access control system; Sydney, Australia

2 In the Three Pacific Place office building, the SchindlerID access control, system oversees 20 elevators, which include 16 Schindler 700 high-rise elevators; Hong Kong, China



Major orders

Australia:

8 Schindler 700 elevators and 3 Schindler 300 P elevators for Darling Park Stage 3 office building, Sydney; 8 Schindler 700 elevators for 100 Pacific Highway office building, Sydney; 8 Schindler 300 P MRL elevators with Miconic 10 for Section 88 office building, Canberra; 10 Schindler 9300 escalators and 6 Schindler 300 H elevators for Westend Plaza shopping mall, Melbourne; 8 Schindler 9300 escalators and 3 Schindler 9500 moving walks for Adelaide Airport, Adelaide; 8 Schindler 300 P MRL elevators for Raffles Apartments residential building, Perth

China:

35 elevators and 60 Schindler 9300 escalators for Shenzhen Jin Guanghua Industrial Commercial Plaza, Shenzhen; 64 Schindler 9300 escalators and 7 elevators for China Ceramic Science City commercial center, Zibo; 65 elevators for Beijing Era Star office and residential building, Beijing; 11 elevators, 46 Schindler 9300 escalators, and 4 Schindler 9500 moving walks for Dalian Metro Triumph Plaza shopping mall, Dalian; 53 elevators, including 37 Schindler-

38 elevators, including 23 Schindler 700 high-rise elevators, along with 2 Schindler 9300 escalators, ensure fast transportation in the Langham Place hotel and office tower; Hong Kong, China



Elegant MRL, and 7 Schindler 9300 escalators for Lakeside New World commercial center, Suzhou; 32 Schindler 700 elevators, 10 Schindler 300 P MRL elevators, and 10 Schindler 9300 escalators for Zhong Huan World Trade Center, Beijing; 4 elevators and 40 Schindler 9300 escalators for Southwest Business Mansion commercial center, Yun'Nan; 41 Schindler 9300 escalators and 2 Schindler 9500 moving walks for Yan Tai Jiu Long Street shopping mall, Yantai; 12 elevators and 31 Schindler 9300 escalators for Changsha Tong Lo Bay Plaza commercial center, Changsha; 39 elevators, including 37 Schindler 300 PCL, for Lot 114 residential complex, Shanghai

Hong Kong:

37 elevators and 10 Schindler 9300 escalators for Tiu Keng Leng Station Development residential complex; 8 elevators and 20 Schindler 9300 escalators for International Exhibition Centre; 14 Schindler 9300 escalators for Landmark and Office Tower shopping mall and office building, phase 6

Indonesia:

65 Schindler 9300 escalators and 13 elevators for Pondok Indah Mall 2 shopping center, Jakarta

Japan:

10 Schindler NEU elevators for Hama-Koushien Housing residential buildings, Hyogo; 10 Schindler 9300 escalators for AEON Yatsushiro shopping mall, Kumamoto; 12 SchindlerSmart J elevators for Abiko Hishi Housing residential buildings, Osaka; 16 Schindler 9300 escalators for Tokyo Mid Town office, commercial and residential center, Tokyo

1 The Citic City Plaza commercial building is served by 42 Schindler 9300 escalators and 22 elevators; Shenzhen, China



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Malaysia:

14 elevators for Sri Putramas 2 residential buildings, Kuala Lumpur; 27 Schindler 300 P elevators and 4 Schindler 9300 escalators for Metropolitan residential buildings, Selangor Darul Ehsan; 24 Schindler 9300 escalators and 3 Schindler 300 P elevators for Cineleisure shopping mall, Selangor Darul Ehsan; 26 elevators for Kom Mahkamah office building, Kuala Lumpur

New Zealand:

6 elevators, including 5 Schindler 300 P MRL, and 7 Schindler 9300 escalators for Auckland International Airport, Auckland; modernization of 3 elevators with Miconic 10 and Schindler ID at Wool House office building, Wellington

Philippines:

60 Schindler *Elegant* MRL elevators and 24 Schindler 9500 moving walks for Guimaras residential complex, Iloilo City; 4 elevators, 10 Schindler 9300 escalators, and 3 Schindler 9500 moving walks for Waltermart shopping mall, Makati; 60 elevators and 32 Schindler 9300 escalators for SSS Corporate Center, Quezon City

Singapore:

16 Schindler 9500 moving walks at IMM office building

Taiwan:

14 Schindler 9300 escalators for NK Exhibition center, Taipei; 9 elevators for AIA – Hsin Yi office building, Taipei; 4 elevators and 9 Schindler 9500 moving walks for Megafull-YD shopping mall, Taipei

Thailand:

19 elevators for Column Tower office building, Bangkok; 14 elevators for Sofitel Sukhumvit Hotel, Bangkok; 15 elevators for Jungceylon Phuket Hotel, Phuket; 14 elevators and 4 Schindler 9300 escalators for hotel and shopping complex at Bangkok Airport, Bangkok

Vietnam:

24 elevators for Van Quan – HUD residential buildings, Hanoi; 10 Schindler *Elegant* MRL elevators and 2 Schindler 9300 escalators for Dat Phuong Nam residential buildings, Ho Chi Minh City

1 Modernization of 11 elevators in the Wisma Sime Darby office building; Kuala Lumpur, Malaysia

2 2 panoramic elevators for the Minh Sang Plaza shopping mall; Binh Duong Province, Vietnam

3 Schindler 9300 escalators and 2 elevators for the Cinema Two movie theater; Tokyo, Japan



Eastern Europe, Middle East, India, and Africa (EMIA)

Markets with strong potential for growth

The enlargement of the EU brought higher growth rates to the East European markets. In Russia and India, the growth continued. The Middle East and North Africa presented a mixed picture, with some countries confronted by difficult market conditions because of the conflicts in Iraq and Israel. South Africa experienced a moderate growth of the economy.

Despite tough competition, Schindler succeeded in growing in almost every market. To strengthen the market position, a new logistics and services concept was introduced. It allows greater and faster attention to be given to specific customer needs in the respective markets.

Russia and Eastern Europe

Eastern Europe enjoyed strong construction activity in both the residential and commercial sectors. The fast pace of growth continued unabated in Russia's major cities. In all markets, the modernization business benefited from customers' requirements for higher quality.

Schindler expanded its good market position with its Schindler*Smart* and Schindler*EuroLift* product lines. In Romania, Schindler won the order



for Schindler 700 high-rise elevators for the Charles de Gaulle Plaza commercial center. Sales in the escalator business also increased sharply.

India

India experienced growth of 8%. There was strong demand in both the residential and commercial buildings sectors.

The Schindler Easy, Schindler Classic, and Schindler Elegant product lines in the residential segment were well received by the market.

1 Schindler supplied 8 Schindler 9300 escalators and 2 SchindlerEuroLift elevators for the Henry Chichester office building and shopping mall; St. Petersburg, Russia



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Middle East and North Africa

While countries like Israel, Egypt, Morocco, and Turkey were faced with stagnating, or even shrinking, markets, the construction industry in the United Arab Emirates, Bahrain, Kuwait, Qatar and Saudi Arabia was extremely active. In the Persian Gulf and Middle East, especially in the high-rise segment, Schindler won major projects with the Schindler 700 high-rise elevator utilizing the Miconic 10 hall call destination control system and SchindlerID identification system.

The acquisition of a minority position in Saudi Elevator Company strengthens Schindler's position in Saudi Arabia.



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South Africa

In the residential market, Schindler successfully introduced the Schindler 100 P MRL product line of machine room-less elevators. In the commercial sector, Schindler expanded its market position mainly through numerous modernization projects in the high-rise segment. These included successful use of the Miconic 10 hall call destination control system.

Outlook

Schindler foresees good growth opportunities, even though high oil and steel prices are anticipated. The Schindler subsidiaries and their agents are well equipped with structures, products, and services which are aligned to the market and enable them to satisfy customers' diverse requirements.

1 4 elevators are installed in the office building of Gunes Insurance; Istanbul, Turkey

2 A service technician carries out maintenance and service work at a public building in Johannesburg, South Africa

3 Major order for Schindler in Cairo: 122 elevators, 84 escalators, and 12 moving walks for the Golden Pyramids Plaza hotel, residential, commercial, and shopping complex; Cairo, Egypt



Major orders

Czech Republic:

7 Schindler *EuroLift* elevators, 6 Schindler 9300 escalators, and 2 Schindler 9500 moving walks for Prague Airport, Prague; 7 Schindler *EuroLift* elevators and 12 Schindler 9500 moving walks for Eden shopping mall, Prague; 6 Schindler *EuroLift* elevators, 1 freight elevator, and 8 Schindler 9500 moving walks for Galerie Butovice shopping mall, Prague; 10 Schindler *EuroLift* elevators with Miconic 10 for Diamond Point office building, Prague; 2 Schindler *EuroLift* elevators, 1 Schindler *Smart* MRL 001 elevator, and 4 Schindler 9300 escalators for Rozkvět shopping mall, Brno

Egypt:

112 elevators for Phase 5 of El Rehab residential complex, Cairo; maintenance contract for 36 elevators and 2 escalators at Medical Center Hospital, Cairo; modernization of 5 elevators at Moustafa Kamel Hospital, Alexandria

Gulf Region/Saudi Arabia:

24 Schindler 9300 escalators, 4 Schindler 9500 moving walks, and 7 elevators, including 3 Schindler 700, for the Marina Mall shopping center, Abu Dhabi; 47 elevators, including 26 Schindler 500 and 21 Schindler

700, for Jumeirah Beach Residence Sector 5/6 residential complex, Dubai; 5 Schindler 500 elevators with Miconic 10 and Schindler *ID* for Le Rêve residential building, Dubai; 6 Schindler 700 elevators at Al Jon commercial building, Kuwait; 10 elevators for the Al Jawal office building, Saudi Arabia

Hungary:

26 elevators, including 6 Schindler *EuroLift*, 14 Schindler *Smart* MRL 002, and 8 Schindler 9300 AE escalators, for Garay shopping mall, Budapest; 8 elevators, including 6 Schindler *EuroLift*, for New York Palace Hotel, Budapest; 4 elevators and 4 Schindler 9300 AE escalators for Max City Store shopping mall, Törökbálint

India:

5 Schindler 9300 escalators for Chennai Metro, Chennai; 7 elevators, including 2 Schindler *Smart* MRL 002, 2 Schindler 100 P, and 3 Schindler 300 P, for Shreepati Towers residential buildings, Mumbai; 10 Schindler 001 elevators for Lloyds Realty residential building, Mumbai; 10 Schindler 001 elevators for Oakyard residential complex, Bangalore; modernization of 7 elevators at the Hyatt Regency Hotel, Delhi

Lebanon:

6 Schindler *EuroLift* elevators for Bhamdoun United Real Estate Hotel, Bhamdoun; maintenance contract for 11 elevators at Audi Bank Plaza headquarters, Beirut; maintenance contract for 8 elevators at Clinique du Levant hospital, Beirut

Morocco:

11 Schindler *EuroLift* elevators for Bank Al-Maghrib, Rabat; 6 Schindler *Smart* MRL 002 DE elevators for Parcelle 33 office building, Rabat; 28 Schindler *Smart* MRL 001 elevators



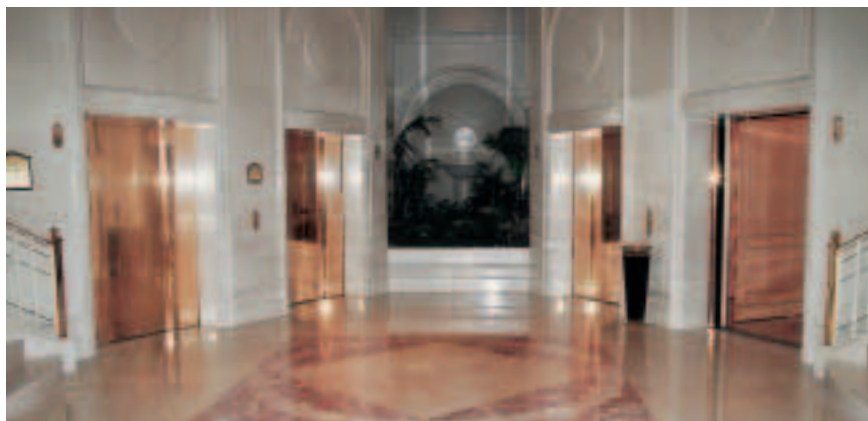
tors for Anassi 2 residential building, Casablanca; 2 Schindler *Smart* MRL 002 elevators and 6 Schindler 9300 escalators for Millinium Fashion shopping mall, Casablanca

1 Installed in the Intercontinental Hotel are 14 elevators, including 4 Schindler *EuroLift*; Warsaw, Poland

Bashundhara City, the biggest shopping mall in South-east Asia: 20 stories high, its 2500 shops, restaurants, fitness clubs, swimming pools, and movie theaters, etc. offer visitors a unique shopping experience. Schindler supplied 61 Schindler 9300 escalators, 21 elevators, and 1 Schindler 9500 moving walk; Dhaka, Bangladesh



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Poland:

20 elevators, including 11 Schindler *EuroLift*, 20 Schindler 9300 AE escalators, and 5 Schindler 9500 moving walks for Centrum Handlowe Manufaktura, Lodz; 20 Schindler *Smart* MRL 002 DE elevators for Jarzebiny residential building, Warsaw; 18 Schindler *Smart* MRL 002 DE elevators for Olszyny residential building, Warsaw; 11 elevators, including 6 Schindler 700 and 5 Schindler *EuroLift*, for the Hotel Hilton, Warsaw

Romania:

8 Schindler 500 elevators for Charles de Gaulle Plaza office building, Bucharest; 10 Schindler 9300 escalators for Cocor shopping mall, Bucharest; 3 Schindler *EuroLift* elevators, modernization of 9 elevators, and 26 Schindler 9300 escalators for Unirea shopping mall, Bucharest

Russia:

6 Schindler *EuroLift* elevators and 6 Schindler 9300 escalators for Avtovo shopping mall, hotel, and office building, St. Petersburg; 8 Schindler *EuroLift* elevators for Vavilova 24 office building, Moscow; 11 Schindler *EuroLift* elevators for Aviamotornaya 10 office building, Moscow; 18 Schindler 9300 escalators for Russky Dom shopping mall, Chelyabinsk (Yekaterinburg); 28 elevators, including 16 Schindler 700 and 9 Schindler *EuroLift*, for the Vertikal residential building project, Moscow

Slovakia:

7 elevators, comprising 3 Schindler *Smart* MRL 002 DE, 1 Schindler *Smart* MRL 002, 1 Schindler *Smart* MRL 001, and 2 Schindler *EuroLift*, and 4 Schindler 9300 AE escalators for Palace Shopping Park, Bratislava; 4 elevators, comprising 3 Schindler *Smart* MRL 001 and 1 Schindler *Smart* MRL 002, and 2 Schindler 9300 escalators for Saratov shopping mall, Bratislava; 10 elevators, comprising 4 Schindler *Smart* MRL 002 and 6 Schindler *Smart* MRL 001, for Tomasikova residential building, Bratislava

South Africa:

6 Schindler 300 P MRL elevators for Villa Italia residential apartments, Cape Town; 6 Schindler 100 P MRL elevators for Pansy Cove residential apartments, Cape Town; modernization of 12 elevators with Miconic 10 for Libridge Insurance office building, Johannesburg; modernization of 8 elevators with Miconic 10 at ABSA Volkskas office building, Pretoria

Turkey:

10 elevators, including 2 Schindler *EuroLift*, and 4 Schindler 9300 escalators, for Sheraton Hotel Exhibition and Conference Center, Ankara; 4 Schindler 9500 moving walks and 1 Schindler *Smart* MRL 002 DE elevator for Izmir International Airport, Izmir; 5 Schindler *EuroLift* elevators and 4 Schindler 9500 moving walks for Gimsa shopping mall, Ankara; 10 elevators for Royal Wings Hotel, Antalya; 8 elevators for Delphin Palace Hotel, Antalya

1 The Schindler 9700 escalator was specially developed for use in public transport facilities. Schindler supplied 51 units for the metro in Delhi; India

2 25 elevators and 4 escalators are installed in the Four Seasons Hotel; Cairo, Egypt

4 elevators, including 2 Schindler *EuroLift*, serve the Institut Stomatologii Akademii Medycznei; Poznan, Poland

For the Caribbean Princess cruise liner Schindler supplied a moving walk more than 30 meters long, in addition 2 panoramic, 17 passenger, and 13 service elevators, as well as 4 platforms









Successful year for ALSO

The ALSO Group, which is active in the IT distribution and logistics services business, looks back on a successful year. The modest overall economic recovery stimulated the IT market in Switzerland and Germany. Demand in the individual quarters was more evenly spread than in the previous year. Price erosion was less pronounced than in 2004, but still continued throughout the year. In this environment, and thanks to rigorously focusing on the core distribution business, ALSO achieved double-digit growth and sharply improved profitability in both Switzerland and Germany.

Net income substantially higher than previous year

Despite divestment of the systems business, in the reporting year the ALSO Group increased net sales by 16% to CHF 1 857.1 million (2003: CHF 1 598.3 million) and, thanks to continuous efforts to improve efficiency, increased operating profit relative to the prior year by 94% to CHF 30.4 million (2003: CHF 15.7 million). Net income at CHF 21.2 million was also substantially higher than the previous year's CHF 1.8 million, which was still negatively affected by exceptional costs in the systems business. At 47%, the equity ratio continued above the target range of 25%–35%. The number of employees declined to 602 (previous year 974). This reduction was mainly attributable to sale of the systems business in which 511 people were employed.

Products packed individually for customers are collected together for shipping



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In view of the changed scope of consolidation – addition of ACS Trading AG on 27.10.2003, divestment of the systems business on 5.2.2004, and acquisition of the Hewlett-Packard activities of Datastore AG on 1.7.2004 – the Group's figures are only partly comparable with those of the previous year.

Substantial growth in the distribution business

Net sales of the Distribution Division rose by 22% in the reporting year to CHF 1 852.2 million (2003: CHF 1 516.1 million). Unit sales were approximately 22% higher than in 2003. Relative to the previous year, operating profit increased substantially by 22% to CHF 31.1 million (2003: CHF 25.5 million). The subsidiaries in Switzerland and Germany contributed equally to this success. The Swiss subsidiary boosted product sales by 15% – partly due to the first-time consolidation of ACS Trading AG – and expanded its market leadership even further. Overall, the Swiss subsidiary earned a sharply improved operating profit in the reporting year. The portfolio was expanded with strategically important manufacturers, and new market



2

segments were penetrated. The demand for customer-specific logistics solutions for the IT, consumer electronics, and telecommunications industries remained constantly high. In the market for mobile telephones, particularly strong growth came from the new generation of handsets. The German subsidiary grew by 33% in the reporting year, which was significantly faster than the market, and posted a sharply higher operating profit than in the previous year. This growth brought gains in market share for the classic manufacturers, as well as expansion of the product portfolio. In addition, the customer base was enlarged by focusing on mainly small and medium-sized systems houses.

1 Article orders are transmitted wirelessly to the display screen on the picking truck and after the barcodes have been scanned the products are placed ready for shipping. Product-based picking increases the efficiency of logistics processes.

2 Sales promotion packages are becoming increasingly important for the retail channel. ALSO packages complete bundles for the manufacturer.



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The performance capabilities of both companies are valued equally by customers and vendors. As evidence, in the latest survey by leading industry journals, customers voted the German subsidiary "Best Volume Distributor" for the fifth time in succession already. The Swiss subsidiary only narrowly missed this honor in 2004 and ranked a good second place.

European Wholesale Group (EWG), the strategic alliance with leading foreign distributors which was established in September 2002, added two new, strong partners in the reporting year and thereby moved up to become the third-largest distribu-

tor in Europe. The alliance provides manufacturers with a best-in-class platform from which they can efficiently reach a large number of retailers in Europe.

Systems business sold

The systems business was sold on February 5, 2004, and therefore contributed only CHF 4.9 million to Group net sales (2003: 82.2 million). This division had practically no effect on the Group's profit and loss statement or net income in the reporting year.

Cautiously optimistic outlook

For 2005, ALSO expects low single-digit market growth. The tough competitive situation in the IT industry will therefore probably continue to hold margins down in 2005. ALSO is well equipped for the challenges ahead. The assortment has been selectively expanded and the customer base enlarged. By taking over the Hewlett-Packard activities of Datastore AG, ALSO has strength-



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ened its know-how to enable it to grow in the high-end storage business where the future is promising. The IT accessories business is also being systematically expanded. Parallel to these developments, the unbroke trend toward outsourcing of logistics activities should trigger additional impulses for growth. ALSO is therefore confident that it will be able to achieve sustainable growth in sales and income in the future.

1 The ALSO e-business platform gives customers day-and-night access to article data and article information as well as enabling them to submit orders and make order fulfillment status inquiries.

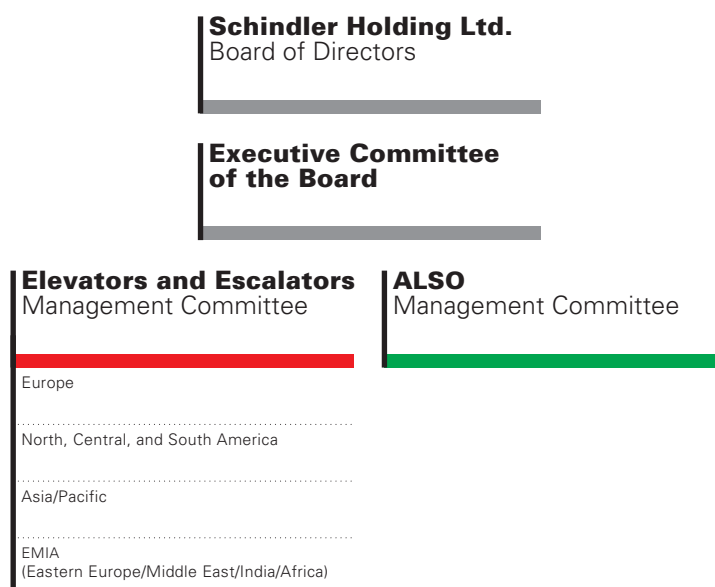
2 As outsourcing partner to Swisscom Mobile, a major customer of the logistics services business, ALSO undertakes customer-specific packaging of individual orders.

State of the art picking trucks in the large-items warehouse. Orders are transmitted wirelessly to the display screens on the truck.



Organization

Status January 1, 2005



Board of Directors Schindler Holding Ltd.

Term of office expires ••

Alfred N. Schindler*

Chairman; Hergiswil, Switzerland

2005

Luc Bonnard*

Vice Chairman; Hergiswil, Switzerland

2005

Alfred Spörri*

Zug, Switzerland

2005

Prof. Dr. Dr. h.c. mult. Rolf Dubs

Professor emeritus at the University of St. Gallen; St. Gallen, Switzerland

2005

Dr. Hubertus von Grünberg

Supervisory Chairman of the Board Continental AG; Hanover, Germany

2005

Scott D. Miller

President and CEO of Six Sigma Academy; Scottsdale, Arizona, USA

2005

Charles Powell (Lord Powell of Bayswater KCMG)

Former Advisor on Foreign Affairs and Defense to Prime Minister Margaret Thatcher; London, UK

2006

Dr. Jenö C. A. Staehelin

New York, USA

2005

Robert Studer

Former Chairman of the Board of Directors, Union Bank of Switzerland, Schönenberg, Switzerland

2005

* Member of the Executive Committee of the Board

•• Ordinary General Meeting in the year 2005, resp. 2006

Management Committee Elevators and Escalators

| | |
|-----------------------------------|--|
| Roland W. Hess | President |
| | ad int. North, Central, and South America |
| David J. Bauhs | Deputy to the President |
| | Technology and Strategic Supply Management |
| Miguel A. Rodríguez | Europe |
| Jürgen Tinggren | Asia/Pacific |
| Dr. Christoph Lindenmeyer | Eastern Europe/Middle East/India/Africa (EMIA) |
| Brent Glendening | Chief Information Officer (CIO) |
| Erich Ammann* | Chief Financial Officer (CFO) |
| Dr. Rudolf W. Fischer* | Human Resources and Training |
| Prof. Dr. Karl Hofstetter* | General Counsel |

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

Management Committee ALSO

| | |
|----------------------------|---------------------------------|
| Thomas C. Weissmann | President (CEO) |
| | ad int. Distribution Germany |
| Jürgen Baumgartner | Chief Financial Officer (CFO) |
| Marc Schnyder | Distribution Switzerland |
| Peter Zurbrügg | Chief Information Officer (CIO) |

➤ For information regarding Corporate Governance according to the directive of the SWX Swiss Exchange, please refer to the chapter on Corporate Governance on page 66 of the separate Financial Statements and Corporate Governance.

Financial statements Group

Condensed

84 Schindler 9300 escalators, 122 elevators, and 12 Schindler 9500 moving walks for Golden Pyramids Plaza hotel, residential, commercial, and shopping complex; Cairo, Egypt

The figures for 2002, 2003, and 2004 are significantly affected by R03 project costs. Further information is given on page 7 of the Financial Statements.

| Balance sheet December 31 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------|-------|-------|-------|--------------|
| In million CHF | | | | | |
| Current assets | 3 381 | 3 436 | 3 621 | 3 734 | 3 509 |
| Non-current assets | 2 279 | 2 102 | 1 524 | 1 486 | 1 779 |
| Total assets | 5 660 | 5 538 | 5 145 | 5 220 | 5 288 |
| Current liabilities | 2 359 | 2 313 | 2 518 | 2 433 | 2 418 |
| Non-current liabilities | 1 847 | 1 777 | 1 437 | 1 496 | 1 375 |
| Total liabilities | 4 206 | 4 090 | 3 955 | 3 929 | 3 793 |
| Minority interests | 137 | 119 | 123 | 126 | 119 |
| Shareholders' equity | 1 317 | 1 329 | 1 067 | 1 165 | 1 376 |
| Total liabilities and shareholders' equity | 5 660 | 5 538 | 5 145 | 5 220 | 5 288 |

| Profit and loss statement | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|-------|-------|-------|-------|--------------|
| In million CHF | | | | | |
| Operating revenue | 8 530 | 8 327 | 7 888 | 7 725 | 8 259 |
| Operating expenses | 8 108 | 7 843 | 7 766 | 7 319 | 7 738 |
| Operating profit | 422 | 484 | 122 | 406 | 521 |
| Financing activities | -53 | -58 | -62 | -68 | -43 |
| Investing activities | 5 | 17 | 2 | 6 | 5 |
| Profit before taxes | 374 | 443 | 62 | 344 | 483 |
| Taxes | 71 | 46 | 45 | 142 | 154 |
| Profit before minority interests | 303 | 397 | 17 | 202 | 329 |
| Minority interests | 4 | 18 | 9 | 18 | 21 |
| Net profit | 299 | 379 | 8 | 184 | 308 |

| Cash flow statements | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|------|------|------|------|-------------|
| In million CHF | | | | | |
| Cash flow from operating activities | 574 | 671 | 554 | 455 | 467 |
| Cash flow from investing activities | -379 | -130 | -27 | 8 | -729 |
| Cash flow from financing activities | -146 | -251 | -359 | -158 | -165 |
| Translation exchange differences | -10 | -16 | 60 | 11 | -35 |
| Change in net cash | 39 | 274 | 228 | 316 | -462 |



Financial statements Schindler Holding Ltd.

Condensed

| Balance sheet December 31 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------|-------|-------|-------|--------------|
| In million CHF | | | | | |
| Current assets | 465 | 701 | 836 | 1 235 | 654 |
| Non-current assets | 1 601 | 1 369 | 1 144 | 802 | 1 394 |
| Total assets | 2 066 | 2 070 | 1 980 | 2 037 | 2 048 |
| | | | | | |
| Debentures | 785 | 785 | 590 | 600 | 600 |
| Other liabilities | 208 | 210 | 441 | 361 | 383 |
| Total liabilities | 993 | 995 | 1 031 | 961 | 983 |
| Share capital | 64 | 38 | 7 | 7 | 7 |
| Bearer participation capital | 50 | 29 | 6 | 6 | 5 |
| Retained earnings | 855 | 893 | 816 | 936 | 920 |
| Net profit for the year | 104 | 115 | 120 | 127 | 133 |
| Shareholders' equity | 1 073 | 1 075 | 949 | 1 076 | 1 065 |
| Total liabilities and shareholders' equity | 2 066 | 2 070 | 1 980 | 2 037 | 2 048 |

| Profit and loss statement | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|------|------|------|------|------------|
| In million CHF | | | | | |
| Income from subsidiaries | 201 | 225 | 209 | 211 | 224 |
| Other revenue | 34 | 39 | 90 | 31 | 15 |
| Total revenue | 235 | 264 | 299 | 242 | 239 |
| Depreciation and adjustments | 85 | 108 | 139 | 80 | 67 |
| Other expenses | 46 | 41 | 40 | 35 | 39 |
| Total expenses | 131 | 149 | 179 | 115 | 106 |
| Net profit for the year | 104 | 115 | 120 | 127 | 133 |

| Dividend payment | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------------|------|------|------|------|------------|
| In million CHF | | | | | |
| Registered shares | 38 | 38 | 0 | 44 | 51* |
| Bearer participation certificates | 29 | 29 | 0 | 33 | 36* |
| Total dividend payment | 67 | 67 | 0 | 77 | 87* |

* Proposal by the Board of Directors

Management Schindler Holding Ltd.**Erich Ammann****Peter E. Fraefel****Prof. Dr. Karl Hofstetter****Bernard Illi** (until 31.3.2005)**Stephan Jud****Joachim Walker****Dr. Henry Zheng****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 58).

Information for shareholders

Charts

The figures for 2002, 2003, and 2004 are significantly affected by R03 project costs.
Further information is given on page 7 of the Financial Statements.

| Group | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|---------------|
| In million CHF | | | | | |
| Orders received | 8 750 | 8 426 | 8 029 | 7 866 | 8 428 |
| Operating revenue | 8 530 | 8 327 | 7 888 | 7 725 | 8 259 |
| EBITDA ¹ | 624 | 680 | 349 | 566 | 656 |
| in % | 7.3 | 8.2 | 4.4 | 7.3 | 7.9 |
| EBITA ² | 475 | 531 | 184 | 443 | 557 |
| in % | 5.6 | 6.4 | 2.3 | 5.7 | 6.7 |
| EBIT ³ | 422 | 484 | 122 | 406 | 521 |
| in % | 4.9 | 5.8 | 1.5 | 5.3 | 6.3 |
| Net income from financing and investing activities | -48 | -41 | -60 | -62 | -38 |
| Profit before taxes | 374 | 443 | 62 | 344 | 483 |
| Profit before minority interests | 303 | 397 | 17 | 202 | 329 |
| in % | 3.6 | 4.8 | 0.2 | 2.6 | 4.0 |
| Net profit | 299 | 379 | 8 | 184 | 308 |
| Cash flow ⁴ | 417 | 555 | 430 | 368 | 429 |
| Capital expenditure | 157 | 122 | 105 | 81 | 82 |
| Order backlog | 3 713 | 4 039 | 3 486 | 3 712 | 3 723 |
| Personnel at year-end | 43 334 | 41 524 | 39 918 | 39 617 | 39 443 |
| Shareholders' equity | 1 317 | 1 329 | 1 067 | 1 165 | 1 376 |
| Equity ratio | 23.3 | 24.0 | 20.7 | 22.3 | 26.0 |
| Equity ratio incl. minority interests in % | 25.7 | 26.1 | 23.1 | 24.7 | 28.3 |

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

⁴ Cash flow: Net profit before minorities interests plus depreciation/amortization and change in provisions

Elevators and Escalators

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------|--------|--------|--------|--------|---------------|
| In million CHF | | | | | |
| Orders received | 6 852 | 6 658 | 6 344 | 6 246 | 6 546 |
| Operating revenue | 6 669 | 6 601 | 6 231 | 6 133 | 6 404 |
| EBITDA ¹ | 612 | 654 | 313 | 542 | 638 |
| in % | 9.2 | 9.9 | 5.0 | 8.8 | 10.0 |
| EBITA ² | 474 | 517 | 156 | 431 | 543 |
| in % | 7.1 | 7.8 | 2.5 | 7.0 | 8.5 |
| EBIT ³ | 422 | 471 | 95 | 395 | 508 |
| in % | 6.3 | 7.1 | 1.5 | 6.4 | 7.9 |
| Personnel at year-end | 41 763 | 40 169 | 38 806 | 38 643 | 38 841 |

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

ALSO

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------|-------|-------|-------|-------|--------------|
| In million CHF | | | | | |
| Orders received | 1 898 | 1 768 | 1 685 | 1 620 | 1 882 |
| Operating revenue | 1 861 | 1 726 | 1 657 | 1 598 | 1 857 |
| EBITDA ¹ | 18 | 33 | 40 | 29 | 35 |
| in % | 1.0 | 1.9 | 2.4 | 1.8 | 1.9 |
| EBITA ² | 7 | 21 | 32 | 17 | 31 |
| in % | 0.4 | 1.2 | 1.9 | 1.1 | 1.7 |
| EBIT ³ | 6 | 20 | 31 | 16 | 30 |
| in % | 0.3 | 1.2 | 1.9 | 1.0 | 1.6 |
| Personnel at year-end | 1 571 | 1 355 | 1 112 | 974 | 602 |

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

Schindler Holding Ltd.

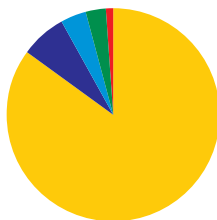
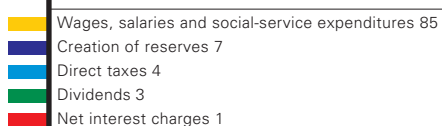
In million CHF

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|------------------------------|-------|-------|------|-------|--------------|
| Share capital | 64 | 38 | 7 | 7 | 7 |
| Bearer participation capital | 50 | 29 | 6 | 6 | 5 |
| Shareholders' equity | 1 073 | 1 075 | 949 | 1 076 | 1 065 |
| Debentures | 785 | 785 | 590 | 600 | 600 |
| Net profit for the year | 104 | 115 | 120 | 127 | 133 |
| Dividend payment | 67 | 67 | 0 | 77 | 87* |

- Proposal by the Board of Directors

Allocation of the Group's net value added 2004

In %



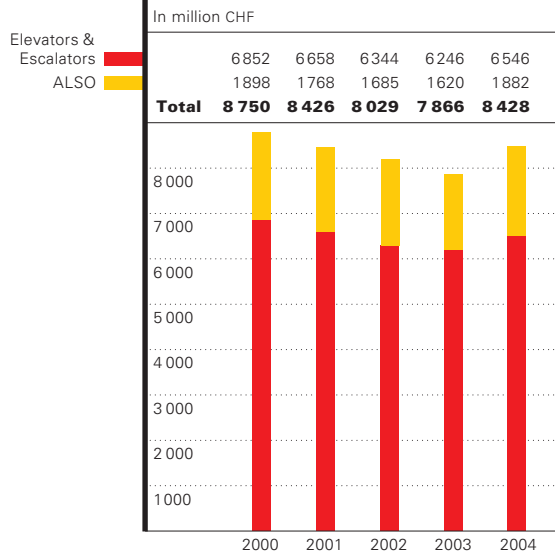
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

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

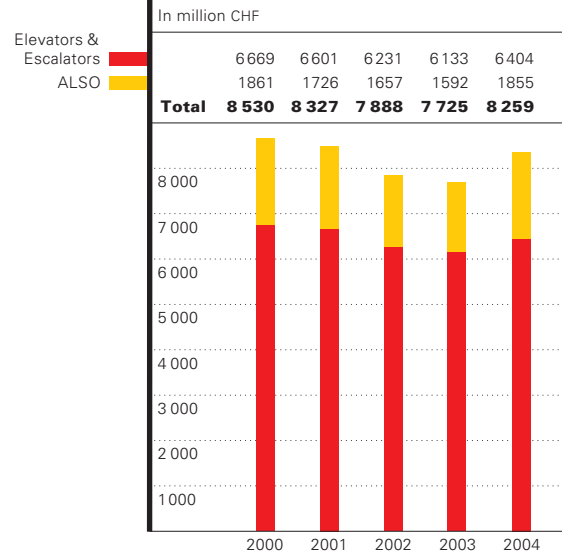
The distribution of the Group's net value added shows how employees, the governments, the company itself, the shareholders, and other providers of finance participate in this economically relevant amount.

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

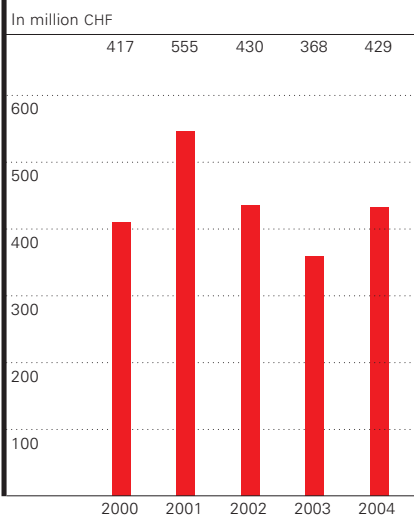
Orders received by product group



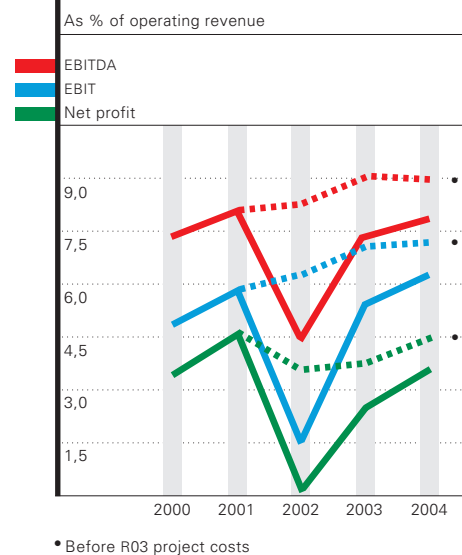
Operating revenue by product group



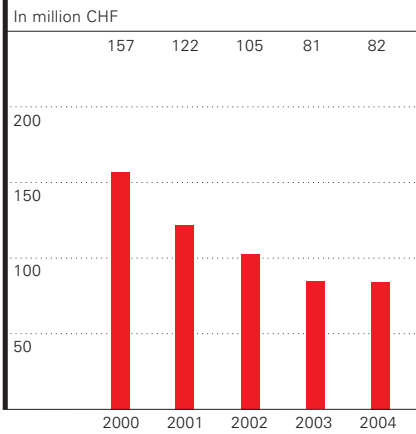
Cash flow



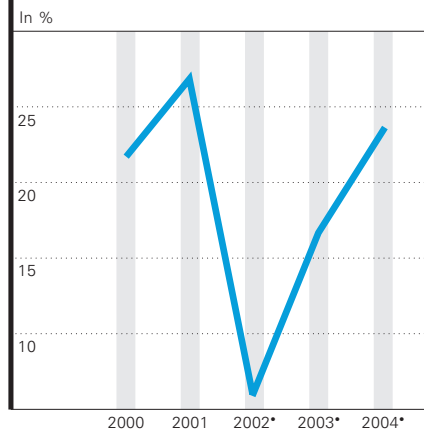
EBITDA, EBIT, net profit



Capital expenditure

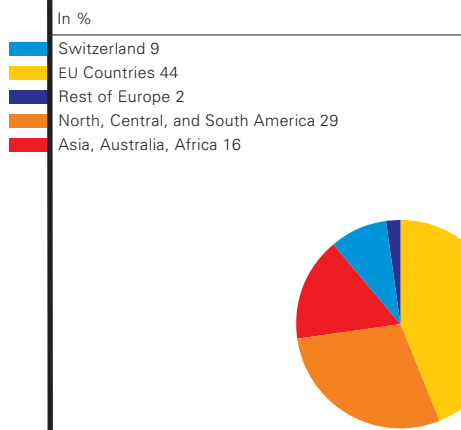


Return on equity ROE

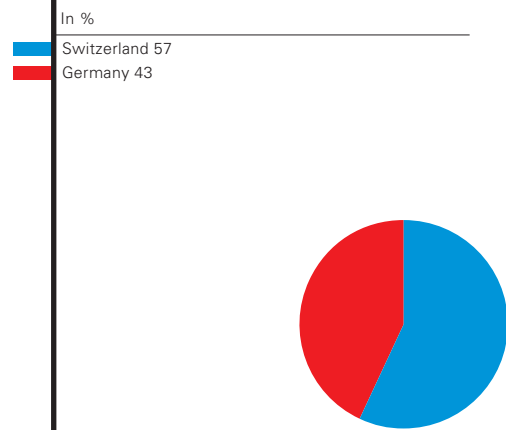


*After R03 project costs

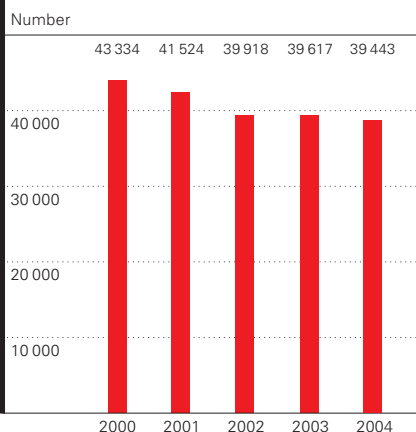
Invoiced sales 2004 by market Elevators & Escalators



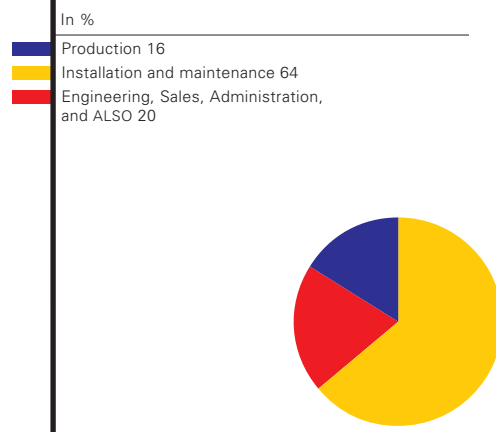
Invoiced sales 2004 by market ALSO



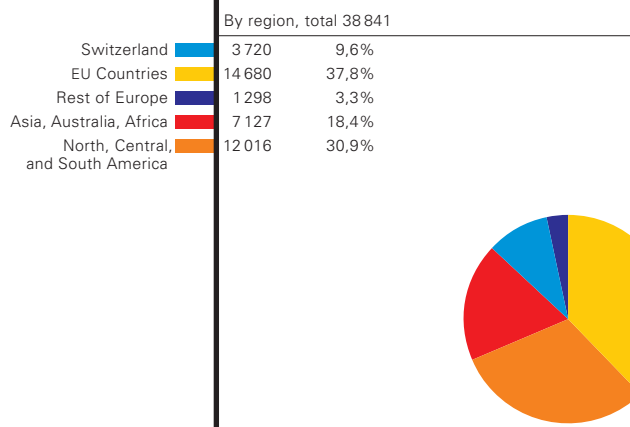
Personnel at the end of year



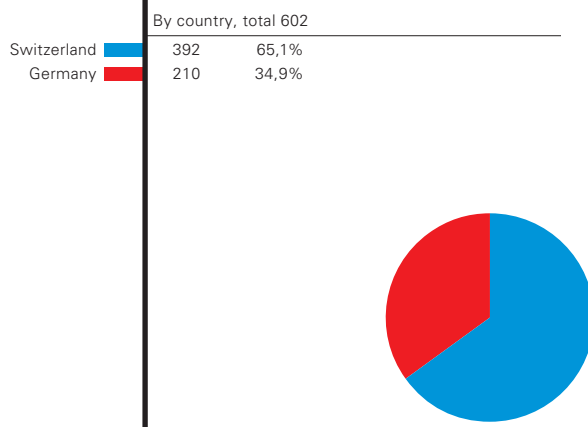
Personnel 2004 by sector



Personnel 2004 Elevators & Escalators



Personnel 2004 ALSO



The figures for 2002, 2003, and 2004 are significantly affected by R03 project costs.
Further information is given on page 7 of the Financial Statements.

Information per registered share/ bearer participation certificate

| | 2000 | 2001 | 2002 ^o | 2003 | 2004 |
|--------------------------------------|-------|-------|-------------------|-------|-----------------------|
| In CHF | | | | | |
| Net profit | 222 | 282 | 0.62 | 14.30 | 24.64 |
| Cash flow | 310 | 413 | 33.43 | 28.61 | 34.32 |
| Shareholders' equity at year-end | 992 | 1 047 | 83.81 | 94.41 | 111.33 |
| Gross dividend adjusted ^o | 5 | 5 | 0 [•] | 6 | 7^{••} |
| Pay-out ratio % | 22.5 | 17.7 | – | 41.9 | 28.4 |
| Market capitalization (in million) | 3 402 | 3 208 | 3 397 | 4 187 | 5 813 |

^o After 10:1 split on June 11, 2002

[•] No dividend due to R03 project (compensated by reduction in nominal value in 2001)

^{••} Proposal by the Board of Directors

Registered shares

| | 2000 | 2001 | 2002 ^o | 2003 | 2004 |
|------------------------------|-------------------|------------------|--------------------|-------------------|--------------------------|
| In CHF | | | | | |
| Number of shares outstanding | 752 866 | 752 866 | 7 356 820 | 7 356 820 | 7 356 820 |
| Thereof in treasury stock | 16 790 | 32 561 | 120 401 | 81 805 | 79 941 |
| Nominal value | 85 | 50 | 1 | 1 | 1 |
| Price high | 2 995 | 2 801 | 320.00 | 345.00 | 475.00 |
| Price low | 2 320 | 2 000 | 230.80 | 176.00 | 338.00 |
| Price year-end | 2 549 | 2 380 | 260.00 | 343.00 | 475.00 |
| P/E ratio December 31 | 11.5 ² | 8.4 ² | 418.1 ² | 24.0 ² | 19.3 ² |

^o After 10:1 split on June 11, 2002

Bearer participation certificates

| | 2000 | 2001 | 2002 ^o | 2003 | 2004 |
|------------------------------------|-------------------|------------------|--------------------|-------------------|--------------------------|
| In CHF | | | | | |
| Number of certificates outstanding | 592 424 | 592 424 | 5 506 990 | 5 506 990 | 5 141 640 |
| Thereof in treasury stock | 1 410 | 42 880 | 11 550 | 441 850 | 59 108 |
| Nominal value | 85 | 50 | 1 | 1 | 1 |
| Price high | 2 925 | 2 700 | 321.80 | 305.00 | 455.25 |
| Price low | 2 320 | 2 050 | 225.00 | 167.25 | 298.00 |
| Price year-end | 2 503 | 2 390 | 269.50 | 302.00 | 451.00 |
| P/E ratio December 31 | 11.3 ² | 8.5 ² | 433.3 ² | 21.1 ² | 18.3 ² |

^o After 10:1 split on June 11, 2002

Ticker/security number

| | Registered share | Bearer participation certificate |
|-----------|------------------|----------------------------------|
| Bloomberg | SCHN | SCHP |
| Reuters | SCHZN.S | SCHZP.S |
| Valor | 1 391 412 | 1 391 410 |

Both the registered shares and the bearer participation certificates are traded on the SWX Swiss Exchange. 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

At the end of 2004, registered shares of Schindler Holding Ltd. were held by 2 792 shareholders.

On the same date, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 120 196 registered shares of Schindler Holding Ltd., corresponding to 69.6% of the voting rights of the share capital entered in the Register of Companies.

Ordinary General Meeting

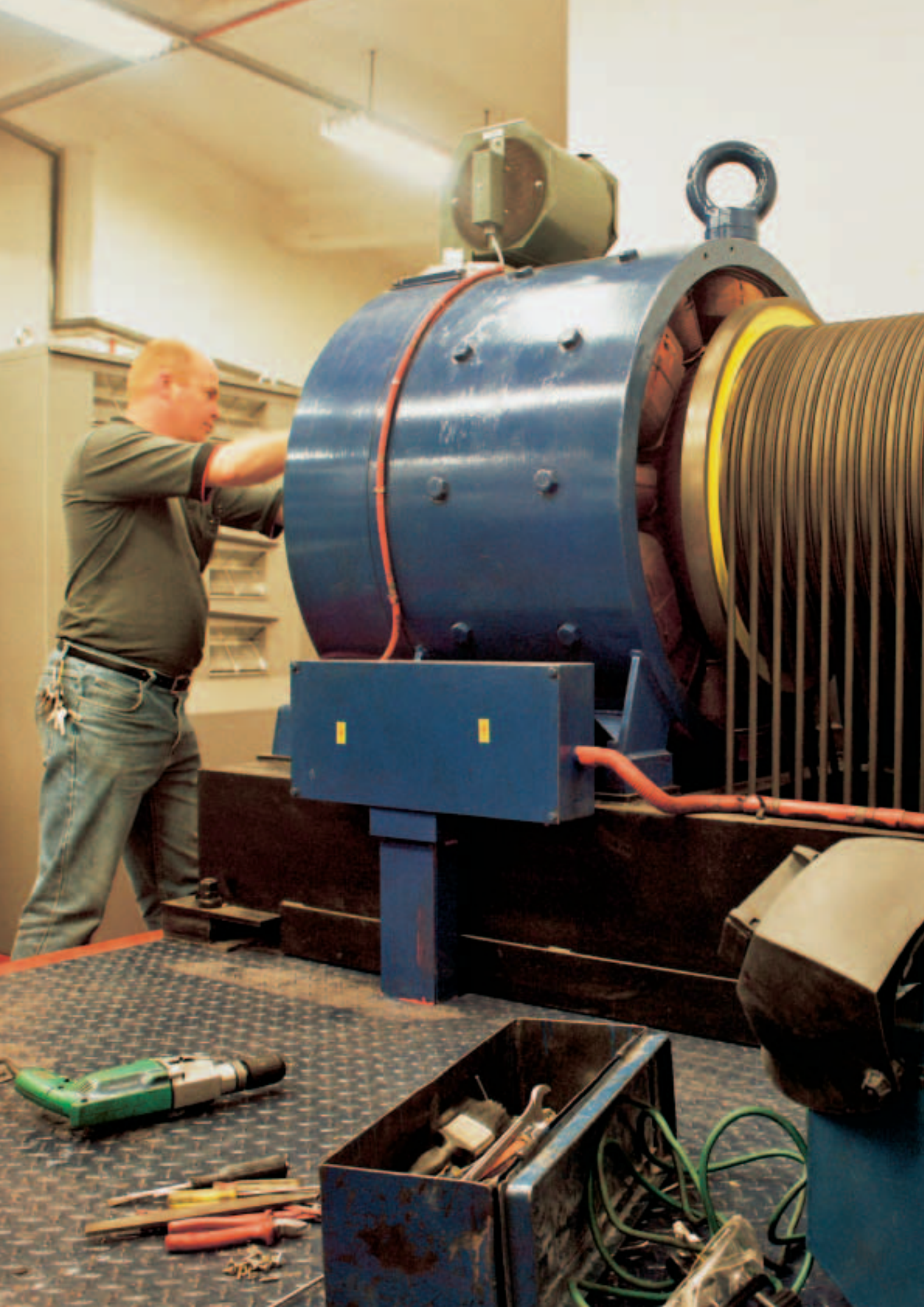
Monday, March 21, 2005, 4.30 pm
at the Kultur- und Kongresszentrum
Luzern, Europaplatz 1,
CH-6005 Lucerne, Switzerland

Investor Relations

Barbara Zäch
Corporate Communications
Schindler Management AG
CH-6030 Ebikon
T+ 41 41 445 30 61
F+ 41 41 445 31 44
barbara_zaech@ch.schindler.com

Stephan Jud
Head of Treasury
Schindler Management AG
CH-6030 Ebikon
T+ 41 41 445 31 19
F+ 41 41 445 45 30
stephan_jud@ch.schindler.com

www.schindler.com



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the South African
Broadcasting Cor-
poration office
building; Johannes-
burg, South Africa**

Important addresses

For further information about our company, our products and our services, please contact one of the following addresses:

Schindler Holding Ltd.
Seestrasse 55
CH-6052 Hergiswil
Switzerland
T+41 41 632 85 50
F+41 41 445 31 34

Schindler Management Ltd.
Zugerstrasse 13
CH-6030 Ebikon
Switzerland
T+41 41 445 32 32
F+41 41 445 31 34

Corporate Communications
T+41 41 445 30 60
F+41 41 445 31 44
email@schindler.com

www.schindler.com

Europe, Middle East, India and Africa

Schindler Management Ltd.
Zugerstrasse 13
CH-6030 Ebikon
Switzerland
T+41 41 445 32 32
F+41 41 445 31 34

USA and Canada

Schindler Elevator Corporation
20 Whippany Road
PO Box 1935
Morristown, N.J. 07962-1935
USA
T+1 973 397 65 00
F+1 973 397 36 19
www.us.schindler.com

Latin America

Latin America Operations
Paseo de la Reforma 350-8° Piso
Col. Juárez
06600 México, D.F.
México
T+5255 5080 1412/11
F+5255 5207 2156
www.la.schindler.com

Asia/Pacific

Schindler Management
Asia/Pacific Ltd.
29/F Top Glory Tower
262 Gloucester Road
Causeway Bay/Hong Kong
T+852 2574 38 81
F+852 2574 38 93

ALSO

ALSO Holding AG
Seestrasse 55
CH-6052 Hergiswil
Switzerland
T+41 41 630 37 37
F+41 41 266 18 70
www.also.com

The Annual Report of the Schindler Group for 2004 consists of the Activity Report and the Financial Statements and Corporate Governance.

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

Overall responsibility and concept

Schindler Management AG
Corporate Communications
6030 Ebikon, Switzerland

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Peter Schälchli, Zurich,
Switzerland

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Corporate Communications
6030 Ebikon, Switzerland

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8952 Schlieren, Switzerland



"Overpriced acquisitions rarely represent an effective strategy to compete against profitable organic growth, based on cost leadership and innovation."

Alfred N. Schindler

"Starry Night, 1987"
by John Hoyland, Great Britain
Gallery: Arteform, Bougy-Villars

Annual Report 2004 Financial Statements
Corporate Governance



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 - 89** Information policy

Financial Statements

Consolidated balance sheet

| Assets | | 31.12.2003 | | 31.12.2004 | |
|---|-------|--------------|--------------|-------------------|--------------|
| In million CHF | Notes | | % | | % |
| Current assets | | | | | |
| Cash on hand | | 1 466 | 28.1 | 1 011 | 19.1 |
| Securities | 3 | 114 | 2.2 | 336 | 6.4 |
| Accounts receivable | 4 | 1 206 | 23.1 | 1 229 | 23.3 |
| Taxes receivable | | 42 | 0.8 | 47 | 0.9 |
| Net assets of production orders in progress | 5 | 459 | 8.8 | 435 | 8.2 |
| Inventories | 6 | 337 | 6.4 | 341 | 6.4 |
| Prepaid expenses and accrued income | | 110 | 2.1 | 110 | 2.1 |
| Total current assets | | 3 734 | 71.5 | 3 509 | 66.4 |
| Non-current assets | | | | | |
| Fixed assets | 7 | 557 | 10.6 | 514 | 9.7 |
| Intangible assets | 8 | 562 | 10.8 | 529 | 10.0 |
| Investments in associates | 9 | 36 | 0.7 | 64 | 1.2 |
| Financial assets | 10 | 83 | 1.6 | 443 | 8.4 |
| Deferred taxes | 11 | 203 | 3.9 | 184 | 3.5 |
| Employee benefits | 12 | 45 | 0.9 | 45 | 0.8 |
| Total non-current assets | | 1 486 | 28.5 | 1 779 | 33.6 |
| Total assets | | 5 220 | 100.0 | 5 288 | 100.0 |

Liabilities and shareholders' equity

| | | 31.12.2003 | | 31.12.2004 | |
|--|-------|--------------|--------------|--------------|--------------|
| In million CHF | Notes | | % | | % |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Financial debts | 15 | 132 | 2.4 | 173 | 3.3 |
| Accounts payable | 13 | 739 | 14.2 | 738 | 13.9 |
| Taxes payable | | 100 | 1.9 | 106 | 2.0 |
| Net liabilities of production orders in progress | 5 | 337 | 6.5 | 268 | 5.1 |
| Accrued expenses and deferred income | 14 | 882 | 16.9 | 909 | 17.2 |
| Provisions | 16 | 243 | 4.7 | 224 | 4.2 |
| Total current liabilities | | 2 433 | 46.6 | 2 418 | 45.7 |
| Non-current liabilities | | | | | |
| Financial debts | 15 | 803 | 15.4 | 700 | 13.2 |
| Provisions | 16 | 250 | 4.8 | 216 | 4.1 |
| Deferred taxes | 11 | 85 | 1.6 | 103 | 2.0 |
| Employee benefits | 12 | 358 | 6.9 | 356 | 6.7 |
| Total non-current liabilities | | 1 496 | 28.7 | 1 375 | 26.0 |
| Total liabilities | | 3 929 | 75.3 | 3 793 | 71.7 |
| Minority interests | | 126 | 2.4 | 119 | 2.3 |
| Shareholders' equity | | | | | |
| Share capital and bearer participation certificate capital | 30 | 13 | 0.2 | 12 | 0.2 |
| Share premiums | | 139 | 2.7 | 71 | 1.4 |
| Treasury stock | | -106 | -2.0 | -31 | -0.6 |
| Fluctuations in value of financial instruments | | -24 | -0.5 | 5 | 0.1 |
| Translation exchange differences | | -360 | -6.9 | -418 | -7.9 |
| Retained earnings | | 1 503 | 28.8 | 1 737 | 32.8 |
| Total shareholders' equity | | 1 165 | 22.3 | 1 376 | 26.0 |
| Total liabilities and shareholders' equity | | 5 220 | 100.0 | 5 288 | 100.0 |

Consolidated profit and loss statement

| In million CHF | Notes | 2003 | | 2004 | |
|---|-------|--------|-------|--------------|-------|
| | | | % | | % |
| Operating revenue | 17 | 7 725 | 100.0 | 8 259 | 100.0 |
| Material cost | | 3 052 | 39.5 | 3 493 | 42.3 |
| Personnel cost | 18 | 2 837 | 36.7 | 2 818 | 34.1 |
| Other operating cost | 19 | 1 264 | 16.3 | 1 327 | 16.1 |
| Depreciation and amortization | 7, 8 | 160 | 2.1 | 135 | 1.6 |
| Change of provision | 16 | 6 | 0.1 | -35 | -0.4 |
| Total operating cost | | 7 319 | 94.7 | 7 738 | 93.7 |
| Operating profit | | 406 | 5.3 | 521 | 6.3 |
| Financing activities | 20 | -68 | -0.9 | -43 | -0.6 |
| Investing activities | 21 | 6 | 0.1 | 5 | 0.1 |
| Profit before taxes | | 344 | 4.5 | 483 | 5.8 |
| Income taxes | 22 | 142 | 1.9 | 154 | 1.8 |
| Profit before minority interests | | 202 | 2.6 | 329 | 4.0 |
| Minority interests | | 18 | 0.2 | 21 | 0.3 |
| Net profit | | 184 | 2.4 | 308 | 3.7 |
| Earnings per share | | | | | |
| Basic earnings per share and BPC | 31 | in CHF | 14.81 | 24.94 | |
| Diluted earnings per share and BPC | 31 | in CHF | 14.79 | 24.84 | |

Conclusion of the R03 (run rate 03) projects in the Group

The aim of the R03 program is to increase the EBITDA margin in the elevators and escalators business to 14 %. This target reflects the expectation of corporate management and does not form part of the report of the Group auditors.

At the Annual Results Media Conference of February 26, 2004, it was announced that in the financial statements for 2004, project costs for completion of the R03 projects of approximately CHF 75 million were expected, but that these would no longer be reported in the same degree of detail as hitherto.

At the level of Group EBIT and Group net profit before income taxes, the R03 project costs actually incurred and recognized in the reporting year 2004 were CHF 83 million, as compared with CHF 137 million in the previous year.

Over the entire lifetime of the project phase, i. e. from the beginning of 2002 until the end of 2004, the following R03-specific costs have therefore been charged to the consolidated profit and loss statement:

R03 project costs

| In million CHF | At level of EBIT (Group) | At level of profit before taxes |
|-------------------------|--------------------------------|---------------------------------------|
| 2002 | 376 | 386 |
| 2003 | 137 | 137 |
| 2004 | 83 | 83 |
| Total R03 project costs | 596 | 606 |

Consolidated cash flow statement

| | | 2003 | 2004 |
|--|-------|-------------|--------------|
| In million CHF | Notes | | |
| Profit before minority interests | | 202 | 329 |
| Depreciation and amortization | | 160 | 135 |
| Change of provision | | 6 | -35 |
| Other positions with no effect on liquidity | | 51 | 44 |
| Change of remaining net working capital | | 36 | -6 |
| Cash flow from operating activities | | 455 | 467 |
| Additions to | | | |
| Fixed assets | | -81 | -82 |
| Intangible assets | | -7 | -16 |
| Investments in associates | | -1 | -35 |
| Hedging net investments | | -6 | -35 |
| Securities | | - | -222 |
| Financial assets | | -37 | -391 |
| Disposals of | | | |
| Fixed assets | | 26 | 33 |
| Securities | | 132 | - |
| Financial assets | | 22 | 29 |
| Additions/disposals of investments in subsidiaries | 23 | -40 | -10 |
| Cash flow from investing activities | | 8 | -729 |
| Change of financial debts | | -71 | -82 |
| Additions treasury stock | | -99 | - |
| Disposals treasury stock | | 26 | 4 |
| Payment of dividends Schindler Holding Ltd. | | - | -74 |
| Dividends paid to minority shareholders | | -14 | -13 |
| Cash flow from financing activities | | -158 | -165 |
| Translation exchange differences | | 11 | -35 |
| Change in net cash | 23 | 316 | -462 |
| Net cash at the beginning | | 1 122 | 1 438 |
| Net cash at the end | | 1 438 | 976 |
| Income taxes paid | | 118 | 126 |
| Interests paid | | 65 | 51 |
| Interests received | | 19 | 25 |
| Dividends received from associated companies | | 7 | 5 |

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, 2002 | 13 | 133 | -28 | -381 | 11 | 1 319 | 1 067 |
| Dividends | | | | | | 0 | 0 |
| Additions/disposals treasury stock | | 5 | -78 | | | | -73 |
| Options for participation plan (fair value) | | 1 | | | | | 1 |
| Net profit | | | | | | 184 | 184 |
| Hedging transactions | | | | -6 | -35 | | -41 |
| Translation exchange differences | | | | 27 | | | 27 |
| December 31, 2003 | 13 | 139 | -106 | -360 | -24 | 1 503 | 1 165 |
| Dividends | | | | | | -74 | -74 |
| Elimination of own bearer participation certificates | -1 | -69 | 70 | | | | 0 |
| Additions/disposals treasury stock | | -1 | 5 | | | | 4 |
| Options for participation plan (fair value) | | 2 | | | | | 2 |
| Net profit | | | | | | 308 | 308 |
| Financial instruments available for sale | | | | | 3 | | 3 |
| Hedging transactions | | | | -35 | 26 | | -9 |
| Translation exchange differences | | | | -23 | | | -23 |
| December 31, 2004 | 12 | 71 | -31 | -418 | 5 | 1 737 | 1 376 |

[•] See also Note 30

^{••} 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 (78% 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 2004, turnover in this segment was CHF 6.4 billion. Schindler owns 64.5% of ALSO Holding Ltd., which is listed on the SWX Swiss Exchange. The ALSO Group is active in the IT logistics and services business in Switzerland and Germany. Net sales 2004: CHF 1.9 billion.

2 Principles of consolidation and valuation

2.1 General principles

The accounting and reporting principles applied to these consolidated statements comply with Swiss Corporation Law as well as with the International Financial Reporting Standards (IFRS), formerly IAS.

All of the IAS standards 1 to 40, which are relevant to Schindler, were applied, as were also IFRS 3 "Business Combinations" (for new acquisitions from March 31, 2004), IAS 36 "Impairment of Assets" (revised 2004), IAS 38 "Intangible Assets" (revised 2004), and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (formerly the Standing Interpretations Committee [SIC]) which were binding on December 31, 2004. IAS 41 "Agriculture" is not relevant to Schindler.

The financial statements based on IFRS contain assumptions and estimates which affect the figures shown in the present report. The true results may differ from these estimates.

2.2 Changes to methods of recognition and valuation

IFRS 3 "Business Combinations" was applied to all acquisitions with "agreement date" March 31, 2004, or later. Capitalized goodwill arising from earlier business combinations will only be handled according to IFRS 3 as from reporting year 2005.

According to the standard which now applies, intangible assets which result from either a contractual or a legal right, or which can be separated from the business and whose market value can be reliably determined, are deducted from goodwill (=paid added value) and carried separately as intangible assets. The remaining goodwill is no longer amortized but subjected to an annual recoverability or impairment test.

This change has no significant effect on the result for the reporting year 2004.

2.3 Scope of consolidation

The consolidated financial statements include the annual financial statements of Schindler Holding Ltd., Hergiswil, Switzerland, 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 61 to 63.

In the reporting year, the holdings in Schindler Aufzüge & Fahrtreppen AG, Vienna, and in Schindler CZ a.s. Prague (formerly Výtahy Schindler A.S.) were both increased from 96.9% and 90.5% respectively to 100% by means of public offerings.

The scope of consolidation was expanded to include three small companies of minor significance in Romania, Slovakia, and Costa Rica. The effect of all first-time consolidations on both operating revenue and operating profit of "elevators and escalators" is less than 1.0%.

ALSO sold its Systems Business Division to the German Bechtle Group on February 5, 2004. This division is therefore no longer consolidated as from that date. Impairment losses of CHF 12 million associated with this sale were already recognized in 2003. The sale caused a net reduction in operating revenue of CHF 77 million in 2004 and, after taking into account the aforementioned impairment losses, a net divestment of profit of CHF 14 million.

2.4 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.

The difference between the acquisition price and the net asset value of holdings in associated companies is recognized and reported as goodwill or intangible assets under "Investments in associates".

2.5 Acquisitions and goodwill

Companies are consolidated as from the date on which control is acquired. The identifiable assets, liabilities, and contingent liabilities are revalued and included according to the purchase method. For companies acquired before March 31, 2004, the difference between the acquisition price and the value of the acquired net assets was capitalized as goodwill until that date. In the reporting year, the linear amortization of these goodwill items continued unchanged over their maximum useful life of 20 years expected at that time. As from January 1, 2005, these items will no longer be amortized, but subjected to an annual impairment test.

For all business combinations with "agreement date" March 31, 2004, or later, intangible assets which result from either a contractual or a legal right, or which can be separated from the business and whose market value can be reliably determined, are deducted from goodwill (= paid added value) and carried separately as intangible assets. This applies mainly to maintenance contracts, patents, trademarks, and similar rights. The remaining goodwill is no longer amortized, but subjected to an annual recoverability or impairment test.

Existing provisions for restructuring are taken over on the date of acquisition. No additional provisions are contained in the acquisition balance sheet. Provisions are made in the acquisition balance sheet for contingent liabilities which are taken over with the acquisition, i.e. which are not guaranteed by the seller but whose market value can be reliably determined.

Goodwill and intangible assets are transferred by means of "push-down accounting" into those business units which are expected to benefit from the acquisition and/or generate future cash flows. Recognition is in the respective functional currency.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences is reported as operating profit in the consolidated profit and loss statement.

The goodwill and/or identifiable intangible assets of associated companies are recognized under "Investments in associates". In addition, as from March 31, 2004, the new IFRS rules for "Business Combinations" also became applicable. Amortization and any impairment adjustments are recognized in the profit and loss statement under "Income from investments".

2.6 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 offset against consolidated shareholders' equity, and recognized in the profit and loss account should the company be sold. Foreign currency gains on certain loans having the nature of equity which form part of the net investment in a company are also recognized directly in shareholders' equity if no provision for such a loan is planned or foreseen in the near future.

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

| | | | 2003 | 2004 | 2003 | 2004 |
|----------------|-----|-----|----------------------------|----------------------------|---------------------------|---------------------------|
| | | | Year-end exchange rates | Year-end exchange rates | Average exchange rates | Average exchange rates |
| Euro countries | EUR | 1 | 1.56 | 1.54 | 1.52 | 1.55 |
| USA | USD | 1 | 1.24 | 1.13 | 1.34 | 1.24 |
| Great Britain | GBP | 1 | 2.20 | 2.18 | 2.20 | 2.27 |
| Brazil | BRL | 100 | 42.66 | 42.64 | 43.52 | 42.47 |
| China | CNY | 100 | 14.93 | 13.67 | 16.21 | 14.96 |

2.7 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

- Financial investments and derivatives "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.

The first-time valuation of the financial assets is 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 investments held to maturity as well as financial instruments originated by the company are valued by the effective interest method. Financial investments which are available for sale are carried at market value, changes in market value (after tax) being recognized 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.

- 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.

Assets included in the balance sheet other than at their market value and through the profit and loss statement are tested for impairment according to Note 2.22.

Financial assets are derecognized when Schindler gives up its control over them, i.e. when the rights associated with them are sold or expired. Financial liabilities are derecognized when they are repaid.

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.

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 transactions or, if expense or income is involved, taken out of equity and included in the profit and loss statement at the time of recognition. Fluctuations in value of items which do not fulfill 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 result if the subsidiary is sold.

Financial instruments are selectively hedged against fluctuations in market value by so-called fair value hedges. In such cases, within the scope of the hedged risk a market valuation is made of both the underlying and the hedging transactions.

2.8 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.

The assets and liabilities include all items of the balance sheet which can be directly identified, or reasonably allocated, to a segment.

2.9 Cash on hand

Cash on hand includes cash, bank deposits and time deposits with an original maturity of maximum three months.

2.10 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.

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.

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.

Marketable securities are carried at market value. Fluctuations in value are recognized in the profit and loss statement (items "held for trading") or in shareholders' equity (items "available for sale").

On sale, impairment, or other derecognition, the accumulated gains or losses recognized in shareholders' equity since the date of purchase are reported under "Financing activities" for the current period.

2.11 Accounts receivable

Trade accounts receivable, as well as other receivables, are reported at nominal values less adjustments necessary for commercial reasons.

Adjustments are based on Group-internal guidelines according to which revaluation of individual values must be undertaken first. Systematic additional adjustments of between 10% and 100% are made on the residual balances according to the age of the receivable.

2.12 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.

Different Group-internal revaluations are made depending on the annual consumption. The following rates are applied:
20% for inventories of more than one year's consumption,
40% for more than two, and 60% for more than three years' consumption.

Obsolete articles are fully written off.

2.13 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.

Revenue from other customers' orders (e.g. service) is recognized as operating revenue at the time of performance.

Provisions are made immediately for foreseeable losses on customer orders (see also Note 16).

2.14 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.

Losses in value due to impairment (see Note 2.22) are recognized as depreciation and reported separately.

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.).

Maintenance costs are recognized in the balance sheet if they increase the useful life or production capacity.

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 |

2.15 Intangible assets

Items carried as intangible assets are goodwill, maintenance contracts acquired from third parties, licenses, patents, trademarks and similar rights, and software.

Intangible assets are amortized linearly over their expected useful life, which is normally no longer than five to ten years. For goodwill which was acquired before March 31, 2004, and maintenance contracts, the maximum useful life is 20 years.

Impairments (Note 2.22) are recognized as amortization and reported separately.

2.16 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.

Restructuring provisions are only recognized if the respective costs can be reliably determined by reference to a plan, and there is a corresponding obligation resulting from a contract or communication.

Except for "Provisions for product liability", provisions are not discounted, since the main part of the payments usually falls due within the next 24 months or the interest component of the individual provisions is immaterial.

2.17 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 multiemployer 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 debited or – provided that the criteria for capitalization are fulfilled – credited to employee benefit costs over 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, with any actuarial gains in this case being recognized immediately.

2.18 Capital participation plans

A capital participation plan for the top management employees of the Group has been in existence since 2000.

The present capital participation plan was originally limited to about 50 persons. Starting with the allocations made in April 2004 for the reporting year 2003, the plan was extended for the first time to a further level of management and now applies to about 300 employees in 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.

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. In readiness for these obligations, the Group holds most of the necessary number of shares or 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 fair value of the option premium from the capital participation plan as calculated by the Black-Scholes method (see Note 29) is recognized in the profit and loss statement and charged to personnel cost for the vesting period of three years.

Further details of the capital participation plans are shown in the report on "Corporate Governance" (page 69).

2.19 Deferred taxes

Deferred taxes are recognized in accordance with the 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.

2.20 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 the elimination of own shares and bearer participation certificates. Also recognized in the capital reserves are realized gains and losses on the sale of own shares and participation certificates, as well as the fair value at the time they are allocated of options from the participation plans over the vesting period of three years.

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

2.21 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. Investments in finance lease are amortized over the shorter of their expected economic service life or contract duration. Unrealized gains on sale and leaseback transactions resulting in finance leases are deferred and amortized over the term of the lease.

Payments resulting from "Operating Leasing" are recognized linearly as operating expenses and correspondingly charged directly to the income statement.

2.22 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.

In accordance with the requirements of IFRS, goodwill amounts will in the future be subjected to an annual impairment test in the third quarter. The basis for the test are the forecast for the reporting year and the medium-term plan for the following two years.

2.23 Research and development costs

Contract-related engineering costs are capitalized in work in progress. Other research and development expenses are immediately recognized in the profit and loss statement. Development costs for new products are not capitalized, since a future economic benefit can only be proven after successful market introduction.

3 | Securities

| | 2003 | 2004 |
|---|------------|------------|
| In million CHF | | |
| Investment funds | – | 184 |
| Other securities | 10 | 21 |
| Time deposits with a maturity ranging from 3 to 12 months | 104 | 131 |
| Total securities | 114 | 336 |

“Investment funds” and “Other securities” are classified as “held for trading”.

4 | Accounts receivable

| | 2003 | 2004 |
|--------------------------------------|--------------|--------------|
| In million CHF | | |
| Supplies and services, gross | 1 250 | 1 243 |
| Allowance for doubtful accounts | –115 | –103 |
| Supplies and services, net | 1 135 | 1 140 |
| Associates and other related parties | 5 | 4 |
| Other accounts receivable | 66 | 85 |
| Total accounts receivable | 1 206 | 1 229 |

5 | Production orders in progress2003 **2004**

In million CHF

| | | |
|------------------------------|------|-------------|
| Work in progress | 784 | 748 |
| Down payments from customers | -325 | -313 |

Net assets of production orders in progress459 **435**

| | | |
|------------------------------|------|-------------|
| Work in progress | 455 | 430 |
| Down payments from customers | -792 | -698 |

Net liabilities of production orders in progress-337 **-268****6 | Inventories**2003 **2004**

In million CHF

| | | |
|-----------------------------------|-----|------------|
| Raw material and trading material | 252 | 249 |
| Semifinished and finished goods | 79 | 85 |
| Down payments to suppliers | 6 | 7 |

Total inventories337 **341**

Write-downs totaling CHF 95 million (in 2003: CHF 114 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, 2003 | 185 | 47 | 439 | 592 | 493 | 1 756 |
| Additions | 1 [•] | – | 6 | 31 | 45 | 83 ^{••} |
| Disposals | –9 | – | –18 | –50 | –74 | –151 |
| Reclassifications | 1 | –1 | – | 2 | –13 | –11 |
| Change scope of consolidation | – | – | 3 | 1 | – | 4 |
| Translation exchange differences | –2 | 3 | –2 | –16 | –11 | –28 |
| December 31, 2004 | 176 | 49 | 428 | 560 | 440 | 1 653 |
| Accumulated depreciation | | | | | | |
| December 31, 2003 | 92 | 14 | 269 | 441 | 383 | 1 199 |
| Additions | 7 | – | 12 | 38 | 43 | 100 |
| of which impairment | – | – | – | 1 | – | 1 |
| Disposals | –6 | – | –16 | –42 | –67 | –131 |
| Reclassifications | – | –1 | – | – | –10 | –11 |
| Translation exchange differences | – | – | – | –12 | –6 | –18 |
| December 31, 2004 | 93 | 13 | 265 | 425 | 343 | 1 139 |
| Net book value | | | | | | |
| as of December 31, 2004 | 83 | 36 | 163 | 135 | 97 | 514 |
| Fire insurance value | | | | | | 2 130 |
| Net book value | | | | | | |
| of fixed assets under finance lease | – | 1 | 6 | – | 3 | 10 |

[•] Includes capitalized goods and services for own account of 0

^{••} Of which finance leases 1

| | |
|-----------------------------------|-----|
| Market value | 202 |
| Rental income | 15 |
| Operating expenses: | |
| Real estate with rental income | 9 |
| Real estate without rental income | 3 |

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 8 million in the year under review (previous year CHF 7 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 13 million was recognized (previous year CHF 7 million).

8 Intangible assets

| In million CHF | Goodwill | Other intangible assets | Total |
|---|------------|-------------------------|------------|
| Net book value | | | |
| December 31, 2003 | 529 | 33 | 562 |
| Additions | – | 16 | 16 |
| Change scope of consolidation | – | 6 | 6 |
| Amortization | –36 | –12 | –48 |
| Translation exchange differences | –5 | –2 | –7 |
| December 31, 2004 | 488 | 41 | 529 |
| Overview as of December 31, 2003 | | | |
| Gross carrying amount | 763 | 122 | 885 |
| Accumulated amortization | 234 | 89 | 323 |
| Net book value | 529 | 33 | 562 |
| Overview as of December 31, 2004 | | | |
| Gross carrying amount | 758 | 142 | 900 |
| Accumulated amortization | 270 | 101 | 371 |
| Net book value | 488 | 41 | 529 |

The net book value of the goodwill results to approximately 49% (previous year 48%) from the goodwill acquired with the purchase in 1999 of Elevadores Atlas Schindler S.A., São Paulo. In the reporting year, no goodwill has been capitalized which according to IFRS 3 “Business Combinations” need no longer be amortized.

9 Investments in associates2003 **2004**

In million CHF

Net book value

| | | |
|----------------------|-----------|-----------|
| January 1 | 42 | 36 |
| Additions | 1 | 35 |
| Share of net profit | 7 | 4 |
| Dividends received | -7 | -5 |
| Reclassifications | -8 | -5 |
| Exchange differences | 1 | -1 |
| December 31 | 36 | 64 |

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 assets2003 **2004**

In million CHF

| | | |
|---|-----------|------------|
| Loans to associates and other related parties | 11 | 2 |
| Securities | 23 | 388 |
| Other financial assets | 49 | 53 |
| Total financial assets | 83 | 443 |

The securities held on December 31, 2004, consisted mainly of bonds. These are classified as "available for sale" and comprised the following:

| Currency | Effective interest rate | 2006 to 2009 | Maturity 2010 and after | Total in CHF |
|--------------|-------------------------|--------------|-------------------------|--------------|
| EUR | up to 3.5% | 200 | — | 200 |
| EUR | up to 4.0% | 47 | — | 47 |
| EUR | up to 5.0% | 29 | — | 29 |
| GBP | up to 4.0% | 9 | — | 9 |
| GBP | up to 5.0% | 60 | — | 60 |
| GBP | up to 6.0% | 9 | 18 | 27 |
| Total | | 354 | 18 | 372 |

11 | Deferred taxes

| 11.1 Net book values of deferred tax assets and liabilities | 2003 | 2004 |
|---|------------|-------------|
| In million CHF | | |
| Deferred taxes on account of temporary differences | | |
| Current assets | 57 | 42 |
| Fixed assets | -21 | -10 |
| Provisions | 61 | 36 |
| Employee benefits | 28 | 32 |
| Tax loss carryforwards | 17 | 14 |
| Other temporary differences | -24 | -33 |
| Total net book value | 118 | 81 |
| Thereof recognized in the balance sheet as deferred tax liabilities | -85 | -103 |
| Thereof recognized in the balance sheet as deferred tax assets | 203 | 184 |

No material additional tax liabilities due to dividend payments from subsidiaries and associates are expected.

The consolidated financial statements include deferred tax assets of CHF 108 million whose recoverability depends partly on tax-planning measures of the Group.

| 11.2 Statement of changes in net deferred tax assets and liabilities | 2003 | 2004 |
|---|------------|------------|
| In million CHF | | |
| January 1 | 159 | 118 |
| Set up and reversal of temporary differences | -24 | -26 |
| Translation exchange differences | -17 | -11 |
| December 31 | 118 | 81 |

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 IFRS and taxable balance sheet values) for which no deferred tax assets have been capitalized amount to CHF 64 million (previous year CHF 96 million).

11.4 Tax loss carryforwards

In million CHF

| | 2003 | 2004 |
|--|------|------------|
| Total tax loss carryforwards | 444 | 386 |
| Includes tax loss carryforwards in deferred taxes of | 42 | 33 |
| Total unused tax loss carryforwards | 402 | 353 |
| Of which expiring: | | |
| Within one year | 2 | – |
| In two to five years | 141 | 90 |
| In more than five years | 259 | 263 |
| Tax effect of unused tax loss carryforwards | 124 | 114 |

An analysis of income taxes and the effective income tax rate are contained in Notes 22 and 22.1.

12 Employee benefit plans

12.1 Defined benefit plans

| | 2003 | | | |
|--|-----------|-------------|-------------|-------------|
| In million CHF | Funded | Unfunded | Others | Total |
| Net assets at market value | 1 665 | | | 1 665 |
| Present value of defined benefit obligation | -1 696 | -213 | -125 | -2 034 |
| Financial surplus/shortfall | -31 | -213 | -125 | -369 |
| Unrecognized actuarial loss | 69 | | 3 | 72 |
| Assets not shown in the balance sheet | -16 | | | -16 |
| Total net book value 2003 | 22 | -213 | -122 | -313 |
| Amount reported as employee benefits under assets | | | | 45 |
| Amount reported as employee benefits under liabilities | | | | -358 |

12.2 Defined benefit plans

| | 2004 | | | |
|--|-----------|-------------|-------------|---------------|
| In million CHF | Funded | Unfunded | Others | Total |
| Net assets at market value | 1 687 | | | 1 687 |
| Present value of defined benefit obligation | -1 724 | -210 | -123 | -2 057 |
| Financial surplus/shortfall | -37 | -210 | -123 | -370 |
| Unrecognized actuarial loss | 74 | | 3 | 77 |
| Assets not shown in the balance sheet | -18 | | | -18 |
| Total net book value 2004 | 19 | -210 | -120 | -311 |
| Amount reported as employee benefits under assets | | | | 45 |
| Amount reported as employee benefits under liabilities | | | | -356 |

Some surpluses have not been capitalized because the criteria for capitalization are not fulfilled.

There are no shares or bearer participation certificates of Schindler Holding Ltd. included in net plan assets. The Group does not utilize any (fixed) assets of the benefit plans (previous year CHF 5 million).

12.3 Statement of changes2003 **2004**

In million CHF

| | | |
|----------------------------------|-------------|-------------|
| January 1 | -298 | -313 |
| Periodic pension cost | -80 | -86 |
| Contributions paid | 85 | 79 |
| Change scope of consolidation | -3 | - |
| Translation exchange differences | -17 | 9 |
| December 31 | -313 | -311 |

12.4 Periodic pension cost for defined benefit plans2003 **2004**

In million CHF

| | | |
|--|-----------|-------------|
| Current service cost | 94 | 97 |
| Interest cost on present value of defined benefit obligation | 81 | 80 |
| Expected return on plans assets | -84 | -87 |
| Amortization of actuarial gains/losses or past service cost | -4 | 5 |
| Less employee contributions | -23 | -24 |
| Change in assets not shown in the balance sheet | 3 | 2 |
| actuarial losses through amortization | 13 | 13 |
| Periodic pension cost | 80 | 86 |
| Actual return on plan assets | 7.5% | 7.7% |

12.5 Basis of actuarial calculations2003 **2004**

Weighted averages

| | | |
|----------------------------|-----|------------|
| | % | % |
| Technical interest rate | 4.7 | 4.5 |
| Expected return on assets | 5.2 | 5.4 |
| Increase in salaries/wages | 2.8 | 2.9 |
| Increase in pensions | 1.3 | 1.4 |
| Fluctuation rate | 3.5 | 3.9 |

13 | Accounts payable

2003 2004

In million CHF

| | | |
|--------------------------------------|------------|------------|
| Supplies and services | 485 | 483 |
| Associates and other related parties | 32 | 23 |
| Social security institutions | 50 | 53 |
| Indirect taxes and capital taxes | 74 | 77 |
| Other accounts payable | 98 | 102 |
| Total accounts payable | 739 | 738 |

14 | Accrued expenses and deferred income

2003 2004

In million CHF

| | | |
|---|------------|------------|
| Personnel cost | 271 | 294 |
| Late cost | 56 | 62 |
| Service contracts | 247 | 286 |
| Other accrued expenses and deferred income | 308 | 267 |
| Total accrued expenses and deferred income | 882 | 909 |

15 | Financial debts**15.1 Current financial debts**

2003 2004

In million CHF

| | | |
|---|------------|------------|
| Bank overdrafts | 28 | 35 |
| Current portion of non-current financial debts of bank loans | 80 | 135 |
| Current portion of non-current financial debts of financial leases | 4 | 3 |
| 0% convertible loan 1999–2004, nominal value CHF 51 million (ALSO Holding Ltd.) | 20 | – |
| Total current portion of non-current financial debts | 104 | 138 |
| Total current financial debts | 132 | 173 |

The 0% convertible bond 1999–2004 of ALSO Holding Ltd. was repaid on November 25, 2004. Units of this convertible bond were repurchased in the previous year. The respective carrying value of CHF 10 million was offset against the value of the bond.

15.2 Non-current financial debts

| | 2003 | 2004 |
|--|------------|--------------|
| In million CHF | | |
| 3½% debenture 1999–2009, nominal value CHF 300 million | 297 | 297 |
| 4½% debenture 1999–2006, nominal value CHF 300 million | 297 | 298 |
| Total outstanding debentures and bonds | 594 | 595 |
| Bank loans and private placements | 168 | 57 |
| Finance leases | 17 | 15 |
| Other non-current financial debts | 24 | 33 |
| Total non-current financial debts | 803 | 700 |
| Thereof CHF portion | 79.9% | 86.0% |

In the previous year, the 4½% debenture with nominal value CHF 300 million was converted into a variable obligation by means of an interest rate swap (IRS). The market value of the IRS of CHF 1 million (previous year CHF 1 million) compensated the fluctuation in value of the discounted debenture (see Note 26.6).

The individual Group companies are in compliance with all “Debt Covenants”.

15.3 Synopsis of maturity and average interest rate on financial debts

| | 2003 | 2004 | 2003 | 2004 |
|------------------------------|------------|------------|------------------------------|------------------------------|
| In million CHF | Book value | Book value | Effective interest rate in % | Effective interest rate in % |
| Within one year | 132 | 173 | 6.8 | 4.6 |
| Within two to five years | 763 | 650 | 4.4 | 4.1 |
| Greater than five years | 40 | 50 | 16.8 | 16.2 |
| Total financial debts | 935 | 873 | 5.4 | 4.8 |

16 Provisions

| In million CHF | Loss jobs | Guarantees | Structure adaptation cost | Product liabilities | Other provisions | Total |
|----------------------------------|-----------|------------|---------------------------|---------------------|------------------|------------|
| Current provisions | 38 | 46 | 68 | 32 | 40 | 224 |
| Non-current provisions | 18 | 29 | 8 | 73 | 88 | 216 |
| Total provisions | 56 | 75 | 76 | 105 | 128 | 440 |
| Statement of changes | | | | | | |
| December 31, 2003 | 54 | 70 | 91 | 131 | 147 | 493 |
| Statement of profit and loss | | | | | | |
| Set up | 42 | 12 | 20 | 32 | 21 | 127 |
| Usage | -36 | -7 | -34 | -48 | -33 | -158 |
| Reversal | -2 | - | -1 | - | -1 | -4 |
| Translation exchange differences | -2 | - | - | -10 | -6 | -18 |
| December 31, 2004 | 56 | 75 | 76 | 105 | 128 | 440 |

The provision for "loss jobs" is created to cover losses contained in the order backlog. Reversal takes place in relation to the progress of project execution. Projects are usually completed within 9 to 24 months.

Warranty provisions cover the non-estimatable risk for expenses which have not yet occurred but which could occur before expiry of the granted warranty period.

Provisions for restructuring expenses also include termination payments and are only recognized in the balance sheet if a social plan exists which has been disclosed to the affected parties. Reversal takes place in parallel with the payments for corresponding expenses which, except for the termination payments, are normally incurred within one year.

Provisions for product liability are based on actuarial calculations made by independent assessors relating to cases which have arisen and are not yet closed. Reversal takes place parallel to the payments, which may extend over a period of up to 10 years following the occurrence of damage.

"Other provisions" mainly cover country-specific risks of individual subsidiaries. These obligations are only recognized if they relate to events in the past and their amount can be reliably estimated. Reversal normally takes place within 5 years.

17 | Operating revenue

| | 2003 | 2004 |
|--|--------------|--------------|
| In million CHF | | |
| Billings | 7 594 | 8 225 |
| Sundry operating revenue | 38 | 45 |
| Change in balance of work in progress | 89 | -14 |
| Capitalized own production of fixed assets | 4 | 3 |
| Total operating revenue | 7 725 | 8 259 |

CHF 3 078 million (2003 CHF 2 900 million) of the operating revenue were calculated according to the percentage of completion method.

18 | Personnel cost and headcount**18.1 Personnel cost**

| | 2003 | 2004 |
|-----------------------------|--------------|--------------|
| In million CHF | | |
| Salaries and wages | 2 245 | 2 215 |
| Social charges | 592 | 603 |
| Total personnel cost | 2 837 | 2 818 |

18.2 Headcount

| | 2003 | 2004 |
|-----------------------|--------|---------------|
| Average headcount | 39 727 | 39 269 |
| Headcount at year-end | 39 617 | 39 443 |

19 Other operating cost

2003

2004

In million CHF

| | | |
|---|--------------|--------------|
| Special cost | 363 | 392 |
| Employee-related expenses | 196 | 209 |
| Rent, leasing | 128 | 133 |
| Maintenance and repairs | 74 | 71 |
| Energy supply, consumables and packing material | 119 | 114 |
| Insurance, fees and capital taxes | 79 | 99 |
| General administration and advertising | 195 | 200 |
| Losses on receivables | 16 | 8 |
| Other operating expenses | 94 | 101 |
| Total other operating cost | 1 264 | 1 327 |

Research and development cost of CHF 114 million (in 2003 CHF 139 million) have been charged to the profit and loss statement.

20 Financing activities

2003

2004

In million CHF

| | | |
|---|------------|------------|
| Interest income third parties | 19 | 25 |
| Interest expense third parties | 66 | 52 |
| Net interest income/expense | -47 | -27 |
| Foreign exchange income/loss | 1 | -5 |
| Revaluation of available-for-sale items | -2 | 3 |
| Other financial income/expense | -20 | -14 |
| Total financing activities | -68 | -43 |

"Other financial income/expense" mainly comprises bank charges and country-specific financial transaction costs.

21 Investing activities2003 **2004**

In million CHF

| | | |
|---------------------------------------|----------|----------|
| Income from investments in associates | 5 | 4 |
| Other investing activities | 1 | 1 |
| Total investing activities | 6 | 5 |

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

22 Income taxes2003 **2004**

In million CHF

| | | |
|--|------------|------------|
| Current income taxes of the reporting period | 112 | 128 |
| Current income taxes of previous period | 6 | – |
| Deferred income taxes | 24 | 26 |
| Total income taxes | 142 | 154 |

22.1 Reconciliation of income taxes2003 **2004**

In million CHF

| | | |
|---|-----|------------|
| Net profit before taxes | 344 | 483 |
| Weighted average income tax rate <i>in %</i> | 33 | 33 |
| Expected income tax expense | 112 | 158 |
| Set up/use of unrecognized tax loss carryforwards | 18 | –3 |
| New inclusion of deferred taxes | 2 | 2 |
| Other | 10 | –3 |
| Effective income taxes | 142 | 154 |
| Effective income taxes <i>in %</i> of profit before taxes | 41 | 32 |

The weighted average tax rate is calculated using 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 and affiliated companies, 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:

| | 2003 | 2004 |
|-----------------------------------|------|------|
| In million CHF | | |
| Current assets | 19 | -6 |
| Fixed assets | 11 | 5 |
| Current liabilities | -3 | 5 |
| Non-current liabilities | -8 | 4 |
| Assigned net assets acquired | 19 | 8 |
| Goodwill | 24 | - |
| Total acquisition (less disposal) | 43 | 8 |
| Cash acquired | -3 | - |
| Assigned cash on hand | - | 2 |
| Net cash used | 40 | 10 |

In the reporting year, the companies stated in Note 2.3 were acquired. The fair value could be definitively determined and none of the acquisitions resulted in goodwill. Intangible assets with a total fair value of CHF 6 million were recognized. The accounting gain since the new companies were acquired is less than CHF 1 million.

23.2 Total net cash

| | 2003 | 2004 |
|---|--------------|------------|
| In million CHF | | |
| Cash on hand | 1 466 | 1 011 |
| Less bank overdrafts (see also Note 15.1) | -28 | -35 |
| Total net cash | 1 438 | 976 |

24 Off-balance sheet transactions

24.1 Contingent liabilities

2003

2004

In million CHF

Total value of guarantees,

pledges and guarantee obligations in favor of third parties

7

7

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.
- Claims for liability have been made against some subsidiaries by individual employees and third parties (e.g. based on product liability and labor law). Where these claims are not, or are no longer, covered by state or private insurance schemes, the contingent risk for liability passes to the company. For this purpose, provisions which are appropriate on the basis of the information presently available have been made in the consolidated financial statements. However, a definitive assessment of the situation and of possible additional costs, should there be any at all, is not possible at the present time.
- In January 2004, the European Commission initiated investigations of the elevator and escalator industry regarding suspected pan-European collusions. The Board of Directors immediately instructed the Audit Committee to launch an extensive internal investigation to find out whether or not, and to what extent, infringements of the Code of Conduct of 1997 and/or regulations of antitrust laws have occurred. Based on the results of the internal investigations one has to assume that in a small number of EU countries isolated infringements occurred in the past. No indications of pan-European infringements were found. Schindler is providing information and continues to cooperate actively with the European Commission. At this point no decisions have been made by the European Commission. The class-action lawsuits filed in the USA following the announcements of the EU investigations were rejected by the responsible judge in New York due to lack of evidence. An estimation of financial consequences of the EU proceedings cannot be made at present. As a consequence, no provisions were set up in the closing 2004.

24.2 Other commitments

2003

2004

In million CHF

Irrevocable payment commitments resulting

from contracts not to be shown in the balance sheet

60

59

For financing purposes, the ALSO Group sold trade accounts receivable of CHF 64 million (previous year CHF 21 million) to a foreign bank. These receivables, excluding an unutilized reserve, were eliminated from the accounts, since the significant risks were transferred.

Schindler Holding Ltd. has entered into an obligation to acquire minority interests amounting to 37 % in the Suzhou Schindler Elevator Co. Ltd, China, on December 31, 2006 (Schindler participation on December 31, 2004: 55%). The minority shareholder has the right to assign his shares at already fixed contractual conditions at any time before this date.

24.3 Synopsis of maturity of rental and lease payments 2003

In million CHF

| | Rental contracts | Operating leases | Finance leases |
|-------------------------------------|---------------------|---------------------|-------------------|
| Within one year | 17 | 55 | 5 |
| Within two to five years | 36 | 117 | 16 |
| Greater than five years | 22 | 48 | 4 |
| Total payments | 75 | 220 | 25 |
| Less interests | | | -4 |
| Total finance lease borrowings 2003 | | | 21 |

24.4 Synopsis of maturity of rental and lease payments 2004

In million CHF

| | Rental contracts | Operating leases | Finance leases |
|--|---------------------|---------------------|-------------------|
| Within one year | 17 | 54 | 5 |
| Within two to five years | 33 | 107 | 14 |
| Greater than five years | 22 | 42 | 3 |
| Total payments | 72 | 203 | 22 |
| Less interests | | | -4 |
| Total finance lease borrowings 2004 | | | 18 |

25 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. 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 risks are hedged and minimized as far as possible centrally by the Group-wide limitation to two 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 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 fulfill 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. The danger of risk concentrations is minimized by the large number and wide geographical spread of customer credit balances.

The necessary revaluations are undertaken by the Group companies according to uniform Group guidelines and verified by corporate headquarters.

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 positions. The table on page 41 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 fair value of the financial instruments as of the balance sheet date.

26 Financial instruments

| 26.1 Market value of financial assets and liabilities | 2003 | 2003 | 2004 | 2004 |
|--|----------------|------------|----------------|--------------|
| In million CHF | Net book value | Fair value | Net book value | Fair value |
| Financial assets | | | | |
| Cash on hand | 1 466 | 1 466 | 1 011 | 1 011 |
| Marketable securities within current assets | 114 | 114 | 336 | 336 |
| Accounts receivable | 1 206 | 1 206 | 1 229 | 1 229 |
| Financial assets (non-current) | 83 | 83 | 443 | 443 |
| Financial liabilities | | | | |
| Current and non-current financial debts | 935 | 966 | 873 | 908 |
| Accounts payable | 839 | 839 | 844 | 844 |

Wherever possible, the market value is determined from the current market price or, OTC transactions, from own calculations.

26.2 Carrying amount by currency

| Cash, cash equivalents and securities in current assets | 2003 | 2004 |
|--|--------------|--------------|
| In million CHF | | |
| CHF | 1 050 | 530 |
| EUR | 268 | 360 |
| USD | 84 | 285 |
| Other | 178 | 172 |
| Total | 1 580 | 1 347 |

26.3 Open derivative financial instruments 2003

| In million CHF | Gross replacement values positive | Gross replacement values negative | Contract values | within 3 months | Contract values by expiry date 3 to 12 months | 1 to 5 years | over 5 years |
|--------------------------|--------------------------------------|--------------------------------------|-----------------|--------------------|---|-----------------|-----------------|
| Forward | 43 | 54 | 1 366 | 802 | 468 | 96 | – |
| Options | 6 | – | 204 | 164 | 18 | 22 | – |
| Foreign exchange | 49 | 54 | 1 570 | 966 | 486 | 118 | – |
| Forward | 1 | 5 | 395 | 16 | – | 379 | – |
| Options | – | – | – | – | – | – | – |
| Interest | 1 | 5 | 395 | 16 | – | 379 | – |
| Forward | – | – | – | – | – | – | – |
| Options | – | – | 9 | 5 | 4 | – | – |
| Other derivatives | – | – | 9 | 5 | 4 | – | – |
| Total derivatives | 50 | 59 | 1 974 | 987 | 490 | 497 | – |

26.4 Open derivative financial instruments 2004

| In million CHF | Gross replacement values positive | Gross replacement values negative | Contract values | within 3 months | Contract values by expiry date 3 to 12 months | 1 to 5 years | over 5 years |
|--------------------------|--------------------------------------|--------------------------------------|-----------------|--------------------|---|-----------------|-----------------|
| Forward | 24 | 12 | 1 104 | 572 | 468 | 64 | – |
| Options | – | 1 | 39 | 15 | 24 | – | – |
| Foreign exchange | 24 | 13 | 1 143 | 587 | 492 | 64 | – |
| Forward | 1 | 3 | 378 | – | 78 | 300 | – |
| Options | – | – | – | – | – | – | – |
| Interest | 1 | 3 | 378 | – | 78 | 300 | – |
| Forward | – | – | – | – | – | – | – |
| Options | – | – | – | – | – | – | – |
| Other derivatives | – | – | – | – | – | – | – |
| Total derivatives | 25 | 16 | 1 521 | 587 | 570 | 364 | – |

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

26.5 Hedging transactions 2003

| In million CHF | Market value | Purchase cost | Risk | Hedging instrument | Positive replacement value | Negative replacement value |
|--------------------------------------|--------------|---------------|------------------|------------------------------|----------------------------|----------------------------|
| Underlying transaction | | | | | | |
| Net investm. in foreign subsidiaries | 327 | 309 | Foreign currency | Forward exchange transaction | 8 | 31 |
| Cash flow | -72 | -68 | Foreign currency | Forward exchange transaction | 4 | - |
| Non-current financial debts | -298 | -297 | Market value | Interest rate swap | 1 | - |
| Non-current financial debts | -67 | -70 | Interest | Interest rate swap | - | 3 |

26.6 Hedging transactions 2004

| In million CHF | Market value | Purchase cost | Risk | Hedging instrument | Positive replacement value | Negative replacement value |
|--------------------------------------|--------------|---------------|------------------|------------------------------|----------------------------|----------------------------|
| Underlying transaction | | | | | | |
| Net investm. in foreign subsidiaries | 194 | 192 | Foreign currency | Forward exchange transaction | 2 | 4 |
| Cash flow | -78 | -76 | Foreign currency | Forward exchange transaction | 2 | - |
| Non-current financial debts | -301 | -300 | Market value | Interest rate swap | 1 | - |
| Non-current financial debts | -67 | -69 | Interest | Interest rate swap | - | 2 |

Assets pledged or assigned as security

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

| In million CHF | 2003 | 2004 |
|-----------------------------|-----------|-----------|
| Securities | 7 | 16 |
| Accounts receivable | 14 | 11 |
| Inventories | 4 | 4 |
| Fixed assets | 67 | 66 |
| Total pledged assets | 92 | 97 |

28 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 an 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".

28.1 Segment information 2003

| In million CHF | Europe | Americas | Asia, Australia, Africa | Services/ Eliminations E&E | Elevators and Escalators | ALSO | Finance/ Eliminations | Group |
|---------------------------|--------|----------|-------------------------------|----------------------------------|--------------------------------|-------|--------------------------|--------|
| Operating revenue | | | | | | | | |
| third parties | 3 419 | 1 876 | 832 | 6 | 6 133 | 1 592 | – | 7 725 |
| Intercompany sales | 1 006 | 43 | 82 | –1 131 | – | 6 | –6 | – |
| Total operating revenue | 4 425 | 1 919 | 914 | –1 125 | 6 133 | 1 598 | –6 | 7 725 |
| Operating profit | | | | | 395 | 16 | –5 | 406 |
| Assets | 2 062 | 963 | 534 | 56 | 3 615 | 369 | 1 236 | 5 220 |
| investments in | | | | | | | | |
| associated companies | 26 | 1 | 9 | – | 36 | – | – | 36 |
| Liabilities | 1 738 | 655 | 348 | 180 | 2 921 | 211 | 797 | 3 929 |
| Additions of fixed assets | 45 | 20 | 10 | 4 | 79 | 2 | – | 81 |
| Depreciation | | | | | | | | |
| and amortization | 78 | 42 | 15 | 12 | 147 | 13 | – | 160 |
| of which impairment | – | – | – | – | – | 5 | – | 5 |
| Share in profits of | | | | | | | | |
| associated companies | | | | | 5 | – | – | 5 |
| Personnel at year-end | 19 292 | 12 459 | 6 613 | 279 | 38 643 | 974 | – | 39 617 |

28.2 Segment information 2004

| In million CHF | Europe | Americas | Asia, Australia, Africa | Services/ Eliminations E&E | Elevators and Escalators | ALSO | Finance/ Eliminations | Group |
|---------------------------|--------|----------|-------------------------------|----------------------------------|--------------------------------|-------|--------------------------|---------------|
| Operating revenue | | | | | | | | |
| third parties | 3 600 | 1 850 | 950 | 4 | 6 404 | 1 855 | – | 8 259 |
| Intercompany sales | 1 099 | 39 | 121 | –1 259 | – | 2 | –2 | – |
| Total operating revenue | 4 699 | 1 889 | 1 071 | –1 255 | 6 404 | 1 857 | –2 | 8 259 |
| Operating profit | | | | | 508 | 30 | –17 | 521 |
| Assets | 2 042 | 920 | 549 | 74 | 3 585 | 375 | 1 328 | 5 288 |
| investments in | | | | | | | | |
| associated companies | 47 | – | 17 | – | 64 | – | – | 64 |
| Liabilities | 1 715 | 569 | 351 | 208 | 2 843 | 198 | 752 | 3 793 |
| Additions of fixed assets | 43 | 23 | 10 | 2 | 78 | 4 | – | 82 |
| Depreciation | | | | | | | | |
| and amortization | 70 | 37 | 15 | 8 | 130 | 5 | – | 135 |
| of which impairment | 1 | – | – | – | 1 | – | – | 1 |
| Share in profits of | | | | | | | | |
| associated companies | | | | | 4 | – | – | 4 |
| Personnel at year-end | 19 416 | 12 016 | 7 127 | 282 | 38 841 | 602 | – | 39 443 |

29 Capital participation plans

29.1 Share plan

The awards under the participation plan made in April 2004 for the financial results of 2003 required 17 392 bearer participation certificates (previous year 13 872 registered shares) with a market value on December 31, 2003, of CHF 4.1 million (previous year CHF 2.7 million). The corresponding number were taken from treasury. The respective expense was charged to personnel cost.

29.2 Option plan

The changes in the balance of the options issued on registered shares (in 2001, 2002, 2003) and bearer participation certificates (2004) carrying the right to purchase Schindler registered shares or bearer participation certificates are shown below.

29.2.1 Changes to balance of option

| | 2003 | 2004 |
|--|--------|----------------|
| Number | | |
| Balance on January 1 | 28 610 | 92 445 |
| Options awarded | 64 536 | 27 967 |
| Options exercised (year of issue 2001) | – | –1 250 |
| Expired: through redemption | –701 | –2 321 |
| through date | – | – |
| Balance on December 31 | 92 445 | 116 841 |

29.2.2 Option conditions

| Year of issue | Right to | Exercise period | Exercise price then applicable in CHF | Open on 31.12.2004 Number |
|---------------|-----------------------------------|--------------------------------------|---------------------------------------|---------------------------|
| 2001 | Shares | April 30, 2004, until April 29, 2007 | 268.70 | 14 170 |
| 2002 | Shares | April 30, 2005, until April 29, 2008 | 270.60 | 13 000 |
| 2003 | Shares | April 30, 2006, until April 29, 2009 | 255.00 | 61 855 |
| 2004 | Bearer participation certificates | April 30, 2007, until April 29, 2010 | 286.50 | 27 816 |

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004) of Schindler Holding Ltd.

The fair value of the options is recognized in the profit and loss statement, with one-third (3-year vesting period) of the amount, i.e. CHF 2.0 million (previous year CHF 1.3 million) being charged to personnel cost.

29.3 Allocation to Board of Directors and Management Committee

| | 2003 | 2004 |
|--|--------|--------------|
| Shares | 7 182 | – |
| Bearer participation certificates | – | 5 791 |
| Options on shares | 32 175 | – |
| Options on bearer participation certificates | – | 7 614 |

At their own wish, the non-executive members of the Board of Directors are not included in the capital participation plan.

30 Share capital and bearer participation certificate capital**30.1 Number of shares and bearer participation certificates**

The share capital on December 31, 2004, amounts as in the previous year to CHF 7 356 820.– and comprises unchanged 7 356 820 registered shares with a nominal value of CHF 1.–.

On December 31, 2004, the bearer participation certificate capital comprises of 5 141 640 (previous year 5 506 990) bearer participation certificates with a nominal value of CHF 1.–, thereby amounting to CHF 5 141 640.– (previous year CHF 5 506 990.–).

30.2 Own shares and bearer participation certificates

| In million CHF | Registered shares Number | Registered shares Value | Bearer participation certificates Number | Bearer participation certificates Value |
|--|-----------------------------|----------------------------|---|--|
| December 31, 2002 | 120 401 | 25 | 11 550 | 3 |
| Withdrawals for employee stock plan | –13 872 | –3 | – | – |
| Repurchases | 61 929 | 14 | 430 300 | 85 |
| Sales | –86 653 | –23 | – | – |
| December 31, 2003 | 81 805 | 18 | 441 850 | 88 |
| Withdrawals for employee stock plan | – | – | –17 392 | –4 |
| Exercise of options from the capital participation plan | –1 250 | – | – | – |
| Elimination | – | – | –365 350 | –70 |
| Sales | –614 | – | – | – |
| December 31, 2004 | 79 941 | 17 | 59 108 | 14 |
| Number of shares reserved for capital participation plan | 79 941 | | 52 000 | |
| Already committed on December 31, 2004 | 79 941 | | 27 816 | |

31 Earnings per share and bearer participation certificate

2003

2004

In CHF

| | | |
|---|-------------|--------------------|
| Net profit | 184 000 000 | 308 000 000 |
| Outstanding number of shares and BPC | 12 863 810 | 12 498 460 |
| Less number of treasury stock (weighted average) | 436 957 | 146 700 |
| Outstanding number of shares and BPC (weighted average) for calculation | 12 426 853 | 12 351 760 |
| Basic earnings per share and BPC | 14.81 | 24.94 |
| Diluted net profit | 183 984 925 | 307 826 418 |
| Diluted number of shares and BPC | 12 439 728 | 12 389 906 |
| Diluted earnings per share and BPC | 14.79 | 24.84 |

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).

The dilution takes into account the possible effect of the employee participation programs at Schindler Holding Ltd. and at ALSO Holding Ltd.

32 Related parties

On December 31, 2004, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 120 196 registered shares of Schindler Holding Ltd., corresponding to 69.6% of the voting rights of the share capital entered in the Register of Companies.

The members of the Board of Directors receive for their activities total fees and expenses of CHF 1.7 million (previous year CHF 1.7 million) (see also Corporate Governance, pages 82 to 84). In addition, the members of the Executive Committee of the Board, and of the Management Committee, receive a fixed salary plus performance-related compensation usual for the industry.

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 transaction taken place during the periods reported.

33 Proposal of the Board of Directors

The Board of Directors proposes to the General Meeting a dividend for the financial year 2004 of CHF 7.– (previous year CHF 6.–) per registered share and bearer participation certificate.

34 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 21, 2005, and presented for approval by the General Meeting of March 21, 2005.

35 Events after balance sheets date and outlook

No significant events occurred after the date of the balance sheet.

Report of the Group auditors

To the General Meeting of Schindler Holding Ltd., Hergiswil

As auditors 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 4 to 48) of Schindler Holding Ltd. for the year ended December 31, 2004.

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 (ISA), 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 Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Berne, February 21, 2005

ERNST & YOUNG LTD.

Roland Ruprecht
Certified accountant
(in charge of the audit)

Marcel Gehrig
Certified accountant

Balance sheet

of Schindler Holding Ltd. before appropriation of profits

| Assets | | 31.12. 2003 | | 31.12. 2004 | |
|--|-------|-------------|-------|------------------|-------|
| In 1000 CHF | Notes | | % | | % |
| Current assets | | | | | |
| Cash and cash equivalents | 1 | 837 882 | | 461 004 | |
| Securities | 1 | 116 472 | | 38 224 | |
| Accounts receivable from subsidiaries | 2 | 264 346 | | 146 355 | |
| Accounts receivable from third parties | 3 | 4 554 | | 844 | |
| Prepaid expenses and accrued income | 4 | 11 688 | | 7 467 | |
| Total current assets | | 1 234 942 | 60.6 | 653 894 | 31.9 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 5 | 619 000 | | 1 288 000 | |
| Loans to subsidiaries | 6 | 179 000 | | 102 968 | |
| Financial assets | 7 | 4 497 | | 3 576 | |
| Total non-current assets | | 802 497 | 39.4 | 1 394 544 | 68.1 |
| Total assets | | 2 037 439 | 100.0 | 2 048 438 | 100.0 |

Liabilities and shareholders' equity

| In 1000 CHF | Notes | 31.12. 2003 | % | 31.12. 2004 | % |
|---|--------|------------------|-------|------------------|-------|
| Liabilities | | | | | |
| Accounts payable to subsidiaries | 8 | 265 997 | | 289 004 | |
| Accounts payable to third parties | 9 | 19 444 | | 19 281 | |
| Debentures | 10 | 600 000 | | 600 000 | |
| Provisions | 11 | 64 032 | | 62 372 | |
| Accrued expenses and deferred income | 12 | 12 306 | | 13 084 | |
| Total liabilities | | 961 779 | 47.2 | 983 741 | 48.0 |
| Shareholders' equity | | | | | |
| Share capital | 13, 14 | 7 357 | | 7 357 | |
| Bearer participation capital | 13, 14 | 5 507 | | 5 142 | |
| Statutory reserves | 14 | 317 121 | | 317 121 | |
| Reserves for treasury stock | 14 | 105 975 | | 31 189 | |
| Other reserves | 14 | 507 546 | | 565 055 | |
| Brought forward from previous year | 14 | 5 643 | | 6 110 | |
| Net profit for the year | 14 | 126 511 | | 132 723 | |
| Total shareholders' equity | | 1 075 660 | 52.8 | 1 064 697 | 52.0 |
| Total liabilities and shareholders' equity | | 2 037 439 | 100.0 | 2 048 438 | 100.0 |

Profit and loss statement

of Schindler Holding Ltd.

| Revenue | | 2003 | 2004 |
|-----------------------------------|-------|---------|----------------|
| In 1000 CHF | Notes | | |
| Income from subsidiaries | 15 | 210 600 | 223 966 |
| Extraordinary income | 16 | 13 857 | 1 321 |
| Income from financial operations | 17 | 17 298 | 13 156 |
| Total revenue | | 241 755 | 238 443 |
| Expenses | | | |
| Financial expenses | 18 | 24 510 | 22 481 |
| Depreciation and adjustments | 19 | 79 798 | 67 457 |
| Administration expenses and taxes | 20 | 10 936 | 15 782 |
| Total expenses | | 115 244 | 105 720 |
| Net profit for the year | | 126 511 | 132 723 |

Appropriation of profits

Proposals to the General Meeting

| | 31.12. 2003 | 31.12. 2004 |
|--|----------------|-----------------|
| In 1000 CHF | | |
| Total available profit | | |
| Net profit for the year | 126 511 | 132 723 |
| Brought forward from previous year | 5 643 | 6 110 |
| Profits as per balance sheet | 132 154 | 138 833 |
| Appropriation of net profit | | |
| Gross dividends proposed | | |
| per registered share CHF 7.– (previous year CHF 6.–) | 43 653* | 51 498** |
| per bearer participation certificate CHF 7.– (previous year CHF 6.–) | 30 391* | 35 991** |
| Total dividend | 74 044* | 87 489** |
| Appropriation to other reserves | 52 000 | 46 000 |
| Total appropriation of net profit | 126 044 | 133 489 |
| Balance carried forward to new account | 6 110 | 5 344 |

- * Distribution excluding dividends on treasury stock (see also notes to consolidated financial statements, page 46).
- ** The total dividend amount covers all outstanding registered shares and bearer participation certificates. However, registered shares and bearer participation certificates still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly lower.

Notes

to the financial statements of Schindler Holding Ltd.

Principles of valuation

The financial statements as at December 31, 2004, 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 in the 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 amounted to CHF 499.2 million (24.4% of total assets). On December 31, 2003, the comparable value was CHF 954.4 million, or 46.8% of total assets. The reduction of CHF 455.2 million relative to the previous year is mainly attributable to investments in subsidiaries in the form of increases in capital and provision of capital (see Note 5). This cash outflow is offset by the positive cash flow, the reduction of accounts receivable from subsidiaries, and the repayment of loans to subsidiaries.

In addition to own shares and bearer participation certificates, the securities reported in the previous year also included units of the 0% convertible loan of ALSO Holding AG amounting to CHF 10.0 million. In the reporting year, no such units are included, since the convertible loan was repaid on November 25, 2004.

1.1 Repurchase program/own shares and bearer participation certificates

Following the decision taken on December 10, 2001, and published on March 1, 2002, to repurchase a maximum of 10% of the nominal capital, 365 350 bearer participation certificates had been repurchased as of December 31, 2003. At the General Meeting of Schindler Holding Ltd. held on March 18, 2004, these 365 350 bearer participation certificates were released for elimination. The capital was correspondingly reduced on June 3, 2004, on expiry of the legally required notice period.

As announced in the press release of December 22, 2004, Schindler Holding Ltd. has extended the repurchase of a maximum of 10% of the entire nominal capital until December 31, 2005. Repurchases are being made over the already existing "second line" of the SWX Swiss Exchange of an unchanged maximum of 735 682 own registered shares and a maximum of 514 164 own bearer participation certificates corresponding to 10% of both the registered share capital and the participation certificate capital. Should less than 10% of the registered share capital be offered, Schindler Holding Ltd. has the right to repurchase more than 10% of the bearer participation capital. However, the total repurchases must not exceed 10% of the nominal capital.

The development of the registered share capital and participation certificate capital since December 31, 2001, is shown in Note 13.

On the date of the balance sheet, Schindler Holding Ltd. held 79 941 own registered shares (previous year 81 805) and 59 108 own bearer participation certificates (previous year 441 850). Of these, 79 941 registered shares and 52 000 bearer participation certificates are reserved for the stock plan and stock option plan for the senior management of the Group.

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 13).

2 Accounts receivable from subsidiaries

Accounts receivable from affiliated and associated companies amount to CHF 146.4 million compared with CHF 264.3 million at the end of 2003. The net change of CHF –117.9 million resulted from a large reduction in short-term investments by a finance company as well as a slightly higher level of accounts receivable from operating companies on the date of the balance sheet relative to the previous year.

3 Accounts receivable from third parties

Accounts receivable from third parties, which relate mainly to tax credits for withholding taxes, closed at CHF 0.8 million (previous year CHF 4.6 million). The lower level of premiums paid on currency options as per December 31, 2004, caused the reduction of CHF 3.8 million.

4 Prepaid expenses and accrued income

Prepaid expenses amount to CHF 7.5 million (previous year CHF 11.7 million) and comprise accrued interest as well as accruals from the valuation of forward exchange transactions, which are lower than the previous year.

5 Investments in subsidiaries

At the end of the reporting year, the balance sheet value of investments in subsidiaries was CHF 1 288.0 million. This is a net increase of CHF 669.0 million on the previous year's value of CHF 619.0 million. The gross increase of CHF 735.6 million consists mainly of payments into reserves by finance companies to strengthen their equity base, as well as increases in capital and investments in subsidiaries. Depreciation amounting to CHF 66.6 million results on balance in the net reported value of investments.

The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 61 to 63 of the Financial Statements.

6 Loans to subsidiaries

Loans to subsidiaries and associated companies amount to CHF 103.0 million compared with CHF 179.0 million at the end of the previous year. The decrease is mainly attributable to restructuring the financing of loans in shareholders' equity.

7 Financial assets

The financial assets of CHF 3.6 million (previous year CHF 4.5 million) comprise holdings of less than 10% in subsidiaries. The decrease of CHF 0.9 million results from a valuation adjustment.

8 Accounts payable to subsidiaries

Accounts payable to subsidiaries, including associated companies, amount to CHF 289.0 million, which is CHF 23.0 million above the previous year's value of CHF 266.0 million.

9 Accounts payable to third parties

Accounts payable to third parties amount to CHF 19.3 million. This is a practically negligible decrease of CHF 0.1 million from the previous year's value of CHF 19.4 million.

10 Debentures

In 1000 CHF

| | 2003 | 2004 |
|---|----------------|----------------|
| 3½% debenture 1999–2009, due 02.06.2009 | 300 000 | 300 000 |
| 4½% debenture 1999–2006, due 26.10.2006 | 300 000 | 300 000 |
| Total debentures outstanding | 600 000 | 600 000 |

In the previous year, the 4½% debenture was converted by means of an interest rate swap (IRS) into an account payable with a variable interest expense. The resulting net interest income is offset against the corresponding interest expense.

11 Provisions

The existing provisions to cover financial risks associated with international business commitments amounted to CHF 62.4 million (previous year CHF 64.0 million). They consist mainly of provisions for guarantees, bad debts, and currency risks, as well as provisions to cover commitments entered into.

Schindler Holding Ltd. makes regular payments to three widows of former executive members of the Board of Directors amounting in total to CHF 216 000.– annually. The actuarially determined cash value is recalculated annually, and on December 31, 2004, amounted to CHF 1.8 million (previous year CHF 2.4 million). This amount is reported as a provision.

12 Accrued expenses and deferred income

Accrued liabilities amount to CHF 13.1 million (previous year CHF 12.3 million) and comprise negative replacement values of derivative financial instruments, outstanding invoices, and accrued interest for the outstanding debentures.

13 Share capital/bearer participation certificate capital

Relative to December 31, 2001, the following changes in the share and bearer participation certificate capital have taken place:

13.1 Share capital

| | Number | Nominal value CHF | Share capital CHF |
|---|------------------|----------------------|-------------------------|
| December 31, 2001 | 752 866 | 50 | 37 643 300 |
| Elimination on June 11, 2002 | -17 184 | | -859 200 |
| Partial repayment of nominal value on June 11, 2002 | | -40 | -29 427 280 |
| Subtotal | 735 682 | 10 | 7 356 820 |
| 10 : 1 split on June 11, 2002 | 7 356 820 | 1 | |
| December 31, 2002 | 7 356 820 | 1 | 7 356 820 |
| December 31, 2003 | 7 356 820 | 1 | 7 356 820 |
| December 31, 2004 | 7 356 820 | 1 | 7 356 820 |

13.2 Bearer participation certificate capital

| | Number | Nominal value CHF | BPC CHF |
|---|------------------|----------------------|------------------|
| December 31, 2001 | 529 424 | 50 | 29 621 200 |
| Elimination on June 11, 2002 | -41 725 | | -2 086 250 |
| Partial repayment of nominal value on June 11, 2002 | | -40 | -22 027 960 |
| Subtotal | 550 699 | 10 | 5 506 990 |
| 10 : 1 split on June 11, 2002 | 5 506 990 | 1 | |
| December 31, 2002 | 5 506 990 | 1 | 5 506 990 |
| December 31, 2003 | 5 506 990 | 1 | 5 506 990 |
| Elimination on June 3, 2004 | -365 350 | | -365 350 |
| December 31, 2004 | 5 141 640 | 1 | 5 141 640 |

14 Shareholders' equity

In the last three years, the individual components of shareholders' equity have developed as follows:

| In 1000 CHF | Share capital | Participation certificate capital | Statutory reserves | Reserves for treasury stock | Other reserves | Profits as per balance sheet | Total shareholders' equity |
|---|---------------|-----------------------------------|--------------------|-----------------------------|----------------|------------------------------|----------------------------|
| December 31, 2001 | 37 643 | 29 621 | 317 121 | 166 240 | 405 242 | 119 159 | 1 075 026 |
| Elimination on June 11, 2002 | -859 | -2 086 | | -131 427 | 2 945 | | -131 427 |
| Partial repayment of nominal value on June 11, 2002 | -29 427 | -22 028 | | | 521 | | -50 934 |
| Dividend | | | | | | -63 611 | -63 611 |
| Appropriation to other reserves | | | | | 50 000 | -50 000 | |
| Change in reserves for treasury stock | | | | -6 751 | 6 751 | | |
| Net profit 2002 | | | | | | 120 095 | 120 095 |
| December 31, 2002 | 7 357 | 5 507 | 317 121 | 28 062 | 465 459 | 125 643 | 949 149 |
| Dividend | | | | | | - | - |
| Appropriation to other reserves | | | | | 120 000 | -120 000 | |
| Change in reserves for treasury stock | | | | 77 913 | -77 913 | | |
| Net profit 2003 | | | | | | 126 511 | 126 511 |
| December 31, 2003 | 7 357 | 5 507 | 317 121 | 105 975 | 507 546 | 132 154 | 1 075 660 |
| Elimination on June 3, 2004 | | -365 | | -69 642 | 365 | | -69 642 |
| Dividend | | | | | | -74 044 | -74 044 |
| Appropriation to other reserves | | | | | 52 000 | -52 000 | |
| Change in reserves for treasury stock | | | | -5 144 | 5 144 | | |
| Net profit 2004 | | | | | | 132 723 | 132 723 |
| December 31, 2004 | 7 357 | 5 142 | 317 121 | 31 189 | 565 055 | 138 833 | 1 064 697 |
| of which share premiums (unchanged) | | | 311 321 | | | | |

15 Income from subsidiaries

Income from subsidiaries, totaling CHF 224.0 million (previous year CHF 210.6 million), includes the ordinary dividends of the subsidiaries and associated companies, in addition to contractually agreed payments for services rendered by Schindler Holding Ltd.

16 Extraordinary income

Extraordinary income, which comprises proceeds from the sale of subsidiaries within the Group, amounts to CHF 1.3 million, which is CHF 12.6 million lower than the previous year's value of CHF 13.9 million.

17 Income from financial operations

Income from financial operations, consisting of interest on investments in third parties and subsidiaries, together with income received from other financial investments, amounts to CHF 13.2 million. This is CHF 4.1 million lower than the previous year's level of CHF 17.3 million. The decrease is mainly due to lower cash, cash equivalents, and securities.

18 Financial expenses

The financial expenses of CHF 22.5 million (previous year CHF 24.5 million) comprise interest payments to subsidiaries for current account loans, interest on long-term liabilities in the form of outstanding debentures, charges for short-term bridging loans, and revaluations of financial assets. The lower interest expense for the interest rate swap (IRS) on the 4½% debenture (see also Note 10) results on balance in lower financial expenses.

19 Depreciation and adjustments

Depreciation and adjustments on investments in subsidiaries and loans amounted to CHF 67.5 million in the year under review, by comparison with CHF 79.8 million in the previous year. This expense item covers not only losses on capital and receivables but also the prudent assessment of economic and currency risks associated with the investments in subsidiaries.

20 Administration expenses and taxes

The main items included under this heading, amounting to CHF 15.8 million (previous year CHF 10.9 million), are personnel costs, general business expenses, and taxes. The increase in expenditure of CHF 4.9 million relative to the previous year is attributable to higher charges within the Group.

21 | Contingent liabilities

2003

2004

In 1000 CHF

Total contingent liabilities in favor of

affiliated companies for bank guarantees,

loans, and supply contracts

518 200

469 400

The contingent liabilities of Schindler Holding Ltd. cover conditional obligations for bank guarantees, loans, and supply contracts in favor of subsidiaries and affiliated companies. Utilized credits and incurred obligations are reported in the consolidated balance sheet as accounts payable or – if necessary – covered by provisions and recognized in the balance sheet.

There are also letters of comfort for unquantified amounts in favor of subsidiaries and affiliates. As a result of the group value added tax system for the Swiss companies introduced on January 1, 2003, there is a joint liability for the tax owed by the VAT group in favor of the Swiss federal tax authority.

Contingent liabilities in favor of unconsolidated subsidiaries amount to CHF 1.1 million (previous year CHF 0.8 million).

22 | Liabilities to employee benefit schemes

2003

2004

In 1000 CHF

Total liabilities

656

308

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

23 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 46.

24 Significant shareholders

Regarding the existence of a stockholder retainer contract, see Note 32 to the Consolidated Financial Statements on page 47.

Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2004

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 | Haushahn Aufzüge GmbH | 100 | 291 EUR | | | | ○ | |
| | | Schinac Verwaltungs AG | 100 | 70 EUR | | | | | ○ |
| | | Schindler Aufzüge und Fahrtreppen AG | 100 | 4 362 EUR | ● | | ○ | | |
| | Wolfurt | Doppelmayr Aufzüge AG | 100 | 730 EUR | | | | ○ | |
| Belgium | Brussels | S.A. Schindler N.V. | 100 | 6 250 EUR | ● | | | ○ | |
| Czech Republic | Prague | Schindler CZ a.s. | 100 | 100 000 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 | 2 416 EUR | ● | | | ○ | |
| | Melun | 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 Aufzüge und Fahrtreppen GmbH | 100 | 9 715 EUR | | | | ○ | |
| | | Schindler Deutschland Holding GmbH | 100 | 51 129 EUR | | | | | ○ |
| | Stuttgart | C. Haushahn Aufzüge GmbH & Co. | 100 | 6 947 EUR | | | | ○ | |
| | | C. Haushahn Aufzüge KG | 100 | 2 000 EUR | | | | ○ | |
| Great Britain | Sunbury on Thames | Schindler Ltd. | 100 | 48 800 GBP | | | | ○ | |
| | | Schinvest Ltd. | 100 | 67 460 GBP | | | | | ○ |
| Greece | Athens | Schindler Hellas S.A. | 100 | 2 833 EUR | | | | ○ | |
| Hungary | Budapest | Schindler Hungária Lift és Mozgólépcső KFT | 100 | 460 000 HUF | | | | ○ | |
| Iceland | Reykjavik | HÉDINN Schindler Lyftur hf. | 51 | 10 000 ISK | | | | ○ | |
| Ireland | Dublin | Schindler Ltd. | 100 | 25 EUR | | | | ○ | |
| Italy | Concorezzo | Schindler S.p.A. | 100 | 8 400 EUR | ● | | | ○ | |
| Jersey | St. Helier | Schindler Capital (Jersey) Ltd. | 100 | 100 CHF | | | | | ○ |
| | | Schindler Finance (Jersey) Ltd. | 100 | 50 EUR | | | | | ○ |
| | | Schinvest (Jersey) Ltd. | 100 | 95 GBP | | | | | ○ |
| Latvia | Riga | A.S. Latvijas Lifts Schindler | 97 | 123 LAT | | | | ○ | |
| Liechtenstein | Vaduz | Reassur AG | 100 | 20 000 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 | Schindler Liften B.V. | 100 | 565 EUR | | | | ○ | |
| Norway | Bergen | Schindler 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 PLN | | | | ○ | |
| Portugal | Lisbon | Schindler S.A. | 100 | 4 000 EUR | | | | ○ | |
| Rumania | Bucharest | Schindler Romania S. R. L. | 100 | 1 250 000 LEI | | | | ○ | |
| Russia | Moscow | ZAO Schindler | 70.6 | 21 RUR | | | | ○ | |

● 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 Výtahy a Eskalatory a.s. | 100 | 29 000 SKK | | | | | ○ |
| | Dunajská | Schindler Eskalátory s.r.o. | 100 | 37 244 SKK | | ● | | | |
| Slovenia | Ljubljana | Schindler Slovenja d.o.o. | 100 | 73 012 SIT | | | | | ○ |
| Spain | Madrid | 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 | EbiSquare AG | 74 | 500 CHF | | | | | ○ |
| | | 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 | 64.5 | 6 039 CHF | | | | | ○ |
| | | Inventio AG | 100 | 11 000 CHF | | | | | ○ |
| | | Schindler Pars International Ltd. | 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 Türkeli Asansör san. a.s. | 100 | 3 599 bn. TRL | | | | | ○ |
| Ukraine | Kiev | Schindler Ukraine | 100 | 21 UAH | | | | | ○ |

The Americas

| | | | | | | | | | |
|---------------------------------|---|--|------|-------------|---|---|--|--|---|
| Argentina | Buenos Aires | Ascensores Schindler S.A. | 90 | 1 372 ARS | | | | | ○ |
| Brazil | São Paulo | Elevadores Atlas Schindler S.A. | 100 | 195 479 BRL | ● | ● | | | ○ |
| British Virgin Islands, Tortola | Jardine Schindler Holdings Ltd. | | 50 | 100 USD | | | | | ○ |
| Canada | Scarborough | Schindler Elevator Corporation | 100 | 33 350 CAD | | | | | ○ |
| Cayman Islands, George Town | Schindler Finance (Cayman Islands) Ltd. | | 100 | 1 CHF | | | | | ○ |
| Chile | Santiago de Chile | Ascensores Schindler (Chile) S.A. | 99.7 | 943 228 CLP | | | | | ○ |
| Colombia | Bogotá | Ascensores Schindler de Colombia S.A. | 100 | 277 711 COP | | | | | ○ |
| Costa Rica | San José | Elevadores Schindler S.A. | 60 | 10 CRC | | | | | ○ |
| Guatemala | Guatemala | Elevadores Schindler S.A. | 100 | 600 GTQ | | | | | ○ |
| Mexico | Mexico City | Elevadores Schindler S.A. de C.V. | 100 | 36 497 MXP | | | | | ○ |
| Paraguay | Asunción | Elevadores Atlas Schindler S.A. | 100 | 3 150 PYG | | | | | ○ |
| Peru | Lima | Ascensores Schindler del Perú S.A. | 97.2 | 2 216 PEN | | | | | ○ |
| Uruguay | Montevideo | Ascensores Schindler S.A. | 100 | 698 UYU | | | | | ○ |
| USA | Gantano | Schindler Corp. of Puerto Rico | 100 | 4 039 USD | | | | | ○ |
| | Morristown | Schindler Elevator Corporation | 100 | 142 954 USD | ● | ● | | | ○ |
| | Niles | Adams Elevator Equipment Company | 100 | 1 625 USD | ● | | | | ○ |
| | Wilmington | Horizon Investment Corp. | 100 | 344 176 USD | | | | | ○ |
| | | Schindler Enterprises, Inc. | 100 | 568 434 USD | | | | | ○ |
| Venezuela | Caracas | Ascensores Schindler de Venezuela S.A. | 100 | 40 000 VEB | | | | | ○ |

● Production
○ Services

Elevators
Escalators
Other products
Sales, Installation, Maintenance
Other services

Africa

| Country | Head office | Name of company | Participation in % | Nominal capital (in thousands of local currency) | |
|--------------|--------------|---------------------------------------|-----------------------|--|---|
| 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. | 100 | 10 000 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 | 500 B\$ | ○ |
| Cambodia | Phnom Penh | Jardine Schindler (Cambodia) Ltd.* | 100 | 22 USD | ○ |
| China | Hong Kong SAR | Holake (H.K.) Ltd.* | 60 | 3 000 HKD | ○ |
| | | Schindler Lifts (Hong Kong) Ltd.* | 100 | 25 000 HKD | ○ |
| | Shanghai | Schindler (China) Elevator Co. Ltd. | 96.4 | 564 602 RMB | ● ● ○ |
| | | Shanghai Schindler Elevator Technology Service Co. Ltd. | 100 | 90 330 RMB | ○ |
| | Suzhou | Schindler Electronics (Suzhou) Co. Ltd. | 100 | 71 426 RMB | ● ● |
| | | Suzhou Esca Step Co. Ltd. | 100 | 38 914 RMB | ● |
| | | Suzhou Schindler Elevator Co. Ltd. | 55 | 155 713 RMB | ● ● ○ |
| India | Bombay | Schindler India PVT Ltd. | 100 | 1 191 879 INR | ○ |
| Israel | Kfar Yona | Schindler Nechushtan Elevators Ltd. | 100 | 7 045 ILS | ● ○ |
| Japan | Tokyo | Schindler Elevator K.K. | 96.7 | 500 000 JPY | ● ○ |
| Lebanon | Antelias/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 | Yangon | Myanmar Jardine Schindler Ltd.* | 100 | 300 KYAT | ○ |
| New Zealand | Auckland | Schindler Lifts NZ Ltd. | 100 | 1 000 NZD | ○ |
| Philippines | Manila | Jardine Schindler Elevator Corp.* | 100 | 277 000 PHP | ○ |
| Singapore | Singapore | Schindler Lifts (Singapore) Pte. Ltd.* | 100 | 16 714 SGD | ○ |
| South Korea | Seoul | Schindler Joong Ang Elevator Co. Ltd.* | 70 | 2 000 000 KPW | ○ |
| Taiwan | Taipei | Jardine Schindler Lifts Ltd.* | 100 | 246 000 TWD | ○ |
| Thailand | Bangkok | Jardine Schindler (Thai) Ltd.* | 100 | 90 268 THB | ○ |
| Vietnam | Ho Chi Minh City | SGE-Schindler Ltd.* | 70 | 1 700 USD | ● ○ |

* Participations of Jardine Schindler Holdings Ltd., BVI

● Production

○ Services

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, 2004.

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.

Berne, February 21, 2005

ERNST & YOUNG LTD.

Roland Ruprecht
Certified Accountant
(in charge of the audit)

Marcel Gehrig
Certified Accountant

Corporate Governance

Corporate Governance

The report on corporate governance describes the management structure and control at the highest corporate level of the Schindler Group. The report's content and structure fulfill the requirements of the "Directive on Information Relating to Corporate Governance" of the SWX Swiss Exchange, which came into force on July 1, 2002.

Structure of the Group and its shareholders

Operational structure of the Group



The operational structure of the Group corresponds to the segment reporting presented on pages 43 and 44 of the Financial Statements. Essential affiliated companies and unconsolidated subsidiaries are listed on pages 61 to 63 of the Financial Statements.

ALSO Holding AG, Hergiswil/Switzerland, 64.5% of whose shares were held by Schindler Holding Ltd. at the end of 2004, has been listed on the SWX Swiss Exchange since 1986 and publishes its own annual report. That annual report also fulfills the requirements of IFRS (formerly IAS). On 31.12.2004, the market capitalization of ALSO was CHF 194 million (security number Na 155 143). In view of the extent of the information, ALSO's comments on its own corporate governance are not repeated here, since they are available in the ALSO annual report as well as in the permanent information source at www.also.com.

Capital structure

Shareholders

At the end of 2004, registered shares of Schindler Holding Ltd. were held by 2 792 shareholders.

On the same date, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 120 196 registered shares of Schindler Holding Ltd., corresponding to 69.6% of the voting rights of the share capital entered in the Register of Companies.

Cross shareholdings

Schindler Holding Ltd. has no cross shareholdings in companies outside the Schindler Group which exceed a limit of 5% of the voting rights or capital.

Capital

The share capital on December 31, 2004, was CHF 7 356 820. This is divided into 7 356 820 fully paid shares registered by name, each with a nominal value of CHF 1.00. Each share carries the right to one vote, as well as the right to a share in the profits reported in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value.

The bearer participation capital on December 31, 2004, was CHF 5 141 640. This is divided into 5 141 640 fully paid bearer participation certificates, each with a nominal value of CHF 1.00. Each bearer participation certificate carries the right to a share in the profits contained in the balance sheet, and in the proceeds of liquidation, corresponding to its nominal value. It does not, however, carry any voting rights, nor any other rights of membership, such as participation at General Meetings of Shareholders.

Details of the value of the capital of Schindler Holding Ltd. on December 31, 2004, as well as how it has changed in the last three reporting years, are presented on pages 57 and 58 of the Financial Statements.

On December 31, 2004, Schindler Holding Ltd. did not own any authorized or conditional capital.

Bonus certificates

There are no outstanding bonus certificates.

Limitations on share transferability and nominee registrations

Registration of shares

According to Art. 13 of the statutes, the Board of Directors shall refuse registration of an applicant as a full shareholder:

- if the applicant has not purchased the share(s) in his/her own name and on his/her own account, or
- registration would result in the applicant holding more than 3 % of the voting rights. The voting rights of associated shareholders shall be accumulated. This does not apply to institutional representatives, or deposit agreements with banks.

In accordance with Swiss federal law requiring the ability to demonstrate Swiss control of the company, the registration of foreign applicants can be refused if, as a result of their registration, all foreign shareholders together would hold more than 10% of the voting rights.

The statutory restrictions on registration do not apply if:

- on June 15, 1992, the applicant, or the applicant's spouse, child, brother, sister, or other such person, was already recorded in the share register as holding 3 % of the voting rights, or
- the voting rights were acquired directly by inheritance or marriage contract.

The General Meeting of Shareholders may determine further exceptions. Applicants have the right to pursue their application at the General Meeting of Shareholders. The General Meeting of Shareholders was not required to rule on any such cases in the reporting year 2004.

Nominee registrations

The statutes contain no special regulations regarding nominee registrations.

Convertible bonds and debentures

Schindler Holding Ltd. has no outstanding convertible bonds.

Information regarding repayment on November 25, 2004, of convertible bonds of ALSO Holding AG is contained in the annual report of that company.

Details of outstanding debentures of Schindler Holding Ltd., including amounts, interest rates, and maturity dates, are presented on page 31 of the Financial Statements.

Employee options

All values *after* 10:1 share/participation certificate split on June 11, 2002.

| | Options awarded (Number) | Exercise price in CHF | Barred period ends | Exercise period ends | Expired as at 31.12.2004 (Number) | Exercised as at 31.12.2004 (Number) | Outstanding on 31.12.2004 (Number) |
|-------------|--------------------------------|--------------------------|-----------------------|-------------------------|---|---|--|
| 2001 | 15 420 | 268.70 | 30.04.04 | 29.04.07 | 0 | -1 250 | 14 170 |
| 2002 | 13 190 | 270.60 | 30.04.05 | 29.04.08 | -190 | 0 | 13 000 |
| 2003 | 64 536 | 255.00 | 30.04.06 | 29.04.09 | -2 681 | 0 | 61 855 |
| 2004 | 27 967 | 286.50 | 30.04.07 | 29.04.10 | -151 | 0 | 27 816 |

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004) of Schindler Holding Ltd.

Board of Directors, Executive Committee of the Board, and other committees

According to Art. 716a of the Swiss Code of Obligations, the *Board of Directors* of Schindler Holding Ltd. exercises ultimate direction and ultimate supervision over the entire Schindler Group, i. e. over the Elevators and Escalators business and over ALSO.

The Board of Directors, which according to its statutes comprises between 5 and 10 members, currently has 9 members. Of these, 3 are executive members, who form the Executive Committee of the Board, while the remaining 6 are non-executive members.

The *Executive Committee of the Board* is elected for a term of 3 years. According to the management bylaws, it is responsible for the immediate supervision of the two Management Committees. Members of the Executive Committee of the Board are not members of the Management Committees.

To assist the Board of Directors, there are also *other committees*, all of which have as their respective chairman a member of the Board of Directors.

Board of Directors of Schindler Holding Ltd.

Term of office expires•

| | | | |
|--|----------------------|------|--|
| Alfred N. Schindler | | | |
| Chairman; Hergiswil, Switzerland | Executive member | 2005 | |
| Luc Bonnard | | | |
| Vice Chairman; Hergiswil, Switzerland | Executive member | 2005 | |
| Alfred Spörri | | | |
| Zug, Switzerland | Executive member | 2005 | |
| Prof. Dr. Dr. h.c. mult. Rolf Dubs | | | |
| St. Gallen, Switzerland | Non-executive member | 2005 | |
| Dr. Hubertus von Grünberg | | | |
| Hanover, Germany | Non-executive member | 2005 | |
| Scott D. Miller | | | |
| Colorado, USA | Non-executive member | 2005 | |
| Charles Powell (Lord Powell of Bayswater KCMG) | | | |
| London, UK | Non-executive member | 2006 | |
| Dr. Jenö C.A. Staehelin | | | |
| New York, USA | Non-executive member | 2005 | |
| Robert Studer | | | |
| Schönenberg, Switzerland | Non-executive member | 2005 | |

• At the Annual General Meeting of Shareholders in the year shown



Alfred N. Schindler (1949, Switzerland)

has been a member of the Board of Directors since July 1977, and CEO of the Schindler Group since 1985. Since 1995, Alfred N. Schindler has also been Chairman of the Board of Directors. Before joining the Schindler Group, he was employed by Neutra AG in Berne, later becoming CFO of Notz AG in Biel. In order to focus on Schindler, Alfred N. Schindler has relinquished his Board memberships at the following companies: Bank Julius Bär, UBS, Jacobs Suchard and Deutsche Post AG. He still is a member of the European Advisory Board of the Wharton School. Alfred N. Schindler holds a degree in law from the University of Basel, and an MBA from the Wharton School of Finance of the University of Pennsylvania, USA.



Luc Bonnard (1946, Switzerland)

has been a member of the Board of Directors since August 1984, and a member of the Executive Committee of the Board since 1991. Since 1996 he has been Vice Chairman of the Board of Directors. Luc Bonnard joined Schindler in 1972, and from 1983 was a member of the Management Committee with responsibility for northern Europe. From 1986 until 1990 he was head of the Group's elevators and escalators business. He is Vice Chairman of the Board of Directors of Bobst AG, Prilly. Luc Bonnard holds a master's degree in electrical engineering from the Swiss Federal Institute of Technology, Zurich.



Alfred Spörri (1938, Switzerland)

has been a member of the Board of Directors, and of the Executive Committee of the Board, since 1995. From 1991 to 1995 he was a member of the former Executive Management Committee. He joined the Schindler Group in 1968 as CFO of Schindler Mexico and Area Controller for Latin America. From 1975 he was head of the subsidiary company in Mexico, before returning to Switzerland in 1979 as Group Controller and Treasurer. From 1988 to 1997 he was CFO of the Group. Alfred Spörri is a member of the Swiss Takeover Board and chairman of the board of directors of Tehag Freizeit AG, Meierskappel. After completing a commercial apprenticeship he qualified as a Swiss Certified Public Accountant in 1965, and in 1970 gained an MBA from Las Américas University, Mexico.



Prof. Dr. Dr. h.c. mult. Rolf Dubs (1935, Switzerland)

has been a member of the Board of Directors since August 1989. From 1969 until 2000 he was a professor at the University of St. Gallen, and from 1989 to 1993 Rector of that university. He is chairman of the board of directors of Hoffmann Neopac AG, Thun, of Veritec AG, Oberuzwil, and of the Hochalpinen Institut Ftan. Rolf Dubs is also a member of the board of directors of Underberg AG, Zurich, Integra Holding AG, Wallisellen, and Fischbacher AG, St. Gallen. In Germany, he is a member of the supervisory boards of ARAG Versicherung, Düsseldorf, and Underberg-Semper Idem, Rheinberg. At the Swiss Federal Department of Economic Affairs he is an advisor to the Office of Professional Education and Technology on universities of applied science, and at the Swiss Federal Department of Foreign Affairs an advisor on scientific matters to the Swiss Agency for Development and Cooperation. He is also a member of the Governing Council of the University of Lucerne. After training as a commercial teacher at the University of St. Gallen, Rolf Dubs gained a doctorate in economics from the same university in 1962. He was awarded honorary doctorates in 1993, 1994 and 2003.



Dr. Hubertus von Grünberg (1942, Germany)

has been a member of the Board of Directors since October 1999. On completing his education, he first worked for Teves GmbH, a subsidiary of ITT, in Frankfurt. In 1989 he became president and CEO of ITT Automotive Inc., at Auburn Hills, Michigan, USA, and a senior vice president of ITT Corporation. From 1991 to 1999 he was president of the executive management committee of Continental AG, of Hanover, Germany. Since June 1999 he has been chairman of the supervisory board of Continental AG. He is also a member of the supervisory boards of Allianz Versicherungs AG, Munich, Deutsche Telekom AG, Bonn, and MAN Aktiengesellschaft, Munich, all in Germany. He is also an advisor to ING BHF Bank AG of Frankfurt. Hubertus von Grünberg holds a doctorate in physics from the University of Cologne, Germany.



Scott D. Miller (1952, USA)

was elected a member of the Board of Directors in March 2002. From 1991 to 1993 he was a partner in The John Buck Company, Chicago, USA, and from 1994 to 1997 president of United Infrastructure Company, also of Chicago. He was then elected president of Hyatt Hotels Corporation, Chicago, USA. From May 2003 to May 2004 he was Vice Chairman of Hyatt Corporation. He currently serves as President and CEO of Six Sigma Academy, Scottsdale, Arizona, USA, as well as CEO of G100, Aspen, Colorado, USA. He is also a member of the boards of directors of AXA Financial Inc., New York, USA, Orbitz Inc., Chicago, USA, and NAVTEQ Inc., Chicago, USA. Scott D. Miller holds a BA degree from Stanford University, California, USA, and an MBA from the University of Chicago, USA.



Lord Powell of Bayswater KCMG (1941, UK)

Charles Powell was elected to the Board of Directors in March 2003. From 1963 to 1982 he was a member of the British Diplomatic Service. From 1983 to 1991 he was Private Secretary and Advisor on foreign affairs and defense to Prime Ministers Margaret Thatcher and John Major. Since 1992, Lord Powell has been an international businessman. He is Chairman of Sagitta Asset Management, London, and serves on the boards of Sagitta Investment Advisers Ltd., London; Caterpillar Inc., Peroria, Illinois; Textron Corporation, Providence (USA); LVMH (Louis Vuitton Moët Hennessy), Paris; Mandarin Oriental International Ltd., Bermuda; Matheson & Co. Ltd., London; British Mediterranean Airways (BMA), London; Financière Agache, Paris; UK-China Forum, London, Singapore Millennium Foundation, Singapore; Falgos Investments, London; Yell Group Ltd., London; and Northern Trust Global Services, Chicago/London. He is a member of several company Advisory Boards including Rolls-Royce, Derby; Hicks Muse, Dallas; Barrick Gold, Toronto; Magna Corporation, Toronto; BAE Systems, London; Thales, Paris; and GEMS, Hong Kong. He is Chairman of the Trustees of the Oxford University Business School Foundation, Chairman of the China-Britain Business Council, and Chairman of the Atlantic Partnership, London, as well as a Trustee of the British Museum, London, and of the Aspen Institute, USA. Lord Powell is an independent member of the House of Lords. Lord Powell was educated at Kings School, Canterbury, and in 1963 gained a Master of Arts degree with first-class honors in history at Oxford University.



Dr. Jenö C. A. Staehelin (1940, Switzerland)

was elected to the Board of Directors on June 24, 1980. From 1977 to 1984 he was Vice President of the European Patent Office in Munich. He subsequently became a Minister and Deputy Director of the Department for International Organization at the Swiss Federal Department of Foreign Affairs. In 1987 he was appointed an Ambassador, and head of the Department for Europe and North America. At the same time as holding this office, from 1991 he was also a Special Ambassador to the Vatican. In 1993, he was made Swiss Ambassador to Japan, following which in June 1997 he was appointed Permanent Swiss Observer at the United Nations in New York. On entry of Switzerland to the United Nations in September 2002, he became the first Permanent Representative of Switzerland at the United Nations – a position he held until the end of August 2004. In 2003, Ambassador Staehelin was also President of the Executive Board of UNICEF. On retiring as Head of the Swiss Mission to the United Nations in New York, he was entrusted with special assignments by the Swiss Federal Council and the Swiss Federal Department of Foreign Affairs. Jenö C. A. Staehelin holds a doctorate in law from the University of Berne, a Master of Law degree from Harvard Law School, USA, and is a licensed attorney in Zurich.



Robert Studer (1938, Switzerland)

has been a member of the Board of Directors since July 1981. From 1991 to 1996 he was president of the executive committee of the Union Bank of Switzerland, and from 1996 to 1998 chairman of the board of directors of the same bank. Robert Studer is a member of the boards of directors of BASF AG, Ludwigshafen; Renault SA, Paris; and the Espirito Santo Financial Group SA, Luxembourg. He is also a member of the European Advisory Committee of the New York Stock Exchange. After completing a commercial apprenticeship he gained a diploma in business at the Zurich Management School in 1969.

Board of Directors of ALSO Holding AG

| | |
|--|----------------------|
| Thomas C. Weissmann | |
| Chairman of the Board of Directors and President of the Management Committee | Executive member |
| René Dreier (until 17.03.2004) | Non-executive member |
| Prof. Dr. Karl Hofstetter | Non-executive member |
| Prof. Dr. Rudolf Marty | Non-executive member |

Further information is contained in the annual report of ALSO Holding AG.

Cross-involvement

There are no cross-memberships between the Board of Directors of Schindler Holding Ltd. and any other listed company.

Election and term of office

The Board of Directors of Schindler Holding Ltd. is elected by the General Meeting for a term of three years, on completion of which it can be re-elected for a further period of the same duration.

Elections are held according to the principle of phased renewal. According to the statutes, the Chairman of the Board of Directors is elected by the General Meeting. The Vice Chairman is elected by the Board of Directors from among its members for a term of three years.

Members of the Board of Directors are required to retire on the date of the Annual General Meeting in the year in which they attain the age of 70 years. In exceptional cases, the Board of Directors may depart from this rule.

Internal organization and regulation of authorities

According to the law, the Board of Directors is responsible for the ultimate direction and ultimate supervision of the entire Schindler Group. It is required to resolve all matters which are not defined by the law, statutes, or management bylaws as being the responsibility of any other governing body. According to the Swiss Code of Obligations, Article 716a, Paragraph 1, the following non-transferable and inalienable responsibilities are incumbent on the Board of Directors:

- Ultimate direction of the company and issuance of necessary instructions
- Definition of the organization
- Establishment of systems and procedures for accounting, financial control, and financial planning
- Appointment and discharge of persons charged with managing and representing the business
- Ultimate supervision of the persons charged with managing the business, especially with regard to compliance with the law, statutes, bylaws, and instructions
- Preparation of the Annual Report, and preparation of General Meetings of Shareholders and execution of their resolutions
- Notification of the legal authorities in case of insolvency.

It is also incumbent on the Board of Directors to decide on the following:

- The objectives and strategies of the Group as a whole, and of its two businesses
- The essential prerequisites for business activity
- Staffing of the management committees according to the management bylaws
- Business transactions whose financial value exceeds certain amounts.

Decisions are made by the full Board of Directors. To assist it, it has available four standing committees: the *Executive Committee of the Board*, the *Nominations Committee*, the *Compensation Committee*, and the *Audit Committee*.

Committees

The committees designated by the Board of Directors are governed by regulations which define their responsibilities and authorities. For each committee, the Board of Directors appoints a chairman. The committees minute the proceedings of their meetings, and on matters which they are not authorized to decide themselves, submit proposals to the full Board of Directors.

Executive Committee of the Board

The Board of Directors appoints from among its members a standing Executive Committee of the Board, with three or four members, for a term of three years. The Chairman and Vice Chairman of the Board are members of the Executive Committee.

Members of the Executive Committee of the Board:

| | |
|---------------------|---------------|
| Alfred N. Schindler | Chairman |
| Luc Bonnard | Vice Chairman |
| Alfred Spörri | Member |

Responsibilities

The Executive Committee of the Board prepares all matters for the Board of Directors (in particular those according to the Swiss Code of Obligations, Article 716a, Paragraph 1), provides the Board with relevant documentation, and submits proposals to the Board.

It creates the prerequisites for ultimate direction by the Board of Directors. It exercises supervision of the Group as a whole, and thereby creates the prerequisites for the exercise of ultimate supervision by the Board of Directors.

The Executive Committee of the Board ensures that the Board of Directors is informed, and that its resolutions are executed. For this purpose, it is assisted by various committees.

Responsibilities of the Executive Committee of the Board relative to the Management Committees

The Executive Committee of the Board creates a uniform entrepreneurial will, ensures cohesion of the Group in its entirety, and continuously monitors the managerial competence of the members of the two Management Committees, as well as other holders of key staff and line functions.

For this purpose, it particularly appoints the responsible persons in the Group – depending on their position – to supervisory, directive, and managerial bodies of the affiliated companies. These persons are required to act in accordance with the management bylaws, and receive instructions from the Executive Committee of the Board.

In close collaboration with the two Management Committees, the Executive Committee of the Board formulates and submits to the Board of Directors the goals and strategies of the Group as a whole, and of its two businesses, and defines the financial and human resources.

Nomination Committee

The Executive Committee of the Board is responsible for nominating candidates for election to the Board of Directors, each member of the Board of Directors having the right to make nominations of their own to the Chairman. In the structure of the Board of Directors, attention is paid not only to competence, but also to professional and cultural diversity.

The Board of Directors makes the final decision regarding nominations to be proposed to the General Meeting.

The Nomination Committee is also responsible to the Board of Directors for planning succession, and for nomination of the top management of the Group.

Compensation Committee

Members:

| | | |
|--|--|----------|
| Prof. Dr. Dr. h.c. mult. Rolf Dubs | | |
| Non-executive member of the Board of Directors | | Chairman |
| Dr. Hubertus von Grünberg | | |
| Non-executive member of the Board of Directors | | Member |
| Robert Studer | | |
| Non-executive member of the Board of Directors | | Member |

According to the management bylaws, the Board of Directors convenes a Compensation Committee composed of three external members of the Board of Directors who are not members of the Executive Committee of the Board.

The Compensation Committee definitively determines the remuneration, and all other compensation, of the Chairman of the Board of Directors. It also approves all compensation of other members of the Board of Directors, based on proposals submitted by the Chairman of the Board.

The compensation of the members of both Management Committees, and of other managers of the Group with compensation of a similar amount, is also submitted to the Compensation Committee for approval.

The Compensation Committee provides information to the full Board of Directors once per year.

Audit Committee

Within the scope of its ultimate supervision, the *Executive Committee of the Board* also exercises the function of an auditing body at board level. It maintains contact with the external auditors and is also supported by an *Audit Committee*, whose members as listed below are all persons who do not hold line management functions.

| | |
|---|----------|
| Alfred Spörri | |
| Member of the Executive Committee of the Board | Chairman |
| Walter G. Frehner | |
| External | Member |
| Peter Fraefel (until 31.05.2004) | |
| Member of the Management of Schindler Holding Ltd. | Member |
| Prof. Dr. Oliver Gassmann (from 1.06.2004) | |
| External | Member |
| Prof. Dr. Karl Hofstetter | |
| General Counsel, Member of the Management Committee | |
| Elevators and Escalators | Member |

The Audit Committee assists the Board of Directors and its Executive Committee in fulfilling its supervisory functions over the Management Committees of Elevators and Escalators and ALSO.

The following controlling instruments of the Executive Committee of the Board are coordinated by the Audit Committee through the newly formed Group function "Group Assurance":

- *Internal Audits*, for the purpose of verifying compliance with rules and processes in the business and financial area
- *Code of Conduct Compliance*, for the purpose of verifying and enforcing the Code of Conduct enacted by the Board of Directors in 1997, which is binding for all employees worldwide
- *Technical Compliance*, for the purpose of verifying compliance with safety-relevant standards and processes in the elevators and escalators business
- *IT Security*, for the purpose of ensuring appropriate and constant protection of vital corporate data against internal and external hazards.

According to the Charter for the Audit Committee, the Audit Committee is particularly responsible for the following:

- Review and determination of audit programs
- Discussion of all reports issued by the auditing bodies as well as status reports on the implementations undertaken
- Issuance of recommendations and instructions regarding organization, employees, and auditing activities within the Schindler Group
- Review of the appropriateness of sanctions which are proposed in consequence of detected behavior or infringements of internal guidelines
- Enactment of new guidelines, instructions, clarifications, or other instructions in connection with the Code of Conduct.

The Audit Committee reports directly to the Chairman of the Board of Directors. Provision of information to the Board of Directors on the work of the Audit Committee takes place at the request of the Chairman of the Board, and in any case at least once per year.

Frequency of meetings of the full Board of Directors and its committees

The *Board of Directors* holds six regular half- or whole-day meetings per year, and additional ad hoc meetings as necessary. A two-day meeting is held in September of each year.

The *Executive Committee of the Board* holds whole-day meetings at least once every two weeks.

The *other committees* meet for half or whole days according to need, the Audit Committee usually every two months.

The agendas of the meetings are determined by the respective chairmen. Minutes are taken of all discussions and resolutions at the meetings.

Coordination between the full Board of Directors and committees is ensured by there being at least one member of the Board of Directors on each committee.

The President of the Management Committee Elevators and Escalators attends all meetings of the Board of Directors; the attendance of other members of the Management Committees, or persons from outside, may be required on the instructions of the Chairman.

Information and control instruments vis-à-vis the Management Committees

The Schindler Group has at its disposal a comprehensive electronic management information system (MIS). Each month, the Board of Directors receives a written report.

Forecast, budget, semi-annual, and annual financial statements of Schindler Holding Ltd., and of the Group, are delivered in writing to the Board of Directors, fully explained at its meetings, and submitted for its approval.

Information regarding the current state of the business is provided continuously at the meetings of the Board of Directors and the Executive Committee of the Board, in a form appropriate for those bodies, and with the participation of the persons bearing the respective responsibilities.

Management Committees

According to Article 716b of the Swiss Code of Obligations and the company's management bylaws, the management of the operational business of the Schindler Group rests in the hands of the two Management Committees.

Management Committee Elevators and Escalators

| | |
|---------------------------|--|
| Roland W. Hess | President |
| David J. Bauhs | Deputy to the President; Technology and Procurement |
| Miguel A. Rodríguez | Europe |
| Jürgen Tinggren | Asia/Pacific |
| Heikki Poutanen | North, Central, and South America |
| Dr. Christoph Lindenmeyer | Eastern Europe/Middle East/India/Africa (EMIA) |
| Brent Glendening | Chief Information Officer (CIO) |
| Erich Ammann | Chief Financial Officer (CFO) |
| Dr. Rudolf W. Fischer | Human Resources and Training |
| Prof. Dr. Karl Hofstetter | General Counsel |



Roland W. Hess (1951, Switzerland)

was appointed to membership of the Management Committee on January 1, 1996, with responsibility for Finance and at the end of 1997 for the Central and Eastern European Area. He has been President of the Management Committee since March 1, 2003. Before taking up this position he was President and Chief Operating Officer of Schindler Elevator Corporation, Morristown, New Jersey, USA. He joined the Schindler Group in the Area Controlling Department in 1984, and in 1987 was appointed Vice President Finance of Schindler Elevators, Toledo, Ohio, and relocated to the USA. In 1989 he was named Vice President and Chief Financial Officer of Schindler Elevator Corporation in Morristown. In 1993 he returned to Switzerland as Head of Area Controlling. Roland W. Hess gained a degree in economics and business administration at the Lucerne School of Business and Administration. He also attended the Advanced Management Program at Harvard Business School.



David J. Bauhs (1938, USA)

has been a member of the Management Committee since January 1, 1996, and since July 1, 1997, Deputy to the President of the Management Committee. He was responsible for the Americas and southern Africa and since December 15, 2003, has been Head of Corporate Technology and Procurement. He joined Westinghouse Electric Corp. in 1967, whose elevator division was acquired by the Schindler Group in 1989. David J. Bauhs holds a degree in physics from the University of Wisconsin, USA, and a Master of Science in nuclear engineering from the Massachusetts Institute of Technology.



Miguel A. Rodríguez (1953, Spain)

has been a member of the Management Committee since December 1, 1998, with responsibility initially for Europe South West, and since November 1, 2001, for all of Europe. From 1991 to 1998 he managed the Schindler subsidiaries in Spain and Portugal. From 1981 to 1991 he was a member of the corporate management of the Armstrong Group, holding the position of General Manager at various subsidiaries in Spain. Miguel A. Rodríguez studied at the Advanced School of Industrial Engineering of the University of Bilbao, Spain, where he graduated as an industrial engineer.



Jürgen Tinggren (1958, Sweden)

joined the Management Committee on April 1, 1997, initially with responsibility for Europe 1, and since 1999 for the Asia/Pacific region. From 1985 to 1997 he worked for the Sika Group, ultimately as a member of the Management Committee with responsibility for North America. Jürgen Tinggren holds a joint MBA from the Stockholm School of Economics and New York University.



Heikki Poutanen (1945, Finland)

has been a member of the Management Committee since December 1, 1998, first with responsibility for Central Europe, then from November 2001 until February 2003 for the area comprising Eastern Europe/Middle East/India/Africa (EMIA), and since January 1, 2004, for North, Central, and South America. Prior to taking over responsibility for North, Central, and South America he was head of Schindler Elevator Corporation in the USA. He has worked in the elevator industry since 1971, and from 1995 until 1998 was head of Millar Elevator Service Co., USA. Heikki Poutanen holds a Master of Science degree in engineering from the Technical University of Helsinki.



Dr. Christoph Lindenmeyer (1953, Switzerland)

became a member of the Management Committee on March 1, 2003, with responsibility for the EMIA region (Eastern Europe/Middle East/India/Africa). He joined the Schindler Group in 1983 as Deputy Head of Corporate Planning. Since then he has held various managerial functions within the Group including CFO North America, Head of Field Operations Germany, and CEO of Schindler Elevator Ltd. Switzerland. He is also a Board Member of the Ammann Group, Langenthal, Switzerland, and a member of the Executive Committee of Swissmem. Christoph Lindenmeyer is a licensed attorney and holds a Doctor of Law degree from Berne University as well as an MBA from INSEAD.



Brent L. Glendening (1954, USA)

was promoted to the function of CIO at Management Committee level on September 1, 2001, from his previous position of responsibility for information technology for Schindler Americas, which he held from 1994 until 2000. Prior to that, he held managerial positions in information technology and manufacturing at PriceWaterhouse and Schlumberger Ltd. Brent L. Glendening holds a Bachelor of Science degree in business administration from Ferris State University, USA.



Erich Ammann (1957, Switzerland)

has been a member of the Management Committee, and Chief Financial Officer of the Schindler Group, since November 1, 2001. From 1997 he was Head of Group Controlling, and from 1992 to 1997 CFO of Schindler USA. Erich Ammann joined the Schindler Group in 1988 as an Area Controller. Prior to that, he was a treasurer with Intershop Holding, and before that an auditor with Schweizerische Treuhandgesellschaft (STG) in Geneva. He obtained a degree in Economics and Business Administration from St. Gallen University of Applied Sciences, Switzerland, and in 1994 gained an Executive MBA from the Wharton School, University of Pennsylvania, USA.



Dr. Rudolf W. Fischer (1952, Switzerland)

has been a member of the Management Committee with responsibility for Human Resources and Training since January 1, 1996. From 1994 to 1995 he was a partner in an executive search company in Zurich, prior to which from 1991 to 1994 he was General Manager of Jockey/Vollmöller AG in Uster, a subsidiary of the Austrian Huber Tricot Group, and later of Hanro AG in Liestal. Previously, for almost nine years he held various managerial positions in human resources and trade marketing with Jacobs Suchard in Switzerland and Belgium. He is a member of the board of directors of Vetropack Holding AG, Bülach. Rudolf W. Fischer completed his studies in 1979 with a doctorate in economics at the University of Zurich.



Prof. Dr. Karl Hofstetter (1956, Switzerland)

was appointed to the Management Committee as General Counsel on March 1, 2002, with responsibility for the legal, M & A, taxation, and compliance areas. He has worked for Schindler since 1990. Karl Hofstetter is a member of the board of directors of ALSO Holding AG, and of Venture Incubator AG, Zug. He is also a member of the Governing Council of the University of Lucerne. He studied law and business at the universities of Zurich (Switzerland), and Stanford, UCLA, and Harvard in the USA, and is a licensed attorney in Zurich and New York, as well as a professor of private and business law at the University of Zurich. During the spring term of 2005 he will take leave of absence to lecture on the subject of Comparative Corporate Law and Corporate Governance as John Harvey Gregory Lecturer on World Organization at the Harvard Law School, USA.

Management Committee ALSO

| | |
|-------------------------------------|---|
| Thomas C. Weissmann | Chairman of the Board of Directors |
| | President of the Management Committee |
| | ad int. Managing Director, ALSO ABC Trading GmbH, Straubing, Germany (since 17. 8. 2004) |
| Jürgen Baumgartner | Chief Financial Officer |
| Dr. Axel Keller (until 17. 8. 2004) | Managing Director, ALSO ABC Trading GmbH, Straubing, Germany |
| Marc Schnyder | Managing Director, ALSO ABC Trading AG, Emmen, Switzerland |
| Peter Zurbrügg | Chief Information Officer |

Further information is contained in the annual report of ALSO Holding AG.

Management contracts

Schindler Holding AG has not entered into any management contracts with third parties outside the Group.

Compensation, participation, and loans

Content and method of determining the compensation and participation programs

Members of the Board of Directors receive for their work compensation of a fixed amount which is determined at the request of the Chairman of the Board of Directors.

The executive members of the Board of Directors (members of the Executive Committee of the Board), members of the management committees, and managerial employees, are compensated according to performance. The variable component of from 15% to 50% of their total compensation depends on fulfillment of their individual performance targets, the results of the area for which they are responsible, and the Group's net profit. The Compensation Committee approves the compensation of the highest governing bodies (see page 76, "Compensation Committee").

According to the method described on page 45 of the Financial Statements under "Capital Participation Plans", and starting April 2001 for the business year 2000, executive members of the Board of Directors (the Executive Committee of the Board), members of the Management Committee Elevators and Escalators, and members of the top level of management, receive a pre-defined proportion of their bonus in the form of shares or bearer participation certificates of Schindler Holding Ltd. at a predetermined exercise price, and with a bar on selling for three years.

Originally, the capital participation plan was limited to about 50 persons. Starting with the allocations made in April 2004 for the reporting year 2003, the plan was extended for the first time to a further level of management and now applies to about 300 employees in the Group.

In addition, the Board of Directors can decide each year whether, and to what extent, the now expanded 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 and with a bar on selling for three years.

Compensation of active members of governing bodies

Highest total compensation

Alfred N. Schindler, Chairman of the Board of Directors and of the Executive Committee of the Board, received the following compensation:

| In CHF | 2003 | 2004 |
|---|------------------|-------------------|
| Compensation fixed by contract* | 3 339 400 | 3 410 000 |
| Bonus** | 2 800 000 | 2 905 000 |
| Voluntarily foregone within the R03 program | -1 539 950 | -1 715 450 |
| Actual payment | 4 599 450 | 4 599 450 |
| Taxes paid in Switzerland | 4 500 000 | 5 370 000 |
| Payments to charitable organizations | 600 000 | 600 000 |

* Board membership fee, salary, fixed expenses, contributions to managerial insurance plan

** The variable bonus relates in each case to the previous year (basis cash flow), and includes the value of shares/participation certificates contained in the bonus

Within the scope of the existing capital participation plans, shares (2003), participation certificates (2004), and corresponding options were awarded to Alfred N. Schindler as follows:

| Number | 2003 | 2004 |
|--|------------|-------------------|
| Allocated number of <i>shares</i> (2003), <i>participation certificates</i> (2004) (value included in total compensation) | 703 | 575 |
| Allocated number of <i>options</i> (2003 on shares, 2004 on participation certificates) | 3 266 | 756 |
| Barred period ends | 30.04.2006 | 30.04.2007 |
| Exercise period ends | 29.04.2009 | 29.04.2010 |
| Exercise price in CHF (shares/participation certificates) | 255.00 | 286.50 |
| Allocation ratio options: shares/participation certificates | 1:1 | 1:1 |

Compensation of the Executive Committee of the Board

| In CHF | 2003 | 2004 |
|---|------------|-------------------|
| Total compensation (incl. Chairman of the Board of Directors) 3 persons | 10 639 488 | 10 598 450 |
| Average per member | 3 546 496 | 3 532 817 |

The total compensation includes salaries, bonuses (including the value of shares/participation certificates contained in them), fixed expenses, contributions to the managerial insurance plan, and board membership fees of the Chairman, Vice Chairman, and one other member of the Board of Directors.

Compensation of members of the Management Committee Elevators and Escalators

| In CHF | 2003 | 2004 |
|--|------------|-------------------|
| Total compensation 10 persons (previous year 11) | 10 184 543 | 10 334 018 |
| Average per member | 925 868 | 1 033 402 |

The total compensation includes salaries, bonuses (including the value of shares/participation certificates contained in them), fixed expenses, and contributions to the managerial insurance plan.

Compensation of non-executive members of the Board of Directors

| In CHF | 2003 | 2004 |
|---|---------|----------------|
| Total compensation 6 persons (previous year 7) | 959 025 | 960 000 |
| Average per member (incl. joiners and leavers 2003) | 137 004 | 160 000 |

The total compensation comprises fees and fixed expense allowances. No separation payments were made.

Compensation of former members of governing bodies

Schindler Holding Ltd. pays pensions to three widows of former executive members of the Board of Directors amounting in total to CHF 216 000 annually. The actuarially determined cash value is recalculated annually, and on December 31, 2004, amounted to CHF 1.8 million. This amount is reported by Schindler Holding Ltd. as a provision.

In normal fulfillment of contractual obligations, in the reporting year compensation of CHF 362 000 was paid to a member of the Management Committee Elevators and Escalators who relinquished his membership at the end of October 2003.

Allocation of shares and participation certificates

| Number | 2003 Shares | 2004 BPC |
|--|----------------|--------------|
| Executive members of the Board of Directors | | |
| (incl. Board Chairman) 3 persons | 2 109 | 1 725 |
| Members of the Management Committee | | |
| Elevators and Escalators 10 persons (previous year 11) | 5 073 | 4 066 |

At their own wish, the non-executive members of the Board of Directors are not included in the capital participation plan. There were also no allocations of shares to related parties.

Share holdings as at December 31

According to the share register of Schindler Holding Ltd., members of the governing bodies held the following numbers of shares:

| Number of shares | 2003 | 2004 |
|--|-----------|------------------|
| Executive members of the Board of Directors | | |
| incl. parties to the stockholder retainer contract | 4 789 729 | 5 122 439 |
| Members of the Management Committee | | |
| Elevators and Escalators 10 persons (previous year 11) | 10 643 | 10 273 |
| Non-executive members of the Board of Directors | 3 240 | 3 240 |

Option holdings as at December 31

As at December 31, 2004, holdings of options by members of the governing bodies were as follows:

| Number of options | Allocated in 2001 | Allocated in 2002 | Allocated in 2003 | Allocated in 2004 | Holding on 31. 12. 2004 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------------|
| Executive members of the Board of Directors | | | | | |
| (incl. Board Chairman) 3 persons | 3 510 | 2 370 | 9 798 | 2 268 | 17 946 |
| Members of the Management Committee | | | | | |
| Elevators and Escalators | | | | | |
| 10 persons (previous year 11) | 5 150 | 4 890 | 22 377 | 5 346 | 37 763 |
| Barred period ends | 30. 04. 2004 | 30. 04. 2005 | 30. 04. 2006 | 30. 04. 2007 | |
| Exercise period ends | 29. 04. 2007 | 29. 04. 2008 | 29. 04. 2009 | 29. 04. 2010 | |
| Exercise price in CHF | 268.70 | 270.60 | 255.00 | 286.50 | |
| Allocation ratio options : | | | | | |
| shares/participation certificates* | 1:1 | 1:1 | 1:1 | 1:1 | |

* The allocations made in 2001 to 2003 give entitlement to purchase registered shares; the allocation made in 2004 gives entitlement to purchase bearer participation certificates

No options were allocated to non-executive members of the Board of Directors.

Additional fees and other compensation

In the reporting year, no members of the Board of Directors or Management Committees, nor any related parties, received fees or other compensation for additional services to Schindler Holding Ltd. or any subsidiary or affiliated company, requiring disclosure.

Shareholders' rights of participation

Credit available to members of the governing bodies

No loans were made by the issuer, or any subsidiary or affiliate, to any active or former member of the governing bodies, nor were any such loans outstanding on December 31, 2004.

The Chairman of the Board of Directors has been granted borrowing rights. On December 31, 2004, the unutilized credit limit was CHF 25 million, which was secured by own shares with a value of over CHF 80 million.

Restrictions on voting rights

Subject to the registration of shares, the statutes do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

Right of participation at the General Meeting

Shareholders' rights of participation at General Meetings of Shareholders are in accordance with the law and the statutes. Shareholders may be represented by third parties who are themselves shareholders, by institutional representatives, by the independent proxy, or by depositary representatives.

Quorum

Art. 19 of the statutes stipulates that for the resolutions of the General Meeting of Shareholders stated below, the presence of shareholders representing at least half of the share capital recorded in the Swiss Register of Companies is required:

- election and discharge of members of the Board of Directors,
- conversion of registered shares into bearer shares and vice versa, and, subject to the individual voting rights of the shareholders, conversion of shares into bearer participation certificates,
- issuance of bonus certificates, or conversion of bearer participation certificates into bonus certificates,
- exceptions to the statutory share-registration regulations,
- resolutions for which there is a legal or statutory requirement for a qualified decision-making quorum.

Decision-making majority

Resolutions by the General Meeting of Shareholders are normally determined by the relative majority of the votes cast.

The following resolutions require the agreement of at least two-thirds of the voting rights represented at the meeting, and of the absolute majority of the nominal value of shares represented at the meeting:

- all resolutions according to Art. 704 of the Swiss Code of Obligations,
- resolutions regarding changes to the company, issuance of bonus certificates, and any change in the share capital or bearer participation capital.

Notification of General Meetings of Shareholders

Notification of General Meetings of Shareholders is given by non-registered letter to the address of registered shareholders recorded in the share register, and by publication once only in the Swiss Official Gazette of Commerce. Although not required by statute, it is also customary to publish notification in selected Swiss daily newspapers. The period of notification is 20 days.

Agenda

The right to propose items for the agenda is governed by the stipulations of Swiss corporation law.

Closing date for entry in the share register

Only those shareholders with voting rights whose names were recorded in the company's register of shareholders on the respective closing date may attend the General Meeting of Shareholders and exercise their voting rights. The Board of Directors endeavors to set the closing date for registration as close as possible to the date of the General Meeting, i.e. not more than 5 to 10 days before the General Meeting. There are no exceptions to this rule regarding the closing date for registration.

Change of control and defensive measures

Duty to submit an offer

According to Art. 33 of the statutes, the obligation to submit a public offer to purchase under Art. 32 and 52 of the Swiss Securities Exchanges and Securities Trading Act (SESTA) of March 24, 1995, has been foregone ("*opting out*").

"Change of control" clauses

Contracts of employment between Schindler Holding Ltd. and members of the governing bodies do not contain any clauses applying to the case of a change of control (e.g. "golden parachutes").

Auditors

Duration of mandate and term of office of the head auditor

Ernst & Young AG, Berne, have been the statutory auditors of Schindler Holding Ltd., as well as Group auditors, since 1999. Prior to that, Neutra Treuhand AG, which is associated with Ernst & Young AG, were the statutory auditors (from 1991), and Group auditors (from 1992).

The head auditor has been responsible for the audit of both Schindler Holding Ltd. and the Group's consolidated financial statements since the 2003 reporting year.

Audit and other fees

The fees applicable to, and charged in, the reporting year by Ernst & Young as auditors of the Group's consolidated financial statements, and as statutory auditors of both Schindler Holding Ltd. and the majority of subsidiary and affiliated companies in Switzerland and abroad, were as follows:

| In 1000 CHF | 2003 | 2004 |
|---|-------|--------------|
| Audit fees (audit of the Group's Consolidated Financial Statements, and statutory audit of the financial statements of the holding company and of subsidiary and affiliated companies in Switzerland and abroad) | 2 460 | 2 599 |
| Additional fees (corporate, legal, and taxation advice, and special projects) | 1 070 | 755 |

Including other auditors, the *total audit fees* incurred by the Group in the reporting year amounted to CHF 3.9 million (previous year CHF 4.4 million).

Supervision and control of the auditors

The Executive Committee of the Board evaluates the performance, fees, and independence of the statutory auditors and Group auditors each year. It discusses and reviews the scope of the audits, and the feedback resulting from them. Based on this information, it determines changes and improvements as necessary.

Top-level personnel changes

In a press release dated November 9, 2004, the following personnel changes were publicly announced:

Dr. Clemens Kolbe will join the Schindler Group effective January 1, 2005. Reporting directly to the Executive Committee of the Board in the rank of a member of the Management Committee, he will be entrusted with strategic assignments.

With effect from January 1, 2005, *Heikki Poutanen*, member of the Management Committee responsible for North, Central, and South America, will relinquish his line position for reasons of health. His function will be taken over temporarily by *Roland W. Hess* in addition to his role as President of the Management Committee Elevators and Escalators.

Alfred Spörri, member of the Executive Committee of the Board, will retire on April 1, 2007. *Roland W. Hess* has been designated his successor. *Roland W. Hess* will then be succeeded as President of the Management Committee Elevators and Escalators by *Jürgen Tinggren*, currently member of the Management Committee responsible for Asia/Pacific.

Information policy

The Schindler Group pursues an information policy which is based on truthfulness, timeliness, and continuity. Matters affecting the share price are published immediately as ad hoc announcements, in accordance with the obligation to publish of the SWX Swiss Exchange. Key dates are:

| | |
|--|-----------------|
| Closing of the business year | December 31 |
| Annual results media and analysts conference | End of February |
| Publication of the Annual Report | End of February |
| Annual General Meeting | March |
| Interim Report | As at June 30 |
| Publication of the Interim Report | August |

Exact details of key dates for the current year and the next two years are available at www.schindler.com under Investor Relations – Key Dates.

Also available at www.schindler.com are the Annual Report, press releases, and the current share price, as well as general information about the Group. Interested persons from the financial markets, or members of the public, may also communicate with the Group directly through the contact partners listed on page 91.

Corporate Communications

Riccardo Biffi
Head of Corporate Communications
Schindler Management Ltd.
CH-6030 Ebikon
T+41 41 445 30 60
F+41 41 445 31 44
e-mail: riccardo_biffi@ch.schindler.com

Investor Relations

Barbara Zäch
Investor Relations Manager
Schindler Management Ltd.
CH-6030 Ebikon
T+41 41 445 30 61
F+41 41 445 31 44
e-mail: barbara_zaech@ch.schindler.com

Stephan Jud
Head of Treasury
Schindler Management Ltd.
CH-6030 Ebikon
T+41 41 445 31 19
F+41 41 445 45 30
e-mail: stephan_jud@ch.schindler.com

The Annual Report of the Schindler Group for 2004 consists of the Activity Report and the Financial Statements and Corporate Governance.

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

For further information about our company, our products and our services, please contact one of the following addresses:

Schindler Holding Ltd.
Seestrasse 55
CH-6052 Hergiswil
Switzerland
T+41 41 632 85 50
F+41 41 445 31 34

Schindler Management Ltd.
Zugerstrasse 13
CH-6030 Ebikon
Switzerland
T+41 41 445 32 32
F+41 41 445 31 34

Corporate Communications
T+41 41 445 30 60
F+41 41 445 31 44
email@schindler.com

www.schindler.com

Overall responsibility and concept

Schindler Management Ltd.
Corporate Communications
6030 Ebikon, Switzerland

Graphic design

Gottschalk+Ash Int'l

Text

Schindler Management Ltd.
Corporate Communications
6030 Ebikon, Switzerland

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NZZ Fretz Ltd.
8952 Schlieren, Switzerland