



Managing time and space

Activity Report 2005



Schindler

Milestones

Ladies and Gentlemen

We achieved a number of important milestones in the reporting year 2005. We launched seven new elevator lines in Barcelona with an audience of over 2 000 participants. The subsequent demand for these products in Europe significantly exceeded our expectations. We opened the world's largest escalator manufacturing plant in Shanghai and put a modernized production line for elevators into operation in Suzhou. Orders received developed very positively and included various major projects such as two towers in Madrid (Torre Espacio and Torre Sacyr Vallehermoso) and the modernization of the Rockefeller Plaza observation deck in New York, as well as the Dubai Mall – the largest shopping center worldwide. However, the highlight of our sales record was undoubtedly the order for the Hong Kong International Commerce Center – a tower rising to a height of 490 meters with 40 double-deck elevators serving 118 floors. With a market share of 27% in terms of value, we were able to maintain and to slightly expand our "pole position" in the global escalators business.

In summary, Schindler has established itself as a reliable partner worldwide. To visualize our strong market presence, we will introduce a new Corporate Design in 2006.

After more than 20 years of strategic planning, I would now like to take a quick look at our past performance. Since 1981, net profit has risen from CHF 30.9 million to CHF 401 million, representing a thirteen-fold increase. Over the same period, Schindler's market capitalization has grown from CHF 215 million to CHF 6 501 million (status as end December 2005), corresponding to a 30-fold increase in value.

These results are essentially based on five strategic pillars: concentration on the core business, global expansion, groundbreaking innovation, optimization and standardization of processes, and the willingness to accept long periods of modest earnings at the expense of short-term profit opportunities. We divested more than 15 divisions, including the manufacturing of rolling stock. More than 60 acquisitions form the backbone of our global presence



in the elevators business. Thanks to our network density, we were able to optimize both our response times and service productivity.

After several expansion moves, all acquired companies were fully integrated into our group and the local product portfolios were gradually replaced with group solutions. At the same time, operating processes in both, the New Installations and the "After-Sales" businesses were standardized in alignment with best demonstrated practices. The new operating processes are not only transparent but can also be compared across subsidiaries, thus leading to continuous productivity improvements.

The energy to implement our strategy is supplied by four emotional drivers: entrepreneurial independence in the definition of strategic goals, perseverance when following our own path, trust in our employees, and patience, lots of patience.

The high level of our bookings makes me confident that with the approach outlined above, we will be able to build a great future. Good results in the past are not foretelling future success – and therefore, don't expect us to rest on our laurels.

Alfred N. Schindler

Managing time and space

Mobility is our product. The mobility requirements of the individual and the masses increase constantly as society grows. Around the clock, incessantly. Time is becoming ever rarer, space is becoming ever scarcer.

We respond to these challenges in the mobility business with intelligent, needs-oriented solutions. Proactively, constantly and with foresight.

People want to get from A to B safely, comfortably, rapidly, and efficiently. We meet these needs. So that you can do what is important to you. Today and in the future.



Our values



Reliable

We meet the expectations as manufacturer and as service provider. Quality is our key asset. We have a global presence, are optimally networked, and always available. Nonstop, around the clock. Persuasive, constant, and secure.

Moving

We are not only manufacturers of elevators and escalators, we are mobility providers. We move ideas and plans. We move people, their emotions, and their behavior. Winning, cooperative and versatile.

Trailblazing

We seek new approaches and explore new directions. We inspire urban developers, property owners, architects, and other decision-makers. Visionary, innovative, determined, and cultivated.



1

Schindler in brief

2

2

Urban mobility

6

3

To the shareholders

15 Statement of the Board of Directors

4

Elevators & Escalators

23 Business review
29 Innovation
32 Important orders

5

ALSO

49 Business review

6

Overview of financial results

53 Summary financial statements Group
54 Summary financial statements
Schindler Holding Ltd.
55 Key figures Group
59 Key figures Elevators & Escalators
61 Key figures ALSO
62 Key figures Schindler Holding Ltd.
63 Key figures registered share/
participation certificate
66 Financial calendar
67 Important addresses

7

Financial Statements Group

8

**Financial Statements
Schindler Holding Ltd.**

9

Corporate Governance

0

**Corporate Citizenship
at Schindler**

www.schindler.com

Group

Founded in Switzerland in 1874, the Schindler Group employs around 40 000 staff worldwide and is listed on the SWX Swiss Exchange. The Group comprises two core areas: Elevators & Escalators, which contributed 78% of sales in 2005, and ALSO, an IT distributor in Europe.

Elevators & Escalators

As one of the leading global manufacturers of elevators, escalators and moving walks with a network of over 1 000 branches spanning every continent, Schindler plans, produces and installs mobility solutions in accordance with customer requirements. With our comprehensive range of services, we ensure the smooth functioning of these installations throughout their service life of around 30 years.

ALSO

Schindler owns 64.5% of ALSO Holding AG, which is listed on the SWX Swiss Exchange. ALSO is a leading provider in the wholesale and logistics sector for information and communications technology and consumer electronics and has operations in Switzerland and Germany.

Strategic direction

“Leadership through Service” is the company’s vision in the elevators and escalators business. Our mission is therefore to ensure that 30 million individuals per hour can make use of Schindler’s high-quality mobility solutions and services worldwide at all times.

Two factors are essential in order to achieve this: first, the strengthening of the company’s global presence and the related expansion of its service network in the individual markets. The company is thus able to exploit different global growth cycles, to smooth out currency risks, to reduce response times thanks to its proximity to customers and, at the same time, to increase the productivity of its services. The second prerequisite is a clear focus on its core competencies in the elevators and escalators business in order to outperform the competition in an increasingly price-sensitive market through cost leadership. The company works constantly to secure this competitive advantage. All processes are therefore continuously optimized, manufacturing depth is reduced by focusing exclusively on strategic core competencies and the range of product families is reduced to a reasonable number. At the same time, Schindler focuses continuously on developing leading products featuring the latest technology.

Examples of recent innovations include the first patent for elevators without a machine room, the Miconic 10 hall call destination system, the Schindler ID personalized access control system, the Schindler 700 global high-rise elevator, the fully synthetic aramid rope and modern traction belt technology.

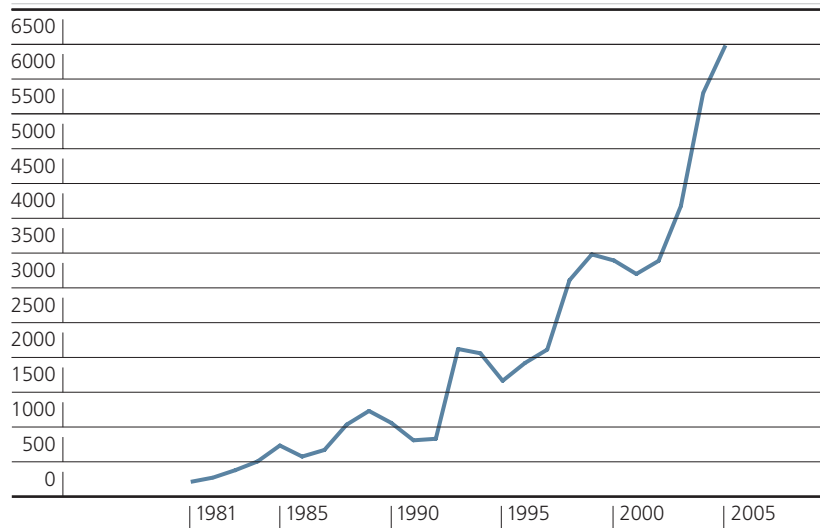
Schindler will systematically pursue the aforementioned strategy in order to further expand its leading position. This will create added value for shareholders and increase the company's market capitalization.

Further information about ALSO's strategy is available in the ALSO Annual Report.

We create values

Market capitalization 1981–2005

In million CHF



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

In CHF	2004	2005
Registered share	7.–	9.–
Bearer participation certificate	7.–	9.–

Subject to approval by the General Meeting, the dividend will be paid on March 24, 2006.

Revised IFRS standards

All changes resulting from IASB Improvements Project that are relevant to Schindler have been applied. One effect is that consolidated net profit and consolidated shareholders' equity are now reported inclusive of minority interests. Also, the restatement results in retrospective reclassifications in the balance sheet and profit and loss statement (for details see Financial Statements, page 10 et seq.)

Key figures 2005

Group				
In million CHF	2004	2005	Δ %	Δ % local currency
Orders received	8 428	9 445	+12.1	+10.9
Operating revenue	8 254	8 870	+7.5	+6.3
Operating profit (EBIT)	521	634	+21.7	
Net profit	329	401	+21.9	
Cash flow	442	490		
Return on shareholders' equity in %	23.6	23.7		
Consolidated shareholders' equity	1 495	1 885		
Order backlog	3 723	5 005	+34.4	+22.5
Personnel at year-end (number)	39 443	40 385		

Elevators & Escalators

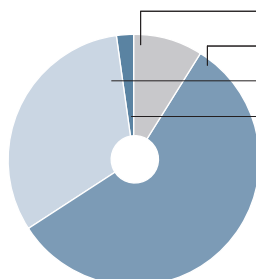
In million CHF	2004	2005	Δ %
Orders received	6 546	7 447	+13.8
Operating revenue	6 404	6 890	+7.6
Operating profit (EBIT) in %	7.9	9.2	

ALSO

In million CHF	2004	2005	Δ %
Orders received	1 882	1 998	+6.2
Operating revenue	1 852	1 980	+6.9
Operating profit (EBIT) in %	1.7	1.2	

Personnel 2005 by sector

In %	
9	Production Elevators & Escalators
57	Installation and maintenance Elevators & Escalators
32	Engineering, Sales, Administration Elevators & Escalators
2	ALSO



Organization

Board of Directors Schindler Holding Ltd.

Status January 1, 2006

Alfred N. Schindler	Chairman	Member of the Executive Committee of the Board
Luc Bonnard	Vice Chairman	Member of the Executive Committee of the Board
Alfred Spörri	Member	Member of the Executive Committee of the Board
Prof. Dr. Pius Baschera	Member	
Dr. Hubertus von Grünberg	Member	
Scott D. Miller	Member	
Lord Charles Powell	Member	
Dr. Jenö C. A. Staehelin	Member	
Robert Studer	Member	

Management Committees

Status January 1, 2006

Elevators & Escalators

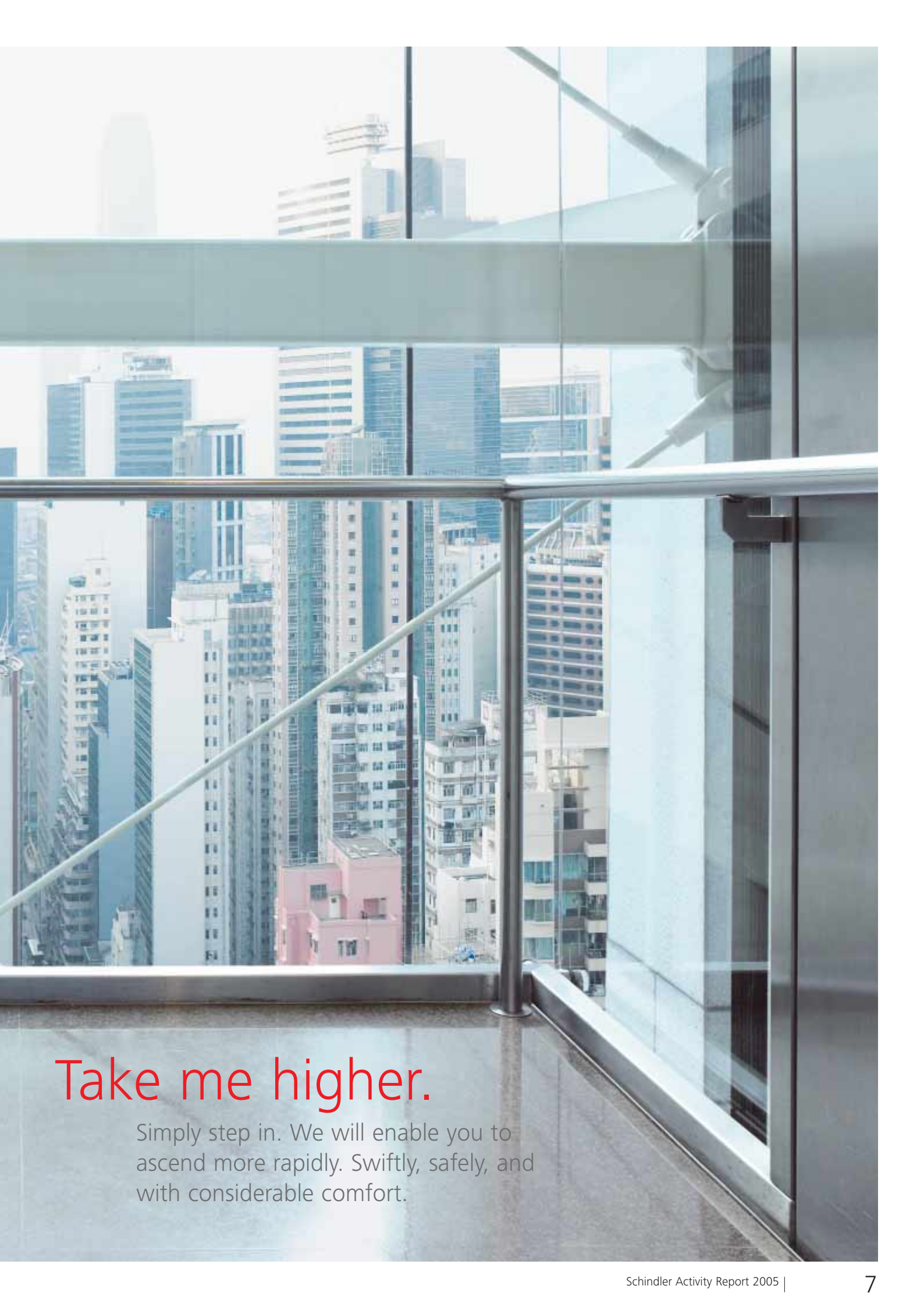
Roland W. Hess, President
Jürgen Tinggren, Deputy of the President
Miguel A. Rodríguez
Emmanuel Altmayer
Dr. Christoph Lindenmeyer
Brent L. Glendening
Erich Ammann
Dr. Rudolf W. Fischer
Prof. Dr. Karl Hofstetter

ALSO

Thomas C. Weissmann, President
Michael Dressen
Marc Schnyder
Hans Wyss
Peter Zurbrügg

For details see the chapter on Corporate Governance starting on page 79 of the Financial Statements





Take me higher.

Simply step in. We will enable you to ascend more rapidly. Swiftly, safely, and with considerable comfort.



CHA
LOU



You'll never walk alone.

You are not alone. We transport 700 million people to their destinations every day. Each to their own.

CHAMPIONS
LUNGE

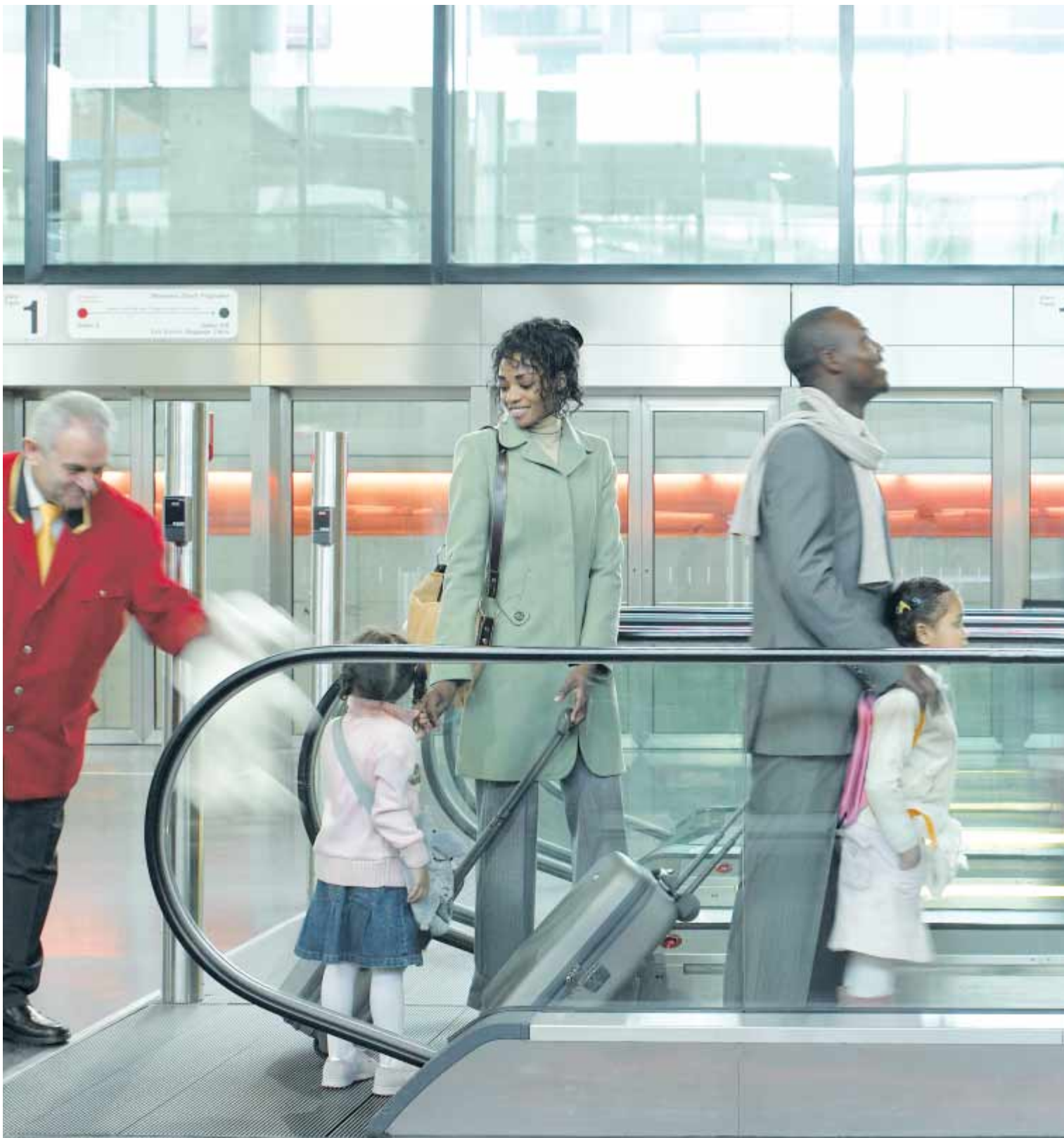




Wherever you want to go.

You have a destination – we will take you there.
Up and down, this way and that, back and forth.



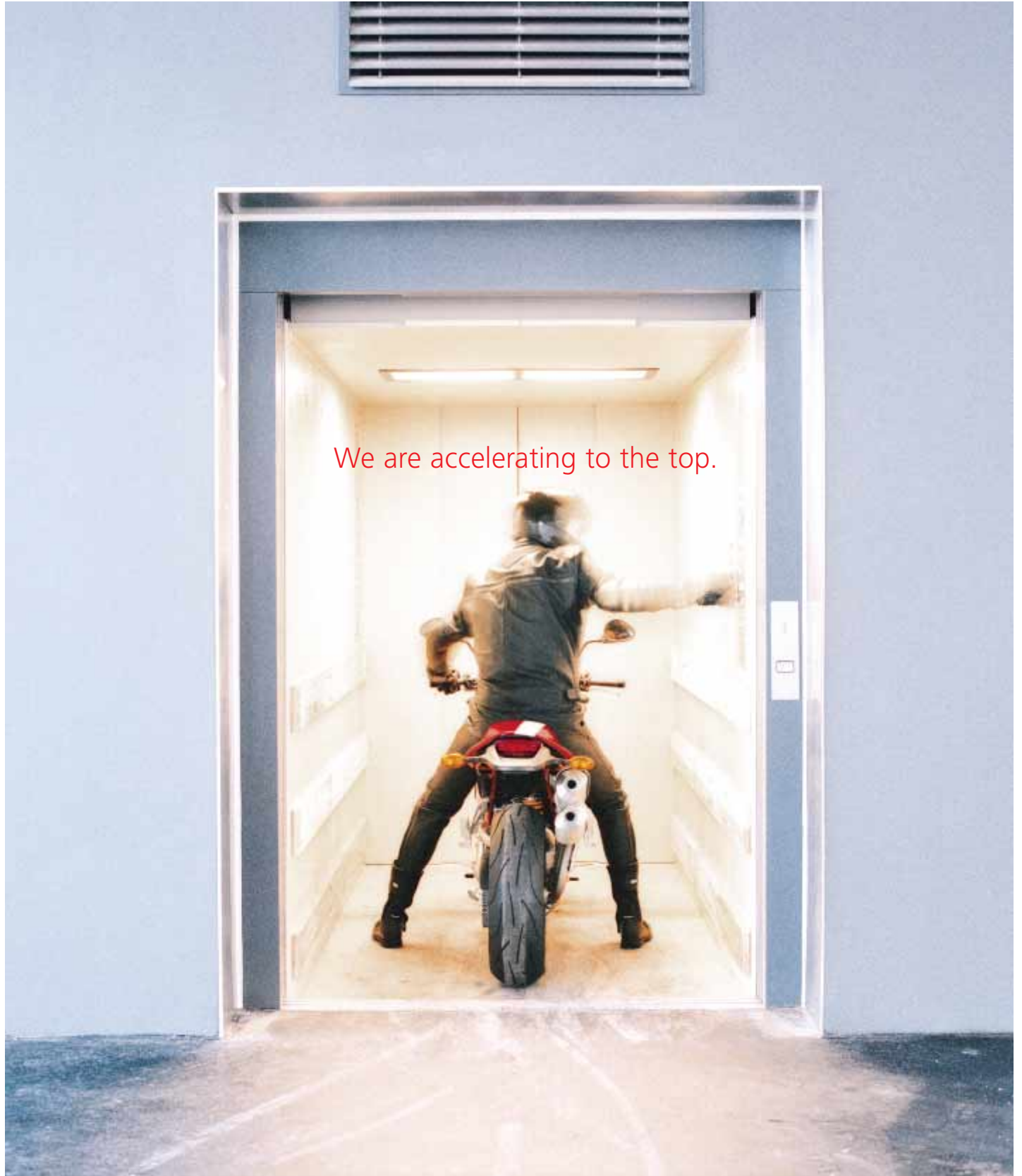


On your way.

You can continue on your way.
We ensure you keep moving with
our 24-hour service.



To the shareholders



Statement of the Board of Directors

1	2	3
4	5	6
7	8	9
	0	

To the shareholders

A significant operational improvement

Global economy positively impacts the construction industry

The development of the global economy was surprisingly positive in the reporting year – with economic growth led once again by China, followed by India, Eastern Europe and the Gulf region. Western Europe continued to achieve moderate growth, albeit with differences between individual countries. The US economy still proved robust. In Latin America, Brazil experienced a slight slowdown in growth, while the economies of Mexico and Chile expanded.

This economic environment underpinned demand in the construction industry and consequently had a positive impact on the elevators and escalators business worldwide. However, there has not yet been any reduction in the level of vacancies in commercial and high-rise buildings in various markets.

Strengthening of market position

Thanks to its competitive products and global presence, Schindler was able to participate in growth in all market regions and strengthened its position across all market segments. Targeted acquisitions in Japan, the US, and Europe increased the density of its network in these markets. In the escalators business, Schindler further expanded its leading global position.

Significant growth at Group level

Operating revenue

Consolidated operating revenue rose 7.5% to CHF 8 870 million (previous year: CHF 8 254 million). In local currencies, an increase of 6.3% was recorded. Operating revenue benefited from positive exchange rate impacts of CHF 96 million.

The scope of consolidation was expanded to include several elevator companies in the US, Europe, and Asia. The impact of all first-time consolidations on operating revenue and operating profit was only 0.5% as the major acquisitions were effected in the second half of the year.

Operating profit

Consolidated operating profit (EBIT) grew by 21.7% to CHF 634 million, reflecting continued operational improvements in the elevators and escalators business.

Net profit

Net profit after taxes totaled CHF 401 million, up 21.9% versus the figure for the previous year.

Orders received

Consolidated orders received totaled CHF 9 445 million, up 12.1% from CHF 8 428 million in the previous year. This corresponds to an increase of 10.9% in local currencies. The consolidated order backlog at end-2005 rose 34.4% versus the previous year to CHF 5 005 million (22.5% in local currencies) and included notable major orders.

Personnel numbers

Personnel increased by 942 employees or 2.4% to 40 385 employees compared to end-2004. The number of personnel in the elevators and escalators business rose by 921, due primarily to acquisitions. Personnel at ALSO increased by a total of 21 employees.

Strong growth in the elevators and escalators business

Orders received rose by 13.8% to CHF 7 447 million, compared to CHF 6 546 million in the previous year. In local currencies, an increase of 12.2% was recorded. All regions contributed to the strong level of orders received. The new installations business generated above-average growth of 21.3%.

Operating revenue grew from CHF 6 404 million to CHF 6 890 million. This corresponds to an increase of 7.6%, or 6.1% in local currencies. Operating profit (EBIT) rose by 24.4% to CHF 632 million. The EBIT margin improved by 1.3 percentage points to 9.2%.

This considerable improvement in results was achieved through pleasing growth and good advances in productivity, although business was negatively affected by various factors.

As a result of fierce competition in both the new installations business and the service segment, it was not possible to adequately offset increased energy and raw materials costs via price rises. Moreover, personnel costs in many countries were impacted once again by salary adjustments exceeding the rate of inflation, which had to be granted due to automatic increases in the standard wage in connection with collective labor agreements.

In addition, unexpected costs were incurred as a result of a 14-week labor dispute involving practically all of the major elevator companies in New York.

On the other hand, the new IFRS rule under which goodwill from acquisitions is no longer amortized had a positive impact of CHF 31 million on operating profit compared to the previous year.

In Europe, Schindler implemented its new IT platform and standardized business processes with which almost 70% of its business volume in Europe is now executed. The remaining companies will change over to the new platform and processes in the course of 2006.

Overall, the elevators and escalators business reported the best ever operating result in the history of the company.

Successful launch of innovative elevator systems

In June, Schindler unveiled seven new elevator systems in Barcelona. The products were launched first in Europe and will be rolled out in other market regions from 2006 onwards. The new offering comprises an entire product portfolio for residential properties and smaller commercial buildings as well as the first standardized line of freight and special elevators. An elevator modernization and replacement program providing customized solutions was introduced at the same time. These new products underscore Schindler's powerful innovative capacity, which it systematically exploits in order to generate increased benefits for clients.

Opening of the world's largest escalator manufacturing plant

In May, Schindler opened the world's largest escalator manufacturing plant, which has an annual production capacity of over 6 000 units, in Shanghai. Escalators are manufactured here using the very latest production method referred to as the Synchronous Production System. The new Schindler 9300 Advanced Edition escalator, which was unveiled in 2004, gained global recognition in the market during the reporting year. This success contributed significantly to the further expansion of Schindler's leadership position in the escalators business.

Schindler modified its Suzhou plant, which is now focused exclusively on the production of elevator systems. The new production line entered into operation during the reporting year and will supply the entire Asia region.

EU antitrust investigations

As already communicated on several occasions over the last two years, the European Commission launched proceedings against various companies in the European elevator industry – including individual subsidiaries of the Schindler Group – in January 2004. On October 11, 2005, the companies concerned were presented with the Statements of Objections, which contain the findings of the investigations by the European Commission and state that infringements had occurred in a small number of EU countries in the past. However, no indications of pan-European collusion were found. The proceedings will continue after the companies have provided their response to the Statements of Objectives in the first quarter of 2006, as required. No specific sanctions have been imposed by the European Commission to date. The Commission will decide on this matter when it reaches its final judgment. As it is not possible to produce a reliable estimate of the financial implications of the proceedings at this point in time, no provisions were recorded in the reporting year. Schindler is continuing to cooperate fully with the European Commission and will provide the public with further information once a decision has been reached.

ALSO – difficult market environment

Against the backdrop of a difficult market environment, the ALSO Group – which is active in the IT distribution and logistics services business – succeeded in consolidating its leading market position in Switzerland and gained further market share in Germany. ALSO increased its net sales by 6.9% to CHF 1 980 million (2004: CHF 1 852 million). Operating profit declined by 25.8% to CHF 23 million (2004: CHF 31 million). The decrease was primarily attributable to the strong erosion of prices and fiercer competition, as well as one-time exceptional costs of CHF 3 million. At CHF 17 million, net profit was also down from CHF 21 million in the previous year.

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

Changes in top management

Emmanuel Altmayer, who was formerly responsible for Schindler France, was appointed to the Management Committee and assigned responsibility for the Asia/Pacific region by the Board of Directors. Effective January 1, 2006, he took over from Jürgen Tinggren, who – in his role as a member and Deputy to the President of the Management Committee – will focus on technology and supply management.

The Board of Directors and Dr. Clemens Kolbe, who joined the Group as a member of the Management Committee on January 1, 2005, decided to terminate the employment relationship by mutual consent as of October 18, 2005.

Schindler Holding Ltd.

Dividend

Schindler Holding Ltd. closed the financial year 2005 with a net profit of CHF 177 million (previous year: CHF 133 million). The payment of a dividend of CHF 9.– per registered share and per bearer participation certificate will be proposed to the General Meeting on March 21, 2006.

Repurchase program

The program to repurchase a maximum of 10% of outstanding registered shares and bearer participation certificates, which was announced on February 28, 2002, has been extended to December 31, 2006. No registered shares or bearer participation certificates were repurchased during the reporting year.

Changes in the Board of Directors

Prof. Dr. Dr. h.c. mult. Rolf Dubs, who had been a member of the Board of Directors since 1989, retired from the Board at the General Meeting 2005 upon reaching the statutory age limit. The Board of Directors would like to thank him for his many years of support in the management of the company. He made a significant contribution to the formulation and implementation of strategy through his powers of judgment and insight.

Prof. Dr. Pius Baschera was appointed a new member of the Board of Directors for a term of three years. Prof. Dr. Pius Baschera is president of the Management Committee of Hilti Corporation, Schaan, Principality of Liechtenstein.

Outlook

Elevators and escalators

Global economic growth is likely to continue in 2006. There is uncertainty regarding the development of interest rates. A sharp rise in interest rates could lead to a price correction in the overheated real estate markets. In view of the ongoing fierce competition, it may remain difficult to offset inflation-related cost increases through price rises.

Continued and intensive measures to enhance productivity and reduce prices will therefore be essential. Schindler will further advance its efforts to reduce manufacturing depth by expanding its cooperation with strategic partners for the development and production of high-quality and cost-efficient components. In addition to these measures, the new product lines that will be launched in further markets in 2006, as well as the large order backlog, should lead to a further improvement in results.

ALSO

The IT market in Switzerland and Germany will not achieve any significant growth in value in the coming years. Both the erosion of prices and the difficult competitive situation are likely to continue in 2006. Thanks to the newly developed consumer electronics, high-end storage, IT consumables and logistics services businesses, ALSO has considerable growth potential in the field of distribution. It is therefore confident that it will be able to increase its sales and improve its result.

Group

Based on this assessment, and excluding any unforeseeable events, it is anticipated that Schindler will report significantly better net profit for the financial year 2006.

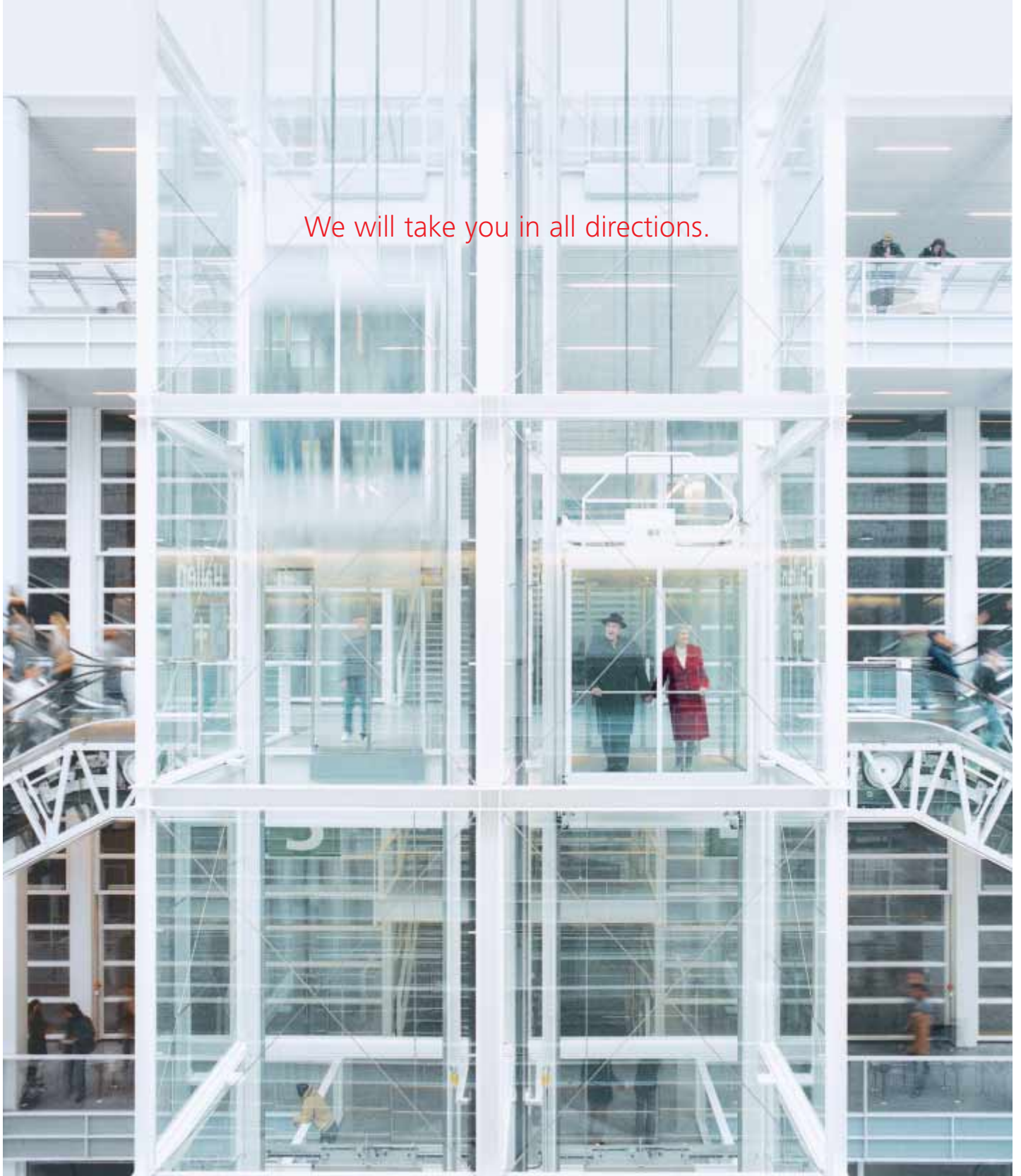
Thank you

Schindler's workforce of approximately 40 000 employees delivered an excellent performance last year. The Group's achievements in 2005 would not have been possible without the considerable commitment of its staff in all areas and at all levels of the company. The Board of Directors and the Management Committee would like to express their thanks to all employees for their efforts, as well as to all of Schindler's clients for their long-standing loyalty.

Alfred N. Schindler
Chairman of the Board
of Directors

Luc Bonnard
Vice Chairman of the Board
of Directors

Elevators & Escalators



General market trends

Europe

The majority of countries in Western Europe displayed positive economic growth. The residential construction segment experienced volume growth while, at the same time, encountering severe pricing pressure. The over-capacities of office space were still not absorbed by the market, and the high-rise segment suffered from a lack of large-scale projects.

North, Central, and South America

Broad-based economic growth in the US fuelled an increase in commercial construction, while vacancy rates for office space declined. In Brazil, high interest rates dampened growth in the elevator segment, while the already strong markets in Mexico and Chile continued to expand.

Asia/Pacific

The countries in this region continued to achieve good growth, led by China. This rapid economic development resulted in increased levels of construction activity in most Asian countries. The exceptional growth in China was driven by large commercial construction projects and by residential construction, as well as by government-led infrastructure projects such as airports and subways.

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

Countries in Eastern Europe benefited from strong foreign investment, which resulted in sustained growth in the residential and commercial segments. Russia, India and the Gulf region grew at a fast pace, while markets such as Israel, Egypt and Morocco stagnated. In South Africa, good growth was supported primarily by the residential segment and the modernization business.

Strong sales fuelled by sustained economic growth

Europe

Innovative new product lines

The highlight of the reporting year was the renewal of the entire product portfolio. In June 2005, Schindler launched not only the new passenger elevators Schindler 3300 and Schindler 5300 for residential and smaller commercial buildings but also the Schindler 6200 elevator modernization and replacement program. At the same time, Schindler unveiled the first standardized line of freight and special elevators, Schindler 2400, Schindler 2500, and Schindler 2600. These innovative products will provide Schindler with new competitive advantages.

Schindler participated successfully in the expansion of the residential segment with the Schindler Smart elevator and the new Schindler 3300 – thus maintaining its market position and consolidating its cost leadership.

In the fiercely competitive commercial segment, Schindler defended its good position in the high-end business in particular with the Schindler EuroLift.

The increased levels of demand in the elevator modernization business are driven mainly by the new EU Safety Norm for Existing Lifts (SNEL). Once this directive is incorporated into local legislation in the individual member states, all elevators that do not fulfill these standards will have to be upgraded. Although the member states are taking longer to implement the legislation than expected, the demand for elevator modernization solutions is growing rapidly. The new Schindler 6200 modernization program is targeted specifically at the needs of this market and allows for the customized modernization of elevators without cost-intensive modifications to the buildings concerned.

Standardized business processes

The transition to a standardized IT platform and the implementation of standardized business processes based on best demonstrated practices was successfully completed in the larger European subsidiaries. They have thus made a positive contribution to the enhancement of productivity.

North, Central, and South America

In North America, Schindler increased its market share in the hydraulic elevator business – the largest segment of the elevator market – in terms of both volume and value and maintained its position as market leader in the escalator business. Moreover, as a result of the increased market penetration of the hall call destination system Miconic 10, Schindler advanced its position in the modernization business.

To support its growth in the service segment, Schindler also acquired four medium-sized service companies.

Modernized escalator production in Clinton

Schindler celebrated the 15th anniversary of its escalator manufacturing plant in Clinton, North Carolina, USA, in 2005. The Synchronous Production System was recently implemented at the plant to optimize the escalator assembly process. This groundbreaking technology, as well as the launch of the new Schindler 9300 Advanced Edition, strengthened Schindler's leadership position in the escalator business.

Commitment to the environment

All manufacturing plants in the US, the Center for Modernization and Logistics in Ohio and the R&D facilities and headquarters in New Jersey obtained ISO 14001 certification for their environmental management systems, reflecting Schindler's commitment to conducting its operations in an environmentally friendly manner. Schindler also received recognition from Lloyd's Register for 15 years of continuous ISO 9001 certification.

Leadership in Latin America

Schindler maintained its good position in the residential segment and strengthened its position in the commercial segment with the highly functional and competitive Schindler 300 L elevator. The hall call destination system Miconic 10 became the benchmark for sophisticated vertical transportation systems, while Schindler's strong position in the escalator segment was enhanced by the launch of the Schindler 9300 Advanced Edition. Moreover, its new products for the highly competitive service segment helped Schindler to grow its customer base and enhance customer satisfaction.

Asia/Pacific

Gains in market share

Schindler achieved another excellent reporting year in Asia/Pacific, reflecting the favorable market environment. Sales grew more rapidly than the market, thus strengthening Schindler's position in the region. Its success was particularly evident in China, Hong Kong, Malaysia, Vietnam, and Indonesia. Moreover, Schindler secured several large projects in Macau, thus creating a good basis for its future growth. In South Korea, sales of high-rise elevators and escalators grew markedly despite the general market slowdown.

Competitive products and services

The new products for residential and commercial buildings introduced over recent years made a significant contribution to Schindler's success.

In response to increased business volumes, a new production line for elevators was put into operation in Suzhou, China, at the end of 2005. This manufacturing plant, which is equipped with state-of-the-art technology, will supply the Asia region with high-quality products at competitive prices.

Schindler succeeded in further expanding its strong position in the high-rise segment as a result of a large number of landmark projects involving the Schindler 700 high-rise elevator in combination with the Miconic 10 hall call destination system and the Schindler ID access control system. Schindler's competitiveness in this segment was also further enhanced by the optimization of sourcing and logistics processes.

Schindler consolidated its leading position in the escalator industry through the launch of the new Schindler 9300 Advanced Edition and the opening of the world's largest escalator manufacturing plant in Shanghai, China, with an annual production capacity of over 6 000 units. The new product offers greater choice in terms of its design and features and can also be installed more rapidly.

Expansion in Japan

Schindler acquired the Japanese elevator company Mercury Ascensore, a leading independent elevator and escalator maintenance provider. This acquisition will enable Schindler to substantially increase the network density of its maintenance portfolio.

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

Against a backdrop of strong growth and sustained pricing pressure, Schindler strengthened its position in these markets in the reporting year and expanded its business through organic growth as well as acquisitions. The new logistics and service concept also contributed to its success.

Expansion in new growth markets

In Eastern Europe, Schindler successfully launched the new Schindler 3300 and Schindler 5300 passenger elevators for residential and smaller commercial buildings as well as the new Schindler 6200 modernization program. Overall, orders for new installations rose substantially. Schindler also expanded its leading position in the Czech market through the acquisition of the largest local provider, Eletec.

In Russia, the launch of the Schindler 700 high-rise elevator in Moscow represented an important milestone. Moreover, Schindler underlined its commitment to Russia by donating all of the elevators for Prof. Roshal's new pediatric hospital in Moscow. Schindler also introduced a scholarship program for students at the Bauman Moscow State Technical University.

In India, the increase in sales in the residential and commercial segments exceeded the already considerable level of market growth. Overall, Schindler strengthened its position in the elevator and escalator business.

In the Gulf region, Schindler secured a whole series of major orders for high-rise elevators. In particular, this included an order for 88 elevators and 148 escalators for the Dubai Mall – a new shopping center in Dubai. To further strengthen its market position in the Gulf, Schindler entered into a joint venture in Bahrain and also opened its own representative office in Dubai to service the entire region.

Outlook – Schindler is well positioned for future growth

Europe

In some countries within Western Europe, there are signs of a slowdown in the residential segment, while the commercial segment is expected to recover slowly. Strong pricing pressure is likely to continue or even increase. As a result of improved business and logistics processes, as well as the roll-out of new products, Schindler is well positioned to offer competitive solutions to customers.

North, Central, and South America

The North American economy is expected to continue on its growth path – albeit at a slightly reduced level – thus allowing for the stable development of the construction industry, with variations between individual building segments. Latin America should achieve sustained growth. There is a clear trend in this region towards high-rise construction to meet demand in the residential segment. Schindler is confident that with its needs-oriented products and services, it will succeed in further strengthening and expanding its position in these markets.

Asia/Pacific

With new production lines at its plants in Shanghai and Suzhou, as well as improved processes and new offerings, Schindler is well positioned to achieve strong growth in the coming years. The introduction of the new passenger elevators Schindler 3300 and Schindler 5300 in 2006 – combined with favorable market conditions in most countries – should allow Schindler to further expand its position in the Asia/Pacific region.

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

Schindler expects to see excellent growth opportunities in the EMIA region going forward. With its own subsidiaries in the principal markets, its state-of-the-art products and its increased presence, Schindler is well positioned to capture the growth opportunities that arise.

A quantum leap with innovative new elevator systems

Schindler launched a larger number of innovative solutions in the reporting year than ever before. In addition to renewing its entire product portfolio for residential and smaller commercial buildings, Schindler simultaneously launched the first standardized line of freight and special elevators, as well as an elevator modernization and replacement program.

These new products – which combine a high degree of reliability and tasteful design – underscore Schindler's powerful innovative capacity and its ability to develop mobility solutions that are both affordable and of high quality. They were launched first in Europe and will be rolled out in other markets in the coming years. These new elevator systems will provide Schindler with a key advantage in the fiercely competitive elevator industry.

New and spacious passenger elevators

The newly launched passenger elevators – the Schindler 3100, Schindler 3300, and Schindler 5300 – have particularly spacious cars, offer virtual silence when moving and stopping, and feature an automatic evacuation system. In addition, customers can choose between various attractive modern designs.

Increased customer benefits: more space, more comfort

Thanks to the innovative traction belts that replace the conventional steel cables, a smaller, space-saving drive can be used. This enables the dimensions of the elevator shaft to be used more effectively, thus allowing for a larger car that can transport up to five extra passengers. In addition, the compact control unit is installed directly in the standard elevator doorframes rather than in a control cabinet that would require additional space.

Increased safety

Reflecting Schindler's commitment to high standards of safety and comfort, an automatic evacuation system has been included as a standard feature in the new elevators for the first time. In the event of a power failure, the elevator transports passengers safely to the next floor and the elevator doors open.

New freight and special elevators: flexible, reliable, and durable

Schindler has launched the first standardized line of elevators in the freight and special elevators market segment that can also operate without a machine room: Schindler 2400, Schindler 2500, and Schindler 2600. This range replaces local product lines in Europe. The Schindler 2400 is designed as a service elevator for the transportation of people and goods in public and private buildings. The Schindler 2500 is geared specifically towards the transportation of beds and patients in hospitals and nursing homes. Meanwhile, the extremely robust Schindler 2600 freight elevator is capable of moving goods weighing up to 6.3 tons in warehouses and industrial premises.

The Group's Research & Development unit has a global network of research and development centers which are able to combine the economies of scale and volume of global products with the optimal fulfillment of regional requirements. As a result of this approach, it has been possible to achieve better market coverage while reducing the number of product lines in use worldwide – thus bringing the Group closer to its objective of cost leadership.

In addition, the use of multi-functional, global development teams enables the development costs themselves to be reduced. Development activities also focus on exhausting innovation potential since market-relevant innovations ensure the long-term competitiveness of the Group.

Research and development expenses of CHF 110 million (previous year: CHF 114 million) were reported in the Group financial statements.

Access control and traffic management

The elevators can be fitted with the hall call destination system Miconic 10 if required by the customer. In combination with the Schindler ID access control system, customers can define access authorizations for each floor, specify trip priorities and optimize traffic management.

Environmentally friendly

Customers are able to choose between two different systems: the traction elevator and the hydraulic elevator. Both systems display very good energy consumption values. Hydraulic elevators feature a unique drive system that drastically reduces energy consumption in comparison with a conventional hydraulic aggregate.

A new modernization and replacement program for customized solutions

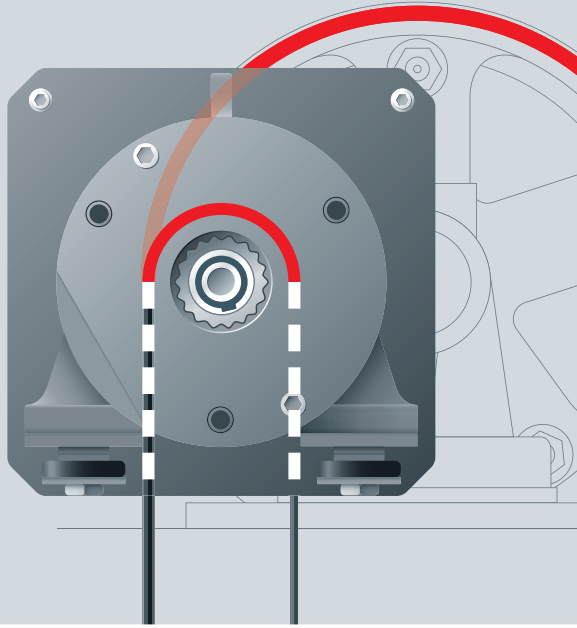
The EU has introduced a new safety directive for existing elevator installations (SNEL). Once this directive is incorporated into local legislation in the individual member states, any elevators that do not fulfill these standards will have to be upgraded. This is leading to a rapid increase in the demand for elevator modernization solutions. With the new Schindler 6200 product line, customers have the option of renewing individual components or replacing the entire installation. This technical solution ensures that the elevator system with the largest possible car can be adapted to the existing interfaces in the building to the nearest millimeter.

As a result, modifications to the existing elevator shaft are not usually necessary, thus saving the customer expensive reconstruction costs. Moreover, the program enables the modernization of the elevator to be completed more rapidly, while going almost unnoticed by residents.

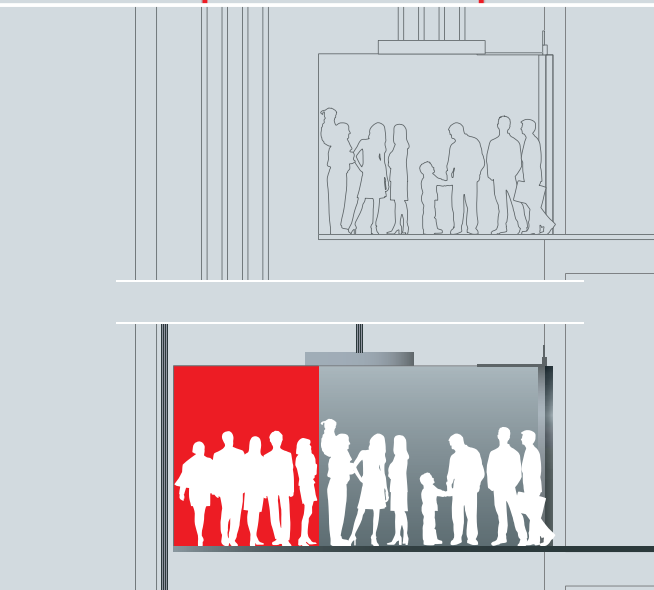
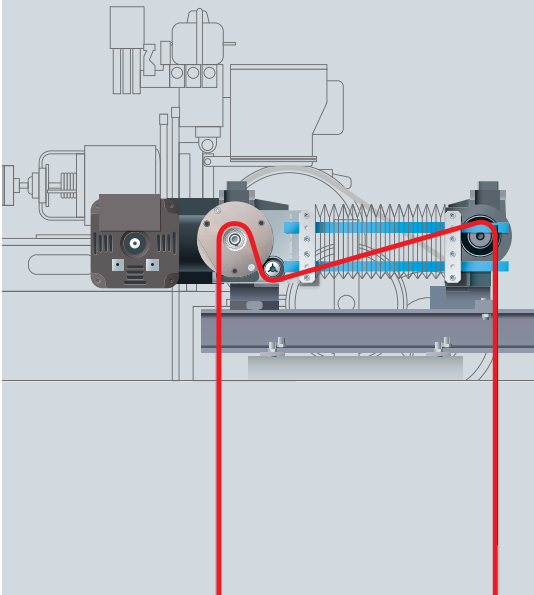
Flexible technology

Due to its gearless technology, the small and lightweight high-performance drive is more efficient than conventional drives. Moreover, the drive can be used in an installation with or without a machine room. It is constructed in a way that allows it to be positioned with maximum flexibility and adjusted in accordance with the dimensions of the elevator shaft. It is also more environmentally friendly due to the fact that no oil is required for the transmission.

Use of a smaller, space-saving drive thanks to flexible traction belts



Adaptations to the nearest millimeter in line with the dimensions of the existing shaft



Better use of the shaft, thus increasing the transportation capacity

"Advanced mobility" was the motto of the launch event in Barcelona



The guests experienced the seven new elevator systems live



Exhibit from the new product line of standardized freight and special elevators

Important orders

Elevators & Escalators

Europe

Austria	City Center Stadion shopping mall, Vienna	7 Schindler 5400 elevators, 8 Schindler 2600 elevators, 10 Schindler 9300 escalators, and 2 Schindler 9500 moving walks
	Leiner Mariahilf shopping mall, Vienna	11 Schindler 9300 escalators
	Mirimi health center, St. Pölten	11 Schindler 5400 elevators
	Wiener Wohnen residential buildings, Vienna	Modernization of 103 elevators, including 7 Schindler 6200
Belgium	Finance Tower office building, Brussels	24 elevators, including 15 Schindler 700, 5 Schindler EuroLift, and 2 Schindler 2600, as well as 3 Schindler 9300 AE escalators
	U.Z. Gasthuisberg hospital, Leuven	47 elevators
	AXA office building, Brussels	18 Schindler EuroLift elevators with Miconic 10
France	Toulouse metro system (line B)	73 elevators, including 63 Schindler 5400
	Cambon Capucine office building, Paris	31 elevators, including 24 Schindler 5400, partly with Miconic 10
	Vesoul hospital, Vesoul	19 elevators, including 12 Schindler 5400/3400 and 5 Schindler 2500
	Vista Tower office building, Paris	Modernization of 9 elevators, including 6 Schindler 700 and 2 Schindler 5400
Germany	Deutsche Bahn in various cities	55 Schindler 9700 escalators
	Siemens Wohnungsbaugesellschaft residential buildings, Erlangen	63 Schindler 3300 elevators
	Mövenpick Hotel Wasserturm Sternschanze, Hamburg	8 elevators, including 3 Schindler 5400, 2 Schindler 5300, and 1 Schindler 2600, as well as 2 Schindler 9500 moving walks
	Südermarkt Passage shopping mall, Flensburg	11 elevators, including 3 Schindler 2400, 5 Schindler 2600, and 3 Schindler 5400, as well as 14 escalators
	Hypovereinsbank office building, Munich	Modernization of 8 Schindler 700 elevators
Greece	Ethniki Asfalistikí (National Insurance) office building, Athens	17 Schindler EuroLift elevators and 4 hydraulic elevators with Miconic 10 and Lobby Vision
	Yen (Ministry of Commercial Shipping) office building, Athens	10 elevators, including 7 Schindler EuroLift
	Aktor (construction company) office building, Athens	6 Schindler EuroLift elevators
Iceland	IKEA store, Gardabaer	2 Schindler 2400 elevators, 2 Schindler 2600 elevators, and 1 Schindler 9300 escalator
	Dalshraun 1 office building, Hafnarfjörður	2 Schindler EuroLift elevators
Ireland	Allied Irish Bank, Dublin	9 elevators
	Riverside IV office development, Dublin	14 Schindler EuroLift elevators
Italy	5 cruise ships built by Fincantieri	152 elevators and 26 Schindler 9300 escalators
	Latina Towers residential buildings, Latina-Rome	9 Schindler 700 elevators
	Airone shopping mall, Alexandria-Turin	12 elevators, including 9 Schindler EuroLift, 1 Schindler 2600 and 1 Schindler 5300, as well as 4 Schindler 9500 moving walks and 4 Schindler 9300 AE escalators
	Grand Hotel Molino Stucky, Isola della Giudecca-Venice	20 Schindler EuroLift elevators and 1 Schindler 5300 elevator
	Hachette Rusconi Spa office building, Milan	Modernization of 7 elevators with Miconic TX

Europe

Malta	Cruise liner terminal, Valletta waterfront	3 Schindler 9300 escalators and 2 Schindler 3300 elevators
Netherlands	Vivaldi office building, Amsterdam	10 elevators, including 3 Schindler 500, 3 Schindler 700, and 4 Schindler EuroLift
	Spuimarkt complex, cinema and restaurants, The Hague	17 Schindler 9300 escalators and 6 elevators
	De Meent shopping mall, Papendrecht	12 Schindler EuroLift elevators, 4 Schindler 9300 escalators, and 2 Schindler 9500 moving walks
	Piet van Dommelenhuis office building, Utrecht	Modernization of 6 elevators with Miconic 10
Norway	St. Olav hospital, Trondheim	18 Schindler 2500 elevators
Portugal	Funchal Centrum shopping mall and residential building, Madeira	23 Schindler EuroLift elevators, 6 Schindler 9500 moving walks and 4 Schindler 9300 escalators
	Jardins do Mondego residential buildings, Coimbra	45 Schindler 3300 elevators
Spain	Torre Sacyr Vallehermoso, office building and hotel, Madrid	25 elevators, including 19 Schindler 700 and 6 Schindler EuroLift, as well as 6 Schindler 9300 AE escalators
	Hotel Habitat Sky, Barcelona	13 elevators, including 6 Schindler 700, 6 Schindler EuroLift, and 1 hydraulic platform
	Ramón y Cajal hospital, Madrid	Modernization of 3 elevators
Sweden	Vällingby Centrum shopping mall, Stockholm	10 Schindler 9300 escalators
	KV Kryssningen residential building, Stockholm	8 Schindler EuroLift elevators
Switzerland	Philip Morris International office building, Lausanne	15 elevators, including 12 Schindler EuroLift and 1 Schindler 3300, as well as 14 Schindler 9300 escalators
	La Maladière shopping mall, Neuchâtel	9 elevators, including 5 Schindler EuroLift, as well as 4 Schindler 9300 escalators
	Migros Limmatplatz shopping mall, Zurich	Modernization of 10 elevators with Schindler ID
	Kantonsspital hospital, Aarau	Modernization of 8 elevators
	Les Retraites Populaires (CPEV, CIP, PR Vie), various residential buildings, Lausanne	Modernization of 75 elevators
United Kingdom	High Wycombe Town Center Redevelopment, shopping mall, High Wycombe	23 elevators and 4 Schindler 9300 escalators
	Hardman Square office development, Manchester	14 elevators
	Sheraton Park Hotel, London	Modernization of 3 elevators with Schindler ID
	Adelaide House office building, London	Modernization of 4 elevators with Schindler ID

UNA Hotel Malpensa; Cerro Maggiore, Italy



BI Campus, School of Management; Oslo, Norway



Mondrian office building; Brussels, Belgium

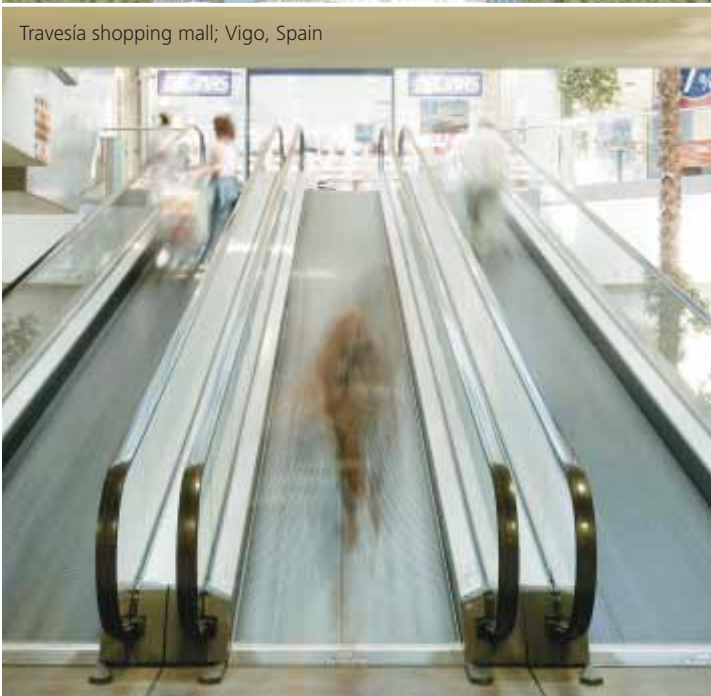
Torre Espacio; Madrid, Spain



Business School; Copenhagen, Denmark



Travesía shopping mall; Vigo, Spain



Ethniki Asfalistikí office building; Athens, Greece



North, Central, and South America

USA	Macy's department stores at various locations	Maintenance contract for 267 elevators
California	333 Market Street office building, San Francisco	Modernization of 15 elevators with Miconic TX, including 12 elevators with Schindler ID and 1 elevator with Miconic HXpress
	101 West Broadway office building, San Diego	Modernization of 8 elevators with Miconic TX
Florida	Bellago Condominium Complex residential building, Cape Coral	48 Schindler 330 A elevators
Georgia	Turner Properties buildings, including a hotel, stadium, television studio, and office buildings, Atlanta	Maintenance contract for 67 elevators and 17 escalators
Illinois	Chicago Board of Trade office building, Chicago	Modernization of 23 elevators with Miconic TX
	Hollywood Towers office building, Chicago	Modernization of 8 elevators
	Leo Burnett office building, Chicago	Maintenance contract for 28 elevators
Michigan	Guardian office building, Detroit	Modernization of 6 elevators
	Hurley Hospital, Flint	Maintenance contract for 30 elevators
Minnesota	3M office building, St. Paul	Maintenance contract for 99 elevators and 30 escalators
Nevada	World Market Center shopping mall, Las Vegas	9 Schindler 500 A elevators and 32 Schindler 9300 AE escalators
	Clark County office building and other county facilities, Las Vegas	Maintenance contract for 44 elevators and 4 escalators
New York	Bank of America Tower at One Bryant Park office building, New York	52 elevators, including 35 Schindler 700 elevators with Schindler ID and 6 Schindler 500 A elevators with Schindler ID, 3 geared service elevators, 8 hydraulic elevators, and 3 Schindler 9300 AE escalators
	Citicorp office building, New York	Modernization of 28 elevators with Miconic TX
	315 Park Avenue South office building, New York	Modernization of 10 elevators with Miconic 10
	Lefrak Organization office building, Queens	Modernization of 12 elevators with Miconic TX
	Associated Press office building, 50 Rockefeller Plaza, New York	Modernization of 8 elevators with Miconic TX
	Eastman Kodak office building, Rochester	Maintenance contract for 260 elevators
	Times Square Tower office building, New York	Maintenance contract for 26 Schindler 500 A elevators with Miconic 10
North Carolina	Progress Energy office building, Raleigh	Modernization of 10 elevators with Miconic TX
Ohio	Kettering Tower office building, Dayton	Maintenance contract for 15 elevators
Pennsylvania	USX Tower office building, Pittsburgh	Maintenance contract for 54 elevators and 11 escalators
Virginia	7799 Leesburg Pike office building, Falls Church	Modernization of 10 elevators with Miconic TX
	International Place office building, Arlington	Modernization of 6 elevators with Miconic TX
Washington	JW Marriott Hotel, Washington DC	Modernization of 6 elevators with Miconic 10
	1800 M Street office building, Washington DC	Modernization of 12 elevators with Miconic TX
	Judiciary Plaza office building, Washington DC	Modernization of 10 elevators with Miconic TX

North, Central, and South America

Canada	Canadian Tire/Best Buy shopping mall, Vancouver	5 Schindler 330 A elevators, 2 Schindler 9300 escalators, and 2 Schindler 9500 moving walks
	Eaton Center shopping mall, Toronto	11 Schindler 9300 escalators
	Rideau Center shopping mall, Ottawa	11 Schindler 9300 escalators
	Village by the Grange residential buildings, Toronto	Modernization of 16 elevators
	O.I.S.E./University of Toronto	Modernization of 6 elevators
Argentina	Torres Mirabilia residential building, Palermo Hollywood, Buenos Aires	10 Schindler 700 elevators
	Torres del Mirador residential building, Puerto Madero, Buenos Aires	10 elevators, including 8 Schindler 310 L elevators
	Swiss Medical hospital, Palermo Hollywood, Buenos Aires	11 elevators
	Le Parc and Le Monde office and residential buildings, Rio de Janeiro	67 Schindler Smart MRL 002 L elevators and 30 Schindler 300 L elevators
Brazil	Instituto Luso Brasileiro de Educação e Cultura, São Paulo	27 Schindler 9300 escalators and 5 Schindler 300 L elevators
	Companhia Paulista de Obras e Serviços government building, São Paulo	Modernization of 21 elevators
	Tribunal Regional Federal government building, São Paulo	Modernization of 8 Schindler 500 L elevators
	Chile	Corpgroup office building, Las Condes
CCU office building, Las Condes		8 elevators with Miconic 10
Mistral office building, Las Condes		6 elevators with Miconic 10
Codelco Chile office building, Santiago		Modernization of 4 elevators with Miconic 10
Araucano office building, Las Condes		8 elevators with Miconic 10
Mexico	Parque Lindavista shopping mall, Mexico City	8 Schindler EuroLift elevators and 22 Schindler 9300 escalators
	Sunrise Hotel, Riviera Maya	14 Schindler Smart MRL 002 elevators and 4 Schindler 330 A elevators
	Palacio de Justicia office building, Puebla	11 Schindler 700 elevators with Miconic 10 and 1 Schindler EuroLift elevator
	Woolworth Stores shopping malls in several cities	21 Schindler 9300 escalators
	Wal-Mart shopping malls in several cities	8 Schindler 9500 moving walks
Venezuela	Tren a Los Valles del Tuy railroad, Caracas	17 Schindler EuroLift elevators and 10 Schindler 9700 escalators
	Caracas Modernization project, Caracas	52 Schindler 9700 escalators
	Orinokia Mall shopping mall, Puerto Ordaz	4 Schindler 510 L elevators and 4 Schindler 9300 escalators
	Maracaibo metro system, Maracaibo	12 Schindler 9300 escalators
	Cardiológico Infantil hospital, Caracas	8 Schindler 510 L elevators



HSBC Tower office building;
Mexico City, Mexico



Alta Vila Center Class shopping mall;
Belo Horizonte/MG, Brazil



Reliant football stadium; Houston, Texas, USA



Asia/Pacific

Australia	Parramatta Rail Link railroad infrastructure, Sydney	37 Schindler 9300 escalators and 5 Schindler 9700 escalators
	Perth Law Courts, Perth	14 elevators, including 10 Schindler 300 P and 4 hydraulic elevators
	Waterpoint, Stages 4&5, residential building, Sydney	9 Schindler 300 P MRL elevators and 2 hydraulic elevators
China	Xiamen MingFa commercial building, Xiamen	83 Schindler 9300 escalators
	Pazhou Shangri-La Hotel, Guangzhou	19 elevators, including 12 Schindler 700, 5 Schindler 300 PCL, 1 Schindler 300 P MRL, and 1 Schindler 80 L, as well as 4 Schindler 9300 escalators
	Nanjing International Plaza office building and shopping mall, Nanjing	14 Schindler 700 elevators
	Plaza 66, Phase 2, shopping mall and office building, Shanghai	23 Schindler 700 elevators
	Chemsunny Plaza office building, Beijing	36 elevators, including 26 Schindler 700, 4 Schindler 300 P MRL, and 6 Schindler 300 PGL, as well as 4 Schindler 9300 AE escalators
	Danang business center and shopping mall, Shanghai	50 elevators, including 28 Schindler 300 P MRL, 7 Schindler 300 PCL, 12 Schindler 300 P MMR, and 3 Schindler 80 L, as well as 46 Schindler 9300 escalators and 12 Schindler 9500 moving walks
	Laiyang Sunshine City residential buildings, Shandong	64 Schindler Elegant MRL elevators
Hong Kong	Union Square, International Commerce Center	83 elevators, including 53 Schindler 700 elevators with Miconic 10, of which 40 are double-deck elevators, as well as 41 Schindler 9300 escalators
	Enterprise Square Five office building	48 Schindler 9300 escalators, 4 Schindler 9700 escalators, 2 Schindler 9500 moving walks, and 2 elevators
	Tiu Keng Leng Station Development residential buildings	25 elevators, including 8 Schindler 700 and 12 Schindler 500 P
	NKIL Wang Tai Road office building	4 Schindler 9300 escalators and 16 elevators, including 12 Schindler 700, 2 Schindler 500 P, and 2 Schindler 300
	Ocean Centre retail area	18 Schindler 9300 escalators
Indonesia	Senayan City shopping mall, hotel, office and residential building, Jakarta	69 Schindler 9300 escalators and 28 elevators, including 8 Schindler 500 P, 19 Schindler 300 P, and 1 Schindler 300 P MRL
	Grand Indonesia shopping mall, Jakarta	156 Schindler 9300 escalators
	BSD Junction – Serpong shopping mall, Tangerang	26 Schindler 9300 escalators and 1 Schindler 80 elevator
	Plaza Ambarrukmo shopping mall, Yogyakarta	20 Schindler 9300 escalators, 6 Schindler 9500 moving walks, and 7 Schindler 300 P elevators
	Serpong Town Square shopping mall, residential buildings and office park, Tangerang	14 elevators, including 4 Schindler Elegant MRL, 8 Schindler 300 P, and 2 Schindler 800, as well as 20 Schindler 9300 escalators, and 4 Schindler 9500 moving walks
Japan	13 stations on the Nippori Toneri line, Tokyo	65 Schindler 9300 escalators
	Kumamoto University Hospital, Kumamoto	8 elevators, including 6 Schindler 300 J MRL, as well as 2 Schindler 9300 escalators
	Midori Higashi-Osaka shopping mall, Osaka	9 Schindler 9500 moving walks
Korea	Korea National Housing Corporation APT residential buildings, Euiwang	179 Schindler 250 K elevators
	Various Lotte Mart hypermarkets, nationwide	83 Schindler 9500 moving walks, 2 Schindler 9300 escalators, and 25 Schindler 250 K elevators
	Homeplus shopping mall, Kimje	30 Schindler 9500 moving walks and 9 Schindler 250 K elevators
	Daewoo Construction high-rise commercial building, Seoul	10 Schindler 700 elevators and 2 Schindler 9300 escalators
	Hanil Uni residential buildings, Busan	9 Schindler 700 elevators and 11 Schindler 250 K elevators

Asia/Pacific

Macau	Venetian Hotel	74 elevators, including 35 Schindler 300 P, as well as 42 Schindler 9300 escalators
	Grand Lisboa Hotel and Casino	44 Schindler 9300 escalators and 41 elevators, including 20 Schindler 300 P MRL, 6 Schindler 500 P and 6 Schindler 700
	Nova Taipa Gardens residential buildings, Phase II	22 Schindler 300 P elevators
Malaysia	KL Pavilion complex including a hotel, offices, and apartments, Kuala Lumpur, Peninsular Malaysia	102 Schindler 9300 escalators and 72 elevators, including 47 Schindler 300 P, 2 Schindler 300 P MRL, and 23 Schindler 500 P
	Shin Yang shopping mall, Kuching, East Malaysia	18 Schindler 9300 escalators and 3 elevators
	M Resources office building, Kuala Lumpur, Peninsular Malaysia	15 elevators, including 5 Schindler 500 P and 3 Schindler 300 P MRL
	Capital Retail office building, Kuala Lumpur, Peninsular Malaysia	12 Schindler 300 P MRL elevators and 12 Schindler 9300 escalators
	Bank Negara office building, Kuala Lumpur, Peninsular Malaysia	23 elevators, including 20 Schindler 300 P MRL and 3 Schindler 9300
New Zealand	Maritime Office Tower office building, Wellington	4 Schindler 500 P elevators with Miconic 10 and Schindler ID
	Precinct Apartments residential building, Auckland	5 elevators, including 3 Schindler 300 P elevators
	Auckland School of Business, Auckland University	8 Schindler 300 P MRL elevators
Philippines	Marquinton Residences residential building, Manila	8 Schindler 300 P MRL elevators
Singapore	Fusionpolis complex including offices, a shopping mall and apartments	38 elevators, including 4 Schindler 300 P, 2 Schindler 300 P MRL, 17 Schindler 500 P, 13 Schindler 700, and 2 Schindler 80, as well as 12 Schindler 9300 escalators and 2 Schindler 9500 moving walks
	Robertson Quay condominium	19 Schindler 300 P MRL elevators
	Bukit Batok Crescent office building	11 elevators, including 5 Schindler 300 P, 2 Schindler 300 P MRL, and 4 Schindler 80
Taiwan	IKEA store, Hsin Chuang	8 Schindler 9300 escalators, 7 Schindler 9500 moving walks, and 14 elevators
	Shi-Pai Motel, Taipei	24 elevators
	Tesco retail store, Taichung	8 elevators and 11 Schindler 9500 moving walks
	IKEA store, Kaohsiung	12 elevators, 6 Schindler 9300 escalators, and 4 Schindler 9500 moving walks
Thailand	IMPACT Challenger exhibition and convention center, Bangkok	11 elevators, including 5 Schindler Elegant MRL, and 2 Schindler 300 P MRL, as well as 14 Schindler 9300 escalators and 2 Schindler 9500 moving walks
	Bank of Thailand office building, Bangkok	16 Schindler 300 P MRL elevators and 2 Schindler 9300 escalators
	HomePro retail store, Hua Hin, Prachuap Khiri Khan	8 elevators, including 5 Schindler Elegant MRL, as well as 14 Schindler 9300 escalators and 4 Schindler 9500 moving walks
Vietnam	Viet Hung Residential & Management Office, office and residential buildings, Hanoi	27 Schindler 300 P MRL elevators
	Ciputra Apartment residential building, Hanoi	19 elevators, including 11 Schindler 300 P and 8 Schindler 300 P MRL
	Sky Garden residential buildings, Ho Chi Minh City	18 Schindler Elegant MRL elevators
	Grand View residential buildings, Ho Chi Minh City	11 Schindler 300 P MRL elevators
	My Duc Apartment residential building, Ho Chi Minh City	30 Schindler 300 P MRL elevators

Aurora office building; Taipei, Taiwan



Central World Tower; Bangkok, Thailand



National Pension Corporation office building;
Busan, South Korea



Poly International Plaza office building;
Guangzhou, China



International Center, side towers;
Nanjing, China



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

Algeria	CNEP Immob residential buildings, Constantine	6 Schindler EuroLift elevators
Croatia	Antunovic shopping mall, Zagreb	6 Schindler EuroLift elevators and 4 Schindler 9300 AE escalators
Czech Republic	Novà Liboc residential buildings, Prague	17 Schindler 3300 elevators
	Several stations in the Prague metro system	12 Schindler 9300 escalators
	Court House Na Micánkách office building, Prague	24 Schindler EuroLift elevators
	Galerie Nové Butovice shopping mall, Prague	7 elevators and 8 Schindler 9500 moving walks
Egypt	American University, Cairo	27 Schindler 300 P MRL elevators
	Borg El Arab football stadium, Alexandria	8 Schindler EuroLift elevators
	Semiramis Hotel, Cairo	2 Schindler 9300 escalators
	Al Ahram Canadian University, Cairo	4 elevators, including 1 Schindler EuroLift
Gulf region	Al Bassam Tower residential building, Dubai	4 Schindler 500 P elevators and 1 Schindler 700 elevator
	Capital Tower hotel and office building, Dubai	12 Schindler 700 elevators and 9 Schindler 500 elevators
	Damas Tower office building, Dubai	10 Schindler 500 P elevators
	Bahrain Financial Harbour office building, Bahrain	12 Schindler 700 elevators and 10 Schindler 500 P elevators
	Al Jazira Tower office building, Abu Dhabi	14 elevators, including 10 Schindler 700 elevators
	Universal Tower office building, Kuwait	4 Schindler 500 P elevators
Hungary	Rákoskeresztúri Piac residential buildings, Budapest	12 Schindler Smart MRL 001 elevators
	Cédrus Lakópark residential buildings, Veszprém	10 Schindler 3300 elevators
	Köbánya Újhegy Lakásszövetkezet residential buildings, Budapest	Modernization of 10 elevators
	Kaposi Mór Kórház Hospital, Kaposvár	Modernization of 9 elevators
India	Delhi Metro Rail Corporation (DMRC), line 3, New Delhi	38 Schindler 9700 escalators
	Patni IT Park commercial building, Mumbai	28 elevators, including 25 Schindler 100 P MRL and 3 Schindler Smart MRL 002
	Greenwoods residential buildings, Mumbai	24 Schindler Smart MRL 002 elevators
	Hotel Sahara Star, Mumbai	Replacement of 13 elevators with 2 Schindler 100 P elevators and 11 Schindler 300 P MRL elevators
Israel	Modisoft Tower residential building, Ramat Gan	4 elevators with Miconic 10
	Tmarim Tower residential building, Ramat Gan	4 elevators with Miconic 10
	Al Towers residential buildings, Tel Aviv	8 elevators with Miconic 10
Kenya	UAP Insurance office building, Nairobi	3 Schindler 300 P MRL elevators with Miconic 10
	Landmark Plaza office building, Nairobi	3 Schindler 300 P MRL elevators with Miconic 10 and 1 Schindler 300 P elevator
Lebanon	Rabah Jaber Group residential building, Beirut	8 elevators, including 6 Schindler Smart MRL 002 DE
Libya	GCC residential buildings, Tripoli	8 Schindler EuroLift elevators
Macedonia	Ramstore shopping mall, Skopje	3 Schindler EuroLift elevators, 6 Schindler 9300 AE escalators and 2 Schindler 9500 moving walks

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

Morocco	Tanger football stadium, Tanger	12 Schindler EuroLift elevators and 10 Schindler 9300 escalators
	Bank el Maghrib office building, Marrakech	6 Schindler EuroLift elevators
	Résidences du Gold residential buildings, Bouznika	28 Schindler Smart 001 elevators
Poland	Arkady Wroclawskie shopping mall, Wroclaw	17 elevators, including 10 Schindler 2600 and 7 Schindler EuroLift, as well as 27 Schindler 9300 escalators and 2 Schindler 9500 moving walks
	Hotel Hilton, Warsaw	11 elevators, including 5 Schindler EuroLift, as well as 2 Schindler 9300 escalators
	Lublin Plaza shopping mall, Lublin	4 Schindler 9500 moving walks, 10 Schindler 9300 escalators, and 4 Schindler EuroLift elevators
	Wislane Ogrody residential buildings, Warsaw	18 Schindler EuroLift elevators
	Cirrus office building, Warsaw	6 Schindler EuroLift elevators
	Eko Park D2 residential buildings, Warsaw	10 Schindler Smart 002 DE elevators
Russia	Ramstore Vernadskogo commercial building, Moscow	20 Schindler EuroLift elevators, 20 Schindler 9300 AE escalators, and 8 Schindler 9500 moving walks
	Strabag Starovolynskaya residential buildings, Moscow	23 Schindler 300 MRL elevators
	Ramstore Sevastopolsky commercial building, Moscow	6 Schindler EuroLift elevators, 8 Schindler 9300 AE escalators, and 4 Schindler 9500 moving walks
	Adamant shopping mall, St. Petersburg	12 Schindler EuroLift elevators
	Opera shopping mall, St. Petersburg	5 elevators, including 4 Schindler EuroLift, as well as 6 Schindler 9300 escalators
Senegal	Cita 1000 office building, Dakar	4 Schindler 300 P MRL elevators and 4 Schindler 9300 escalators
Serbia &		
Montenegro	Belgrade Airport	8 Schindler 9300 AE escalators
Slovakia	City Bratislava Center commercial center, Bratislava	13 elevators, including 6 Schindler 700 and 7 Schindler EuroLift
	Coop Jednota shopping mall, Trnava	6 Schindler 9300 escalators and 2 Schindler Smart MRL 001 elevators
	Rieker shopping mall, Komarno	4 Schindler 9300 escalators, 1 Schindler EuroLift elevator, and 1 Schindler Smart MRL 002 elevator
Slovenia	Ljubljana Fairground commercial building, Ljubljana	6 Schindler 9300 escalators and 2 Schindler Smart 002 DE elevators
	Petrol office building, Ljubljana	Modernization of 4 elevators
South Africa	Standard Bank learning facility, Johannesburg	7 elevators, including 5 Schindler 100 P MRL and 2 Schindler 300 P MRL
	Standard Bank office building, Pretoria	11 elevators, including 6 Schindler 100 P MRL, 4 Schindler 300 P MRL, and 1 wheelchair elevator
	Icon Project office building, Cape Town	8 Schindler 300 P MRL elevators
	Trade Route shopping mall, Johannesburg	4 Schindler 9300 escalators and 2 Schindler 300 P MRL elevators
	South African Reserve Bank office building, Pretoria	Modernization of 16 elevators with Schindler ID and Miconic 10
Turkey	Sun Plaza office building, Istanbul	12 elevators, including 4 Schindler EuroLift elevators with Schindler ID, Miconic 10 and Iris ID system
	Ministry of Forestry office building, Ankara	6 Schindler 300 P elevators
	Sütlüce Kültür Merkezi cultural center, Istanbul	17 elevators, including 8 Schindler 300 P, as well as 2 Schindler 9300 AE escalators

Sun Plaza office building;
Istanbul, Turkey



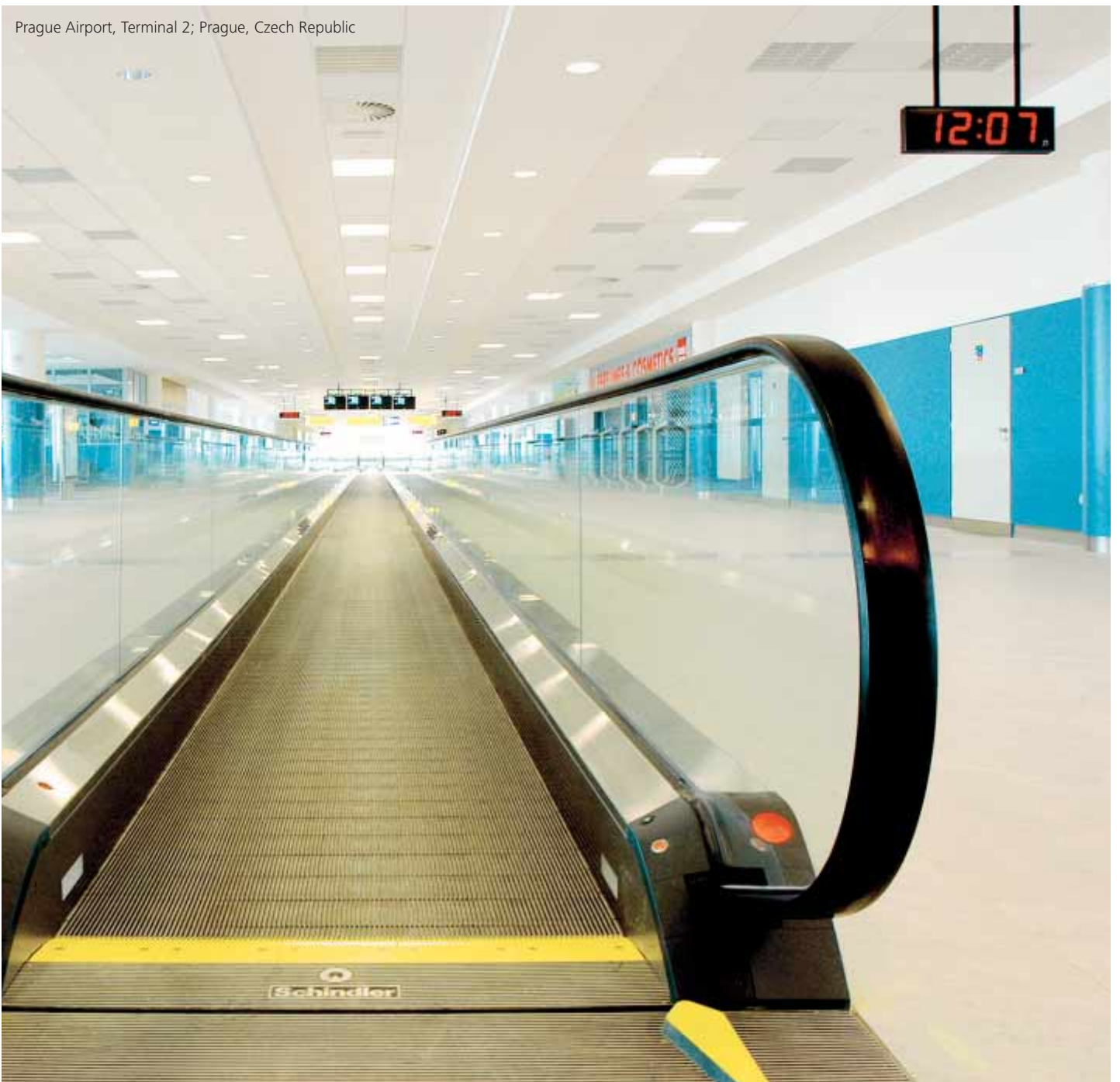
Capital Towers; Dubai, U.A.E.



Jumeirah Beach, 9 buildings in Sector 5/6; Dubai, U.A.E.



Prague Airport, Terminal 2; Prague, Czech Republic

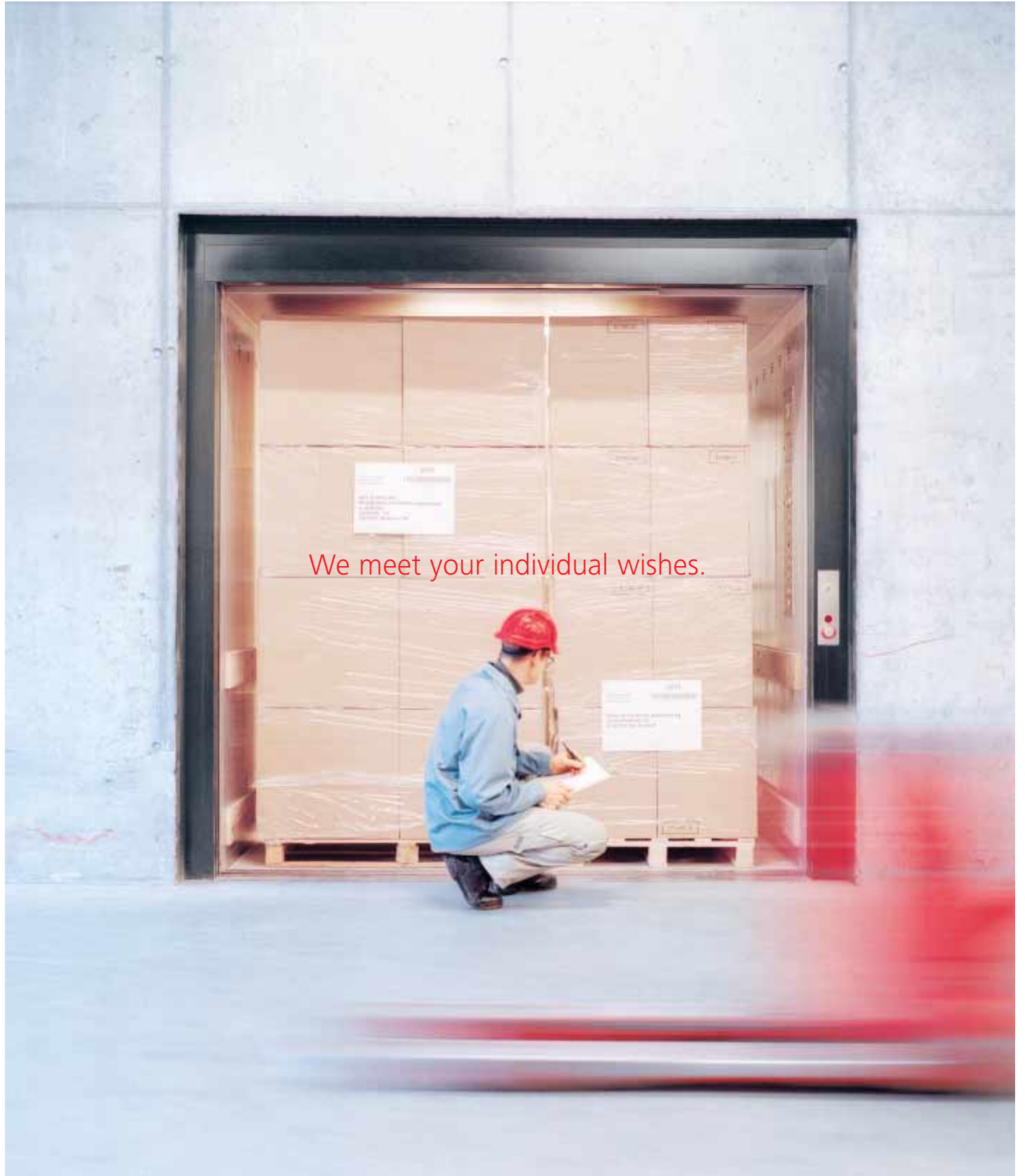


City Stars; Cairo, Egypt



1 2 3
4 5 6
7 8 9
0

ALSO



ALSO strengthens its market position

Difficult market environment

The ALSO Group, which is active in the IT distribution and logistics services business, experienced a difficult year. With the IT markets in Switzerland and Germany currently facing a period of saturation, demand remained subdued throughout the entire year. Volume growth in these markets totaled around 15% in Switzerland and almost 10% in Germany, while the prices of IT products decreased by 15%–25%. This indicates that both the Swiss and the German markets may have declined slightly in terms of value. Following a moderate start in the first quarter, demand stabilized in the second quarter. A slight upturn in the market was apparent from the end of the third quarter and continued until the end of the year. Against this backdrop, ALSO consolidated its leading market position in Switzerland and expanded its market share in Germany.

Net profit down substantially versus the previous year

The ALSO Group increased its unit sales by approximately 8% in the reporting year compared to 2004 and recorded a 6.9% rise in net sales to CHF 1 980 million (2004: CHF 1 852 million). However, operating profit declined 25.8% to CHF 23 million (2004: CHF 31 million). This decrease was primarily attributable to the strong erosion of prices, fiercer competition and the fall in net sales at the subsidiary in Switzerland. Net profit totaled CHF 17 million and was thus also below the figure for the previous year (2004: CHF 21 million). At 44%, the equity ratio was unchanged versus 2004 and thus remained above the target range of 25%–35%. This comfortable equity position will provide the ALSO Group with greater strategic flexibility. As at December 31, 2005, ALSO employed 623 staff (previous year: 602).

One-time exceptional costs

Due to a legal dispute with a supplier, the financial results for 2005 include one-time exceptional costs that reduced operating profit by CHF 3 million and reduced net profit by CHF 2 million.

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

ALSO Switzerland consolidates its market position

Despite a 6% reduction in net sales to CHF 989 million (2004: CHF 1 053 million), the subsidiary in Switzerland succeeded in consolidating its leadership position as a result of increased market share. Declining average prices, lower net sales, and tight margins resulted in a lower operating profit than in the previous year, although unit sales remained unchanged. A pleasing development was the significant increase in net sales in the promising IT consumables business. In addition, demand for customer-specific logistics solutions for the IT, consumer electronics and telecommunications industries remained at the same high level as in the previous year. The high-end storage business, which distributes higher value products, also realized several larger-scale projects.

ALSO Germany gains further market share

The subsidiary in Germany achieved further growth in a receding market. In 2005, ALSO Germany reported a 31% rise in unit sales compared to the previous year and increased its net sales by 24% to CHF 991 million (2004: CHF 799 million), thus gaining further market share. This growth was primarily attributable to an increased client base. ALSO Germany further enhanced its efficiency and reported a slight increase in operating profit versus the previous year, thus contributing significantly to operating net profit.

ALSO receives key awards

ALSO is valued equally by customers, manufacturers and employees. The results of the 2005 survey of traders confirmed once again that its focus on quality, process reliability, and service pays off. Customers voted the Swiss subsidiary "Best Distributor" for the fifth time in succession, while the German company was named "Best Distributor" for the sixth consecutive year. ALSO came second in the Swiss Logistics Award, with its Hybrid Logistics model being acclaimed as an excellent and innovative service. This model was developed in the logistics services business and enables an entire level of logistics to be saved. Finally, the Swiss subsidiary immediately took eighth place in the nominations for the best employer in Switzerland, where 76 companies were rated by their employees.

Outlook for 2006

The IT market in Switzerland and Germany will not achieve any significant growth in value in the coming years. ALSO therefore anticipates that market growth for 2006 will – at most – be in single figures. Given that various manufacturers have caused conditions to deteriorate for all distributors throughout Europe, it will be impossible to avoid price increases in Switzerland and Germany during 2006. However, the difficult competitive situation in the IT industry may limit the scope for price rises. ALSO has further strengthened its market position and has thus created a good basis that will enable it to profit significantly from any upturn in the economy. Thanks to the newly developed consumer electronics, high-end storage, IT consumables and logistics services businesses, ALSO has considerable growth potential in the field of distribution. It is therefore confident that it will be able to increase its sales and enhance its income in the future.

Overview of financial results

We assess our progress.



Summary financial statements Group

1 2 3
4 5 **6**
7 8 9
0

Overview of
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

Profit and loss statement					
In million CHF	2001	2002	2003	2004*	2005
Operating revenue	8 327	7 888	7 725	8 254	8 870
Operating expenses	7 843	7 766	7 319	7 733	8 236
Operating profit	484	122	406	521	634
Financing activities	-58	-62	-68	-43	-60
Investing activities	17	2	6	4	-2
Profit before taxes	443	62	344	482	572
Taxes	46	45	142	153	171
Net profit	397	17	202	329	401
Schindler Holding shareholders	379	8	184	308	377
Minority interests	18	9	18	21	24

Balance sheet December 31					
In million CHF	2001	2002	2003	2004*	2005
Current assets	3 436	3 621	3 734	3 595	3 909
Non-current assets	2 102	1 524	1 486	1 741	2 140
Total assets	5 538	5 145	5 220	5 336	6 049
Current liabilities	2 313	2 518	2 433	2 468	3 004
Non-current liabilities	1 777	1 437	1 496	1 373	1 160
Total liabilities	4 090	3 955	3 929	3 841	4 164
Consolidated shareholders' equity	1 448	1 190	1 291	1 495	1 885
Equity of Schindler Holding shareholders	1 329	1 067	1 165	1 376	1 749
Minority interests	119	123	126	119	136
Total liabilities and shareholders' equity	5 538	5 145	5 220	5 336	6 049

Cash flow statement					
In million CHF	2001	2002	2003	2004*	2005
Cash flow from operating activities	671	554	455	433	347
Cash flow from investing activities	-130	-27	8	-729	11
Cash flow from financing activities	-302	-366	-189	-123	-296
Translation exchange differences	-16	60	11	-36	35
Change in cash on hand	223	221	285	-455	97

* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

Summary financial statements Schindler Holding Ltd.

Profit and loss statement

In million CHF	2001	2002	2003	2004	2005
Income from subsidiaries	225	209	211	224	270
Other revenue	39	90	31	15	30
Total revenue	264	299	242	239	300
Depreciation and adjustments	108	139	80	67	76
Other expenses	41	40	35	39	47
Total expenses	149	179	115	106	123
Net profit for the year	115	120	127	133	177

Balance sheet December 31

In million CHF	2001	2002	2003	2004	2005
Current assets	701	836	1 235	654	759
Non-current assets	1 369	1 144	802	1 394	1 328
Total assets	2 070	1 980	2 037	2 048	2 087
Debentures	785	590	600	600	600
Other liabilities	210	441	361	383	332
Total liabilities	995	1 031	961	983	932
Share capital	38	7	7	7	7
Bearer participation capital	29	6	6	5	5
Retained earnings	893	816	936	920	966
Net profit for the year	115	120	127	133	177
Shareholders' equity	1 075	949	1 076	1 065	1 155
Total liabilities and shareholders' equity	2 070	1 980	2 037	2 048	2 087

Dividend payment

In million CHF	2001	2002	2003	2004	2005
Registered shares	38	0	44	51	66*
Bearer participation certificates	29	0	33	36	46*
Total dividend payment	67	0	77	87	112*

*Proposal by the Board of Directors

Dividend policy

The dividend policy approved and communicated by the Board of Directors is earnings-related and provides for a payout ratio of 25%–35% of the share in net profit of the Schindler Holding shareholders (see also page 64).

Key figures Group

1 2 3
4 5 **6**
7 8 9
0

Overview of
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

Group					
In million CHF	2001	2002	2003	2004*	2005
Orders received	8 426	8 029	7 866	8 428	9 445
Operating revenue	8 327	7 888	7 725	8 254	8 870
EBITDA ¹	680	349	566	669	751
in %	8.2	4.4	7.3	8.1	8.5
EBITA ²	531	184	443	557	657
in %	6.4	2.3	5.7	6.7	7.4
EBIT ³	484	122	406	521	634
in %	5.8	1.5	5.3	6.3	7.1
Net income from financing and investing activities	-41	-60	-62	-39	-62
Profit before taxes	443	62	344	482	572
Net profit	397	17	202	329	401
in %	4.8	0.2	2.6	4.0	4.5
Net profit of Schindler Holding shareholders	379	8	184	308	377
Cash flow ⁴	555	430	368	442	490
Capital expenditure	122	105	81	82	98
Order backlog	4 039	3 486	3 712	3 723	5 005
Personnel at year-end (number)	41 524	39 918	39 617	39 443	40 385
Consolidated shareholders' equity	1 448	1 190	1 291	1 495	1 885
Equity ratio in %	26.1	23.1	24.7	28.0	31.2

* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

¹ EBITDA: Operating profit plus depreciation/amortization

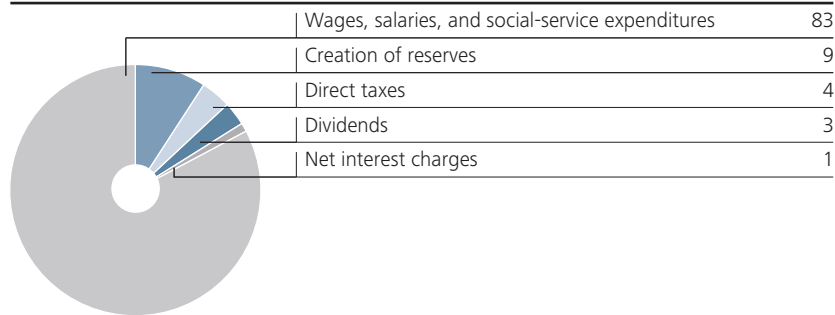
² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

⁴ Cash flow: Net profit plus depreciation/amortization +/- change in provisions

Allocation of the Group's net value added 2005

In %



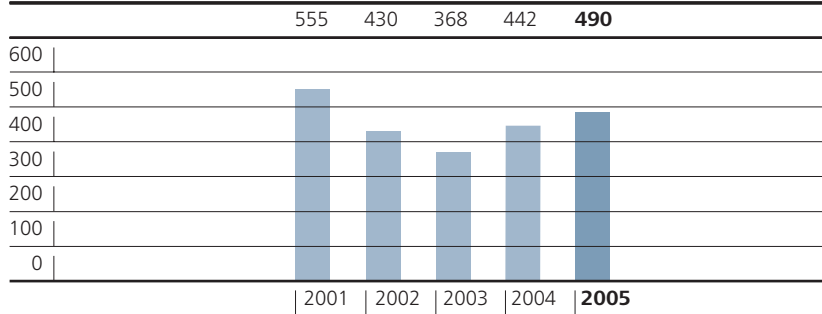
The Group's total value added is the increase in value achieved by the whole Group within a certain period of time.

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.

Cash flow

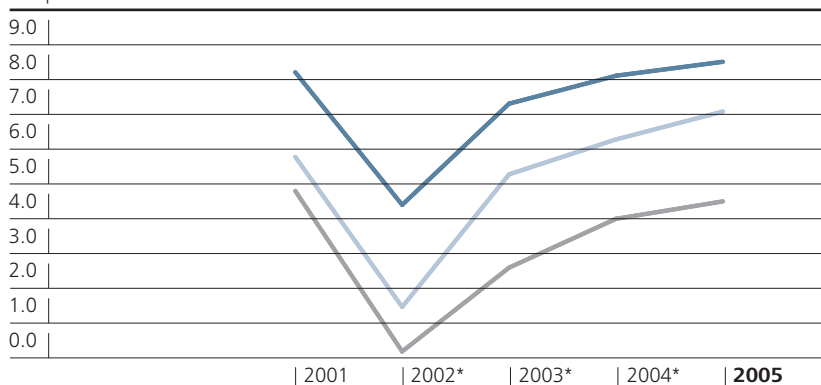
In million CHF



EBITDA, EBIT, net profit

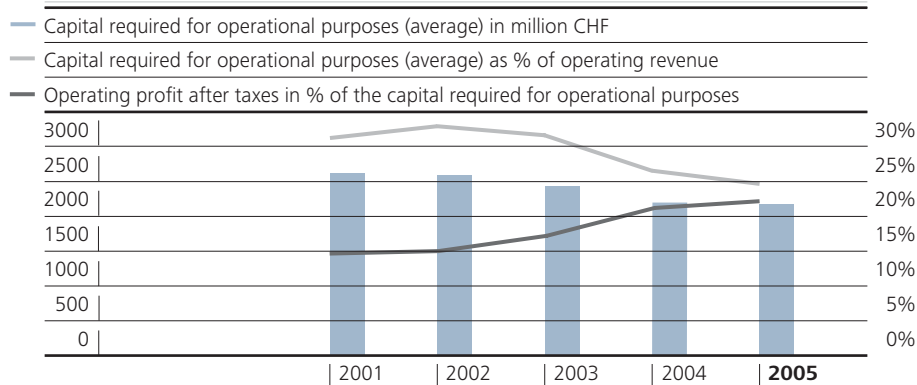
As % of operating revenue

	2001	2002*	2003*	2004*	2005
EBITDA	8.2	4.4	7.3	8.1	8.5
EBIT	5.8	1.5	5.3	6.3	7.1
Net profit	4.8	0.2	2.6	4.0	4.5



*After R03 project costs

We create values



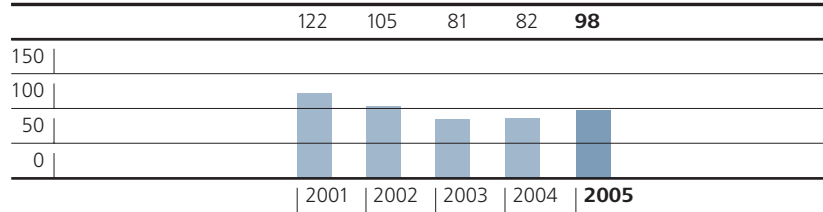
Value Based Management

The elements of value based management are included in the operational and financial goals with the objective of sustainably creating added value for shareholders, customers, and employees. As a subgoal of this objective, in recent years the capital needed for operational purposes was successively optimized by measures that included reducing net current assets and selling real estate no longer required for operational purposes. At the same time,

various measures were implemented to increase operational efficiency and profitability. The result of these measures can be seen in the development of the capital required for operational purposes, both in absolute values and as percentages of operating revenue, as well as in an increase in the return on capital required for operational purposes.

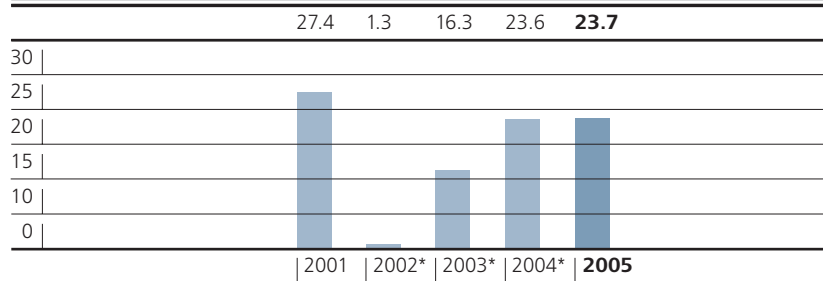
Capital expenditure

In million CHF



Return on equity (ROE)

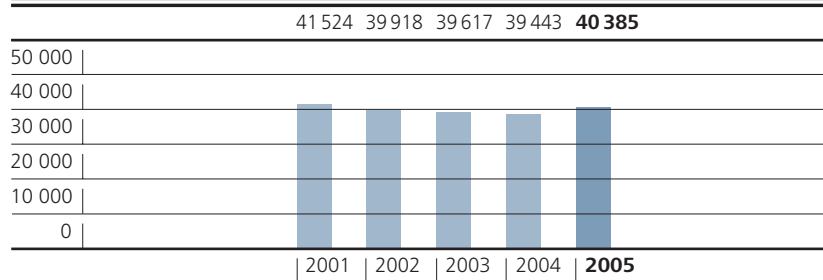
In %



*The figures are significantly affected by costs of the R03 restructuring and efficiency improvement project.

Personnel at the end of year

Number



Key figures Elevators & Escalators

1 2 3
4 5 **6**
7 8 9
0

Overview of
financial results

The figures for 2002, 2003 and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.

Elevators & Escalators

In million CHF	2001	2002	2003	2004*	2005
Orders received	6 658	6 344	6 246	6 546	7 447
Operating revenue	6 601	6 231	6 133	6 404	6 890
EBITDA ¹	654	313	542	650	745
in %	9.9	5.0	8.8	10.1	10.8
EBITA ²	517	156	431	543	654
in %	7.8	2.5	7.0	8.5	9.5
EBIT ³	471	95	395	508	632
in %	7.1	1.5	6.4	7.9	9.2
Research and development	125	129	139	114	110
Personnel at year-end (number)	40 169	38 806	38 643	38 841	39 762

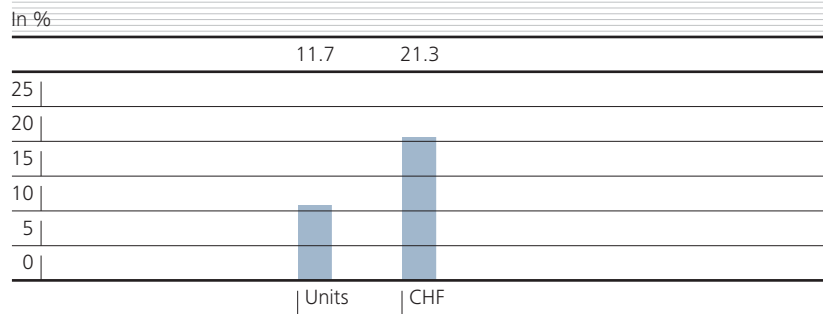
* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statements, page 10 et seq.)

¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

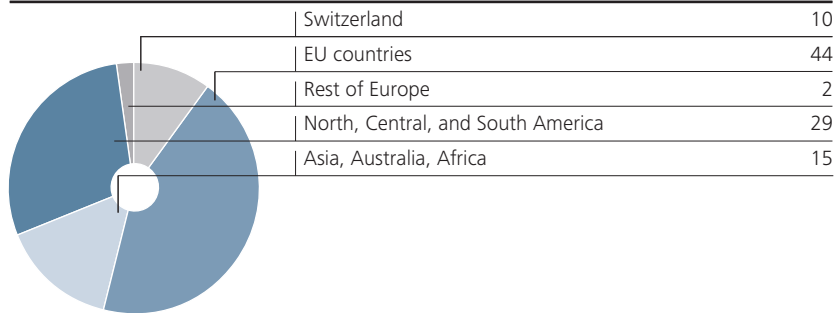
³ EBIT: Operating profit

Growth in new installations business 2005



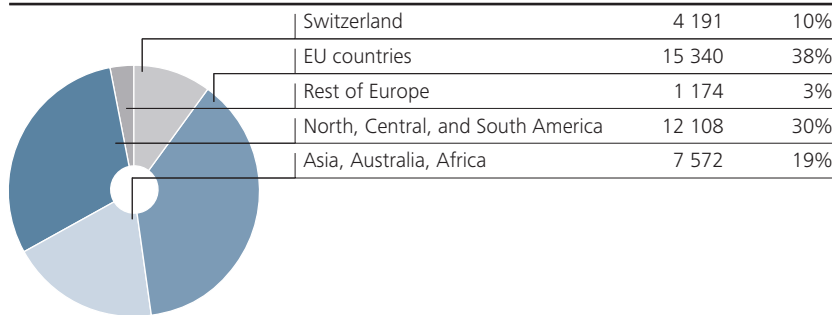
Invoiced sales 2005 by market

In %



Personnel 2005 by region

Total 40 385



Key figures ALSO

1 2 3
4 5 **6**
7 8 9
0

Overview of
financial results

The different reporting structure and elimination effects may cause individual values and percentages to differ slightly from those reported by ALSO.

ALSO					
In million CHF	2001	2002	2003	2004*	2005
Orders received	1 768	1 685	1 620	1 882	1 998
Operating revenue	1 726	1 657	1 598	1 852	1 980
EBITDA ¹	33	40	29	37	27
in %	1.9	2.4	1.8	2.0	1.4
EBITA ²	21	32	17	32	24
in %	1.2	1.9	1.1	1.7	1.2
EBIT ³	20	31	16	31	23
in %	1.2	1.9	1.0	1.7	1.2
Personnel at year-end (number)	1 355	1 112	974	602	623

* Values adjusted retrospectively for revised and new IAS/IFRS standards (see also Financial Statement, page 10 et seq.)

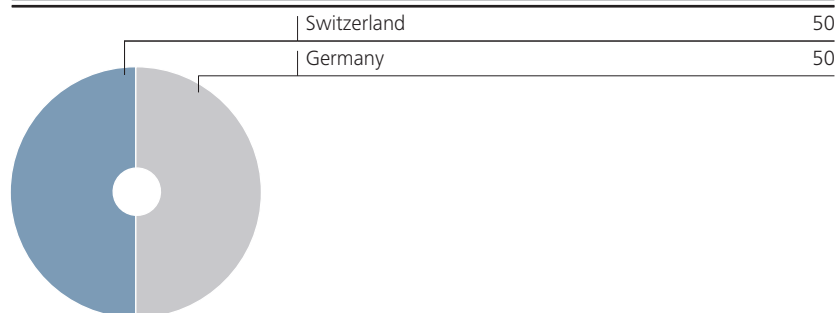
¹ EBITDA: Operating profit plus depreciation/amortization

² EBITA: Operating profit plus depreciation

³ EBIT: Operating profit

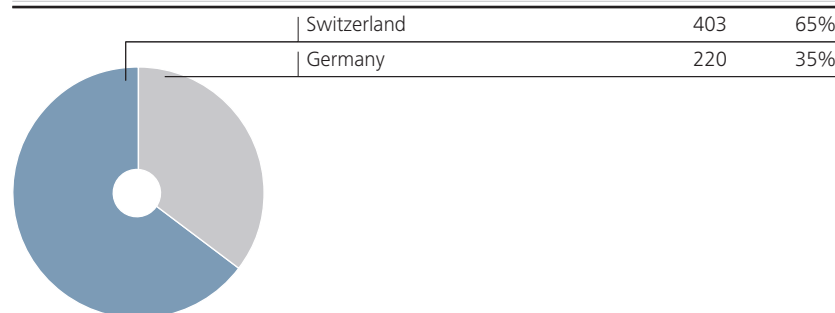
Invoiced sales 2005 by market

In %



Personnel 2005 by country

Total 623



Key figures Schindler Holding Ltd.

Overview of
 financial results

Schindler Holding Ltd.					
In million CHF	2001	2002	2003	2004	2005
Share capital	38	7	7	7	7
Bearer participation capital	29	6	6	5	5
Shareholders' equity	1 075	949	1 076	1 065	1 155
Debentures	785	590	600	600	600
Net profit for the year	115	120	127	133	177
Dividend payment	67	0	77	87	112*

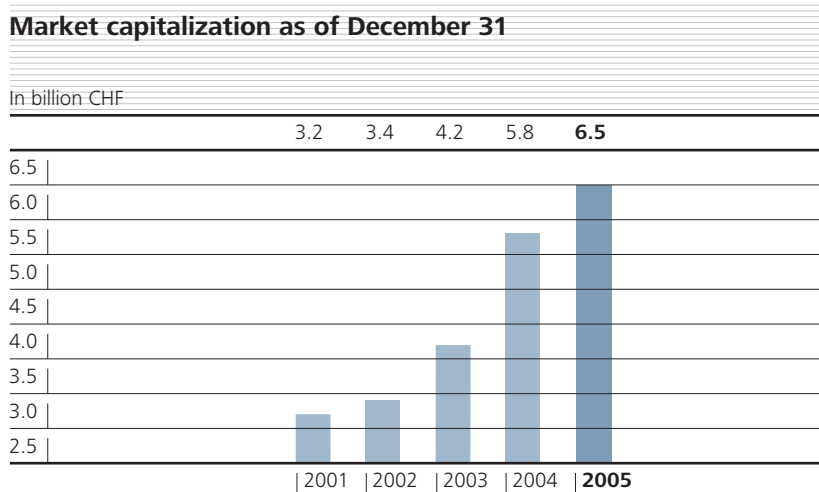
*Proposal by the Board of Directors

Key figures registered share/ participation certificate

1 2 3
4 5 **6**
7 8 9
0

Overview of
financial results

The figures for 2002, 2003, and 2004 are significantly affected by costs of the R03 restructuring and efficiency improvement project.



Registered share

In CHF	2001	2002 [°]	2003	2004	2005
Number of registered shares outstanding	752 866	7 356 820	7 356 820	7 356 820	7 356 820
Thereof in treasury stock	32 561	120 401	81 805	79 941	102 222
Nominal value	50	1	1	1	1
Price high	2 801	320.00	345.00	475.00	530.00
Price low	2 000	230.80	176.00	338.00	425.00
Price year-end	2 380	260.00	343.00	475.00	519.50
P/E ratio December 31	8.4x	418.1x	24.0x	19.3x	17.2x

[°]After 10:1 split on June 11, 2002

Bearer participation certificate

In CHF	2001	2002 [°]	2003	2004	2005
Number of certificates outstanding	592 424	5 506 990	5 506 990	5 141 640	5 141 640
Thereof in treasury stock	42 880	11 550	441 850	59 108	52 956
Nominal value	50	1	1	1	1
Price high	2 700	321.80	305.00	455.25	526.00
Price low	2 050	225.00	167.25	298.00	423.00
Price year-end	2 390	269.50	302.00	451.00	521.00
P/E ratio December 31	8.5x	433.3x	21.1x	18.3x	17.3x

[°]After 10:1 split on June 11, 2002

Information per registered share and bearer participation certificate

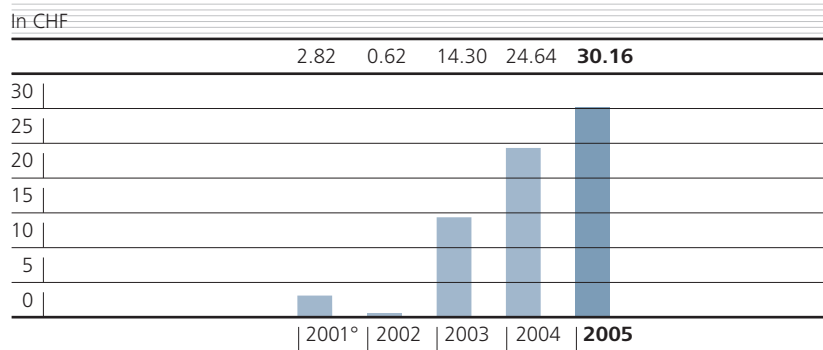
In CHF	2001	2002 [°]	2003	2004	2005
Net profit	282	0.62	14.30	24.64	30.16
Cash flow	413	33.43	28.61	34.32	39.20
Shareholders' equity at year-end	1 047	83.81	94.41	111.33	152.71
Gross dividend adjusted [°]	5	0*	6	7	9**
Pay-out ratio	% 17.7	–	41.9	28.4	29.8
Market capitalization (in million)	3 208	3 397	4 187	5 813	6501

[°]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

Net profit per registered share and bearer participation certificate



[°]2001 adjusted for 10:1 split on June 11, 2002

Ticker and security number		
	Registered share	Bearer participation certificate
Bloomberg	SCHN	SCHP
Reuters	SCHZN.S	SCHZPS
Valor	1391412	1391410
ISIN	CH0013914129	CH0013914103

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 2005, registered shares of Schindler Holding Ltd. were held by 3 009 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 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% of the voting rights of the share capital entered in the Register of Companies.

Financial calendar

Overview of
 financial results

Financial calendar		
	2006	2007
Annual results media conference	February 27	February 26
Ordinary General Meeting Schindler Holding Ltd.	March 21	March 20
Date of Schindler Holding Ltd. dividend payment	March 24*	
Publication of Interim Report	August 17	August 17

*Subject to approval of a dividend payment by the General Meeting of Schindler Holding Ltd.

Important addresses

1 2 3
4 5 6
7 8 9
0

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
Telephone +41 (0)41 632 85 50
Fax +41 (0)41 445 31 34

Schindler Management Ltd.
Zugerstrasse 13
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 32 32
Fax +41 (0)41 445 31 34

Corporate Communications
Telephone +41 (0)41 445 30 60
Fax +41 (0)41 445 31 44
email@schindler.com

www.schindler.com

Investor Relations

Barbara Zäch
Investor Relations Manager
Schindler Management Ltd.
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 30 61
Fax +41 (0)41 445 31 44
barbara.zaech@ch.schindler.com

Stephan Jud
Head of Treasury
Schindler Management Ltd.
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 31 19
Fax +41 (0)41 445 45 30
stephan.jud@ch.schindler.com

Elevators & Escalators

**Europe, Middle East,
India, and Africa**
Schindler Management Ltd.
Zugerstrasse 13
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 32 32
Fax +41 (0)41 445 31 34

USA and Canada

Schindler Elevator Corporation
20 Whippany Road
PO Box 1935
Morristown, N.J. 07962-1935
USA
Telephone +1 973 397 65 00
Fax +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
Telephone +5255 5080 1412/11
Fax +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
Telephone +852 2574 38 81
Fax +852 2574 38 93

ALSO

ALSO Holding AG
Seestrasse 55
CH-6052 Hergiswil
Switzerland
Telephone +41 (0)41 630 37 37
Fax +41 (0)41 266 18 70
www.also.com

1 2 3
4 5 6
7 8 9
0

The Annual Report of the Schindler Group for 2005 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,
concept, and text**

Schindler Management Ltd.
Corporate Communications
Ebikon, Switzerland

Concept and graphic design

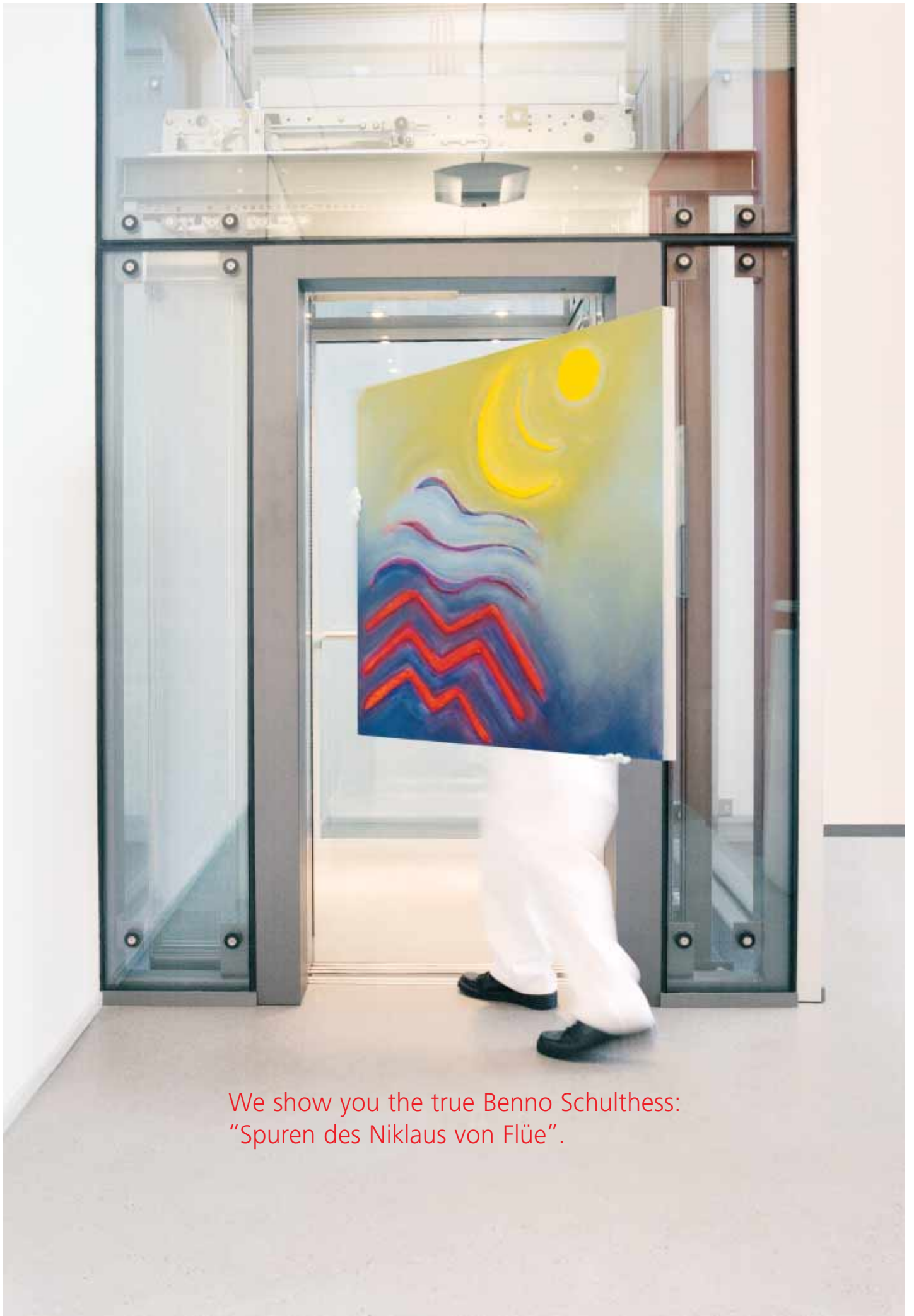
Interbrand Zintzmeyer & Lux AG
Zurich, Switzerland

**Typesetting, prepress,
and printing**

NZZ Fretz AG
Schlieren, Switzerland

Image photography

Markus Bertschi, Switzerland
Noë Flum, Switzerland
Peter Granser, Germany



We show you the true Benno Schulthess:
"Spuren des Niklaus von Flüe".





Managing time and space

Financial Statements and Corporate Governance 2005



Schindler

1

Schindler: a brief overview

2

Urban mobility

3

To the shareholders

4

Elevators & Escalators

5

ALSO

6

Overview of financial results

7

Financial Statements Group

- 3 Consolidated profit and loss statement
- 4 Consolidated balance sheet
- 6 Consolidated cash flow statement
- 7 Statement of shareholders' equity
- 8 Notes to the consolidated financial statements
- 61 Report of the statutory auditors

8

**Financial Statements
Schindler Holding Ltd.**

- 63 Profit and loss statement
- 64 Balance sheet before appropriation of profits
- 66 Appropriation of profits
- 67 Notes to the financial statements
- 74 Essential affiliated companies and unconsolidated subsidiaries
- 77 Report of the statutory auditors

9

Corporate Governance

As from page 78

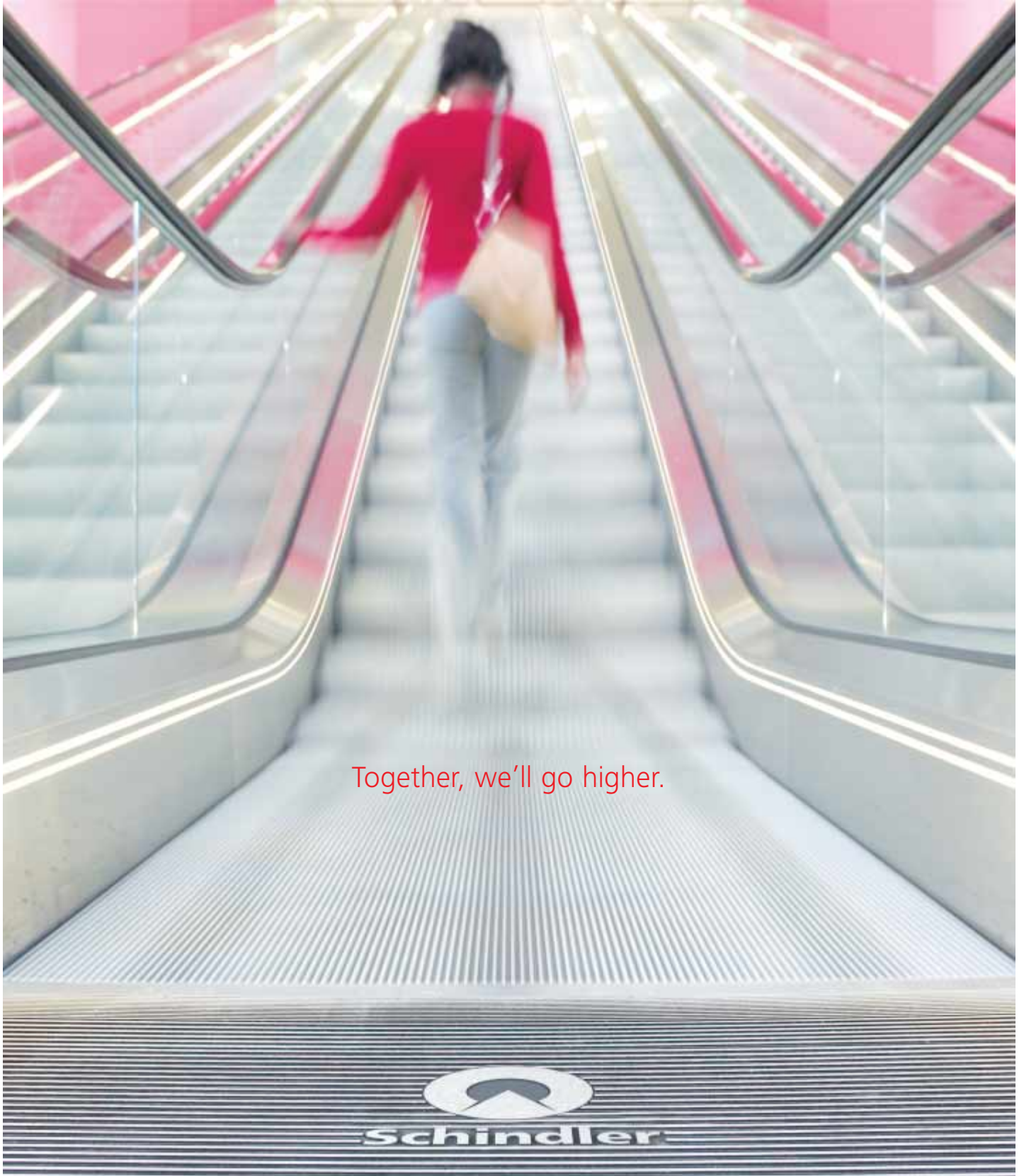
0

**Corporate Citizenship
at Schindler**

www.schindler.com

1 2 3
4 5 6
7 8 9
0

Financial Statements Group



Together, we'll go higher.



Schindler

Consolidated profit and loss statement

1 2 3
4 5 6
7 8 9
0

Financial Statements Group

Values in the annual financial statements of the previous year have been retrospectively adjusted to take account of revised and new IAS/IFRS standards (see Notes 2.4 and 2.5).

In million CHF	Notes	2004	%	2005	%
Operating revenue	3	8 254	100.0	8 870	100.0
Material cost		3 492	42.3	3 836	43.3
Personnel cost	4	2 814	34.1	2 920	32.9
Other operating cost	5	1 314	15.9	1 391	15.7
Depreciation and amortization	15, 16, 17	148	1.8	117	1.3
Change of provision	25	-35	-0.4	-28	-0.3
Total operating cost		7 733	93.7	8 236	92.9
Operating profit		521	6.3	634	7.1
Financial income	6	28	0.4	32	0.4
Financial expenses	7	71	0.9	92	1.0
Investing activities	8	4	0.0	-2	0.0
Profit before taxes		482	5.8	572	6.5
Income taxes	9	153	1.8	171	2.0
Profit from continued business operations		329	4.0	401	4.5
Profit from discontinued business operations	14	0	0.0	-	-
Net profit		329	4.0	401	4.5
Of which:					
Schindler Holding shareholders		308	3.7	377	4.2
Minority interests		21	0.3	24	0.3
Net profit (earnings) per share					
Undiluted earnings per share and BPC	34	CHF 24.94		CHF 30.53	
Diluted earnings per share and BPC	34	CHF 24.84		CHF 30.40	

The earnings from discontinued operations have no effect on the earnings per share.

Consolidated balance sheet

Financial Statements Group

Assets

In million CHF	Notes	31.12.2004	%	31.12.2005	%
Current assets					
Cash on hand		1 011	18.9	1 108	18.3
Securities	10	339	6.4	112	1.8
Accounts receivable	11	1 278	23.9	1 555	25.7
Taxes receivable		47	0.9	65	1.1
Net assets of production orders in progress	12	435	8.2	530	8.8
Inventories	13	341	6.4	435	7.2
Prepaid expenses and accrued income		110	2.1	104	1.7
Financial assets held for sale	14	34	0.6	–	–
Total current assets		3 595	67.4	3 909	64.6
Non-current assets					
Property, plant and equipment	15	417	7.8	455	7.5
Investment properties	16	62	1.2	53	0.9
Intangible assets	17	529	9.9	760	12.6
Investments in associates	18	64	1.2	55	0.9
Financial assets	19	440	8.2	533	8.8
Deferred taxes	20	184	3.5	200	3.3
Employee benefits	21	45	0.8	84	1.4
Total non-current assets		1 741	32.6	2 140	35.4
Total assets		5 336	100.0	6 049	100.0

Liabilities and shareholders' equity

In million CHF	Notes	31.12.2004	%	31.12.2005	%
Liabilities					
Current liabilities					
Financial debts	24	224	4.2	360	6.0
Accounts payable	22	738	13.8	911	15.0
Taxes payable		106	2.0	100	1.6
Net liabilities of production orders in progress	12	268	5.0	421	7.0
Accrued expenses and deferred income	23	909	17.1	983	16.2
Provisions	25	223	4.2	229	3.8
Total current liabilities		2 468	46.3	3 004	49.6
Non-current liabilities					
Financial debts	24	698	13.1	435	7.2
Provisions	25	216	4.0	217	3.6
Deferred taxes	20	103	1.9	164	2.7
Employee benefits	21	356	6.7	344	5.7
Total non-current liabilities		1 373	25.7	1 160	19.2
Total liabilities		3 841	72.0	4 164	68.8
Shareholders' equity					
Share capital and bearer participation certificate capital	33	12	0.2	12	0.2
Share premiums		71	1.3	75	1.2
Treasury stock		-31	-0.6	-43	-0.7
Fluctuations in value of financial instruments		5	0.1	-3	0.0
Translation exchange differences		-418	-7.8	-319	-5.3
Retained earnings		1 737	32.6	2 027	33.5
Total Schindler Holding shareholders		1 376	25.8	1 749	28.9
Minority interests		119	2.2	136	2.3
Consolidated shareholders' equity		1 495	28.0	1 885	31.2
Total liabilities and shareholders' equity		5 336	100.0	6 049	100.0

Consolidated cash flow statement

Financial Statements Group

In million CHF	Notes	2004	2005
Net profit		329	401
Depreciation and amortization		148	117
Change of provision		-35	-28
Other positions with no effect on liquidity		52	43
Contributions to pension funds		-20	-71
Change of remaining net working capital		-41	-115
Cash flow from operating activities		433	347
Additions to			
Property, plant and equipment		-82	-98
Investment properties		-	-2
Intangible assets		-16	-23
Investments in associates		-35	-7
Hedging net investments		-35	-
Securities		-222	-
Financial assets		-391	-161
Disposals of			
Property, plant and equipment		33	47
Investment properties		-	5
Securities		-	231
Financial assets		29	79
Financial assets held for sale		-	41
Additions/disposals of investments in subsidiaries	26	-10	-95
Additions minority interests		-	-6
Cash flow from investing activities		-729	11
Financial debt borrowed		42	43
Financial debt repaid		-82	-228
Additions treasury stock		-	-19
Disposals treasury stock		4	8
Payment of dividends Schindler Holding Ltd.		-74	-87
Dividends paid to minority shareholders		-13	-13
Cash flow from financing activities		-123	-296
Translation exchange differences		-36	35
Change in cash on hand		-455	97
Cash on hand at start of period		1 466	1 011
Cash on hand at end of period		1 011	1 108
Income taxes paid		126	143
Interests paid		51	51
Interests received		25	30
Dividends received from associated companies		5	3

Statement of shareholders' equity

1 2 3
4 5 6
7 8 9
0

Financial Statements Group

in million CHF	Share and BPC capital*	Share premiums*	Treasury stock**	Translation exchange differences	Fluctuations in value of financial instruments	Retained earnings	Total Schindler Holding share- holders	Minority interests	Group
December 31, 2003	13	139	-106	-360	-24	1 503	1 165	126	1 291
Translation exchange differences				-23			-23	-8	-31
Hedging transactions				-35	26		-9	-1	-10
Financial instruments available for sale									
– Not realized					3		3		3
Total of items recognized in shareholders' equity				-58	29		-29	-9	-38
Net profit						308	308	21	329
Total profit and loss				-58	29	308	279	12	291
Dividends						-74	-74	-13	-87
Elimination of own bearer participation certificates	-1	-69	70				0	-	0
Additions/disposals treasury stock		-1	5				4		4
Options for participation plan (fair value)		2					2		2
Change in minority interests								-6	-6
December 31, 2004	12	71	-31	-418	5	1 737	1 376	119	1 495
Translation exchange differences				101			101	9	110
Hedging transactions				-2	-6		-8	-	-8
Financial instruments available for sale									
– Not realized					-1		-1		-1
– Realized through the profit and loss statement					-1		-1		-1
Total of items recognized in shareholders' equity				99	-8		91	9	100
Net profit						377	377	24	401
Total profit and loss				99	-8	377	468	33	501
Dividends						-87	-87	-13	-100
Additions/disposals treasury stock		1	-12				-11		-11
Options for participation plan (fair value)		3					3		3
Change in minority interests								-3	-3
December 31, 2005	12	75	-43	-319	-3	2 027	1 749	136	1 885

* See also Note 33

** 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 2005, turnover in this segment was CHF 6.9 billion. Schindler owns 64.5% of ALSO Holding Ltd., which is listed on the SWX Swiss Exchange. ALSO is a leading provider in the wholesale and logistics sector for information and communications technology and consumer electronics and has operations in Switzerland and Germany. Net sales 2005: CHF 2.0 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).

IAS standards 1 to 40, IFRS 2, 3, and 5, and the corresponding SIC and IFRIC "Interpretations," all of which are relevant to Schindler, were applied. IAS 41 Agriculture and IFRS Insurance Contracts, for instance, are not relevant to Schindler.

The financial statements based on IFRS contain assumptions and estimates that affect the figures contained in this report. The true results may differ from these estimates.

2.2 Most important estimates

Intangible assets/goodwill: When acquisitions take place, the fair value of the acquired intangible assets is estimated. Any residual value (difference between the purchase price and the net assets acquired) represents goodwill. The intangible assets acquired have a finite useful life and are therefore amortized. Goodwill has an infinite life and is not amortized but tested every year for possible impairment. The estimate of the separation into intangible assets and goodwill therefore has an effect on the amortization. When performing the impairment test on the goodwill, various assumptions are also made that require medium- and long-term estimates (terminal value) to be made. These relate to internal planning data (cash flow, growth rates, etc.) as well as external parameters (discount rate).

Deferred tax assets: Deferred tax assets are mainly created for temporary differences and in individual cases also for losses carried forward provided that their utilization appears probable. The recoverable value is therefore based on forecasts of the corresponding taxable entity over a period of several years. Should these forecasts prove to be incorrect, they can cause impairment losses.

Provisions: Schindler creates provisions when there is an obligation to third parties which results from an event in the past and the amount of the obligation can be reliably estimated. Provisions are created for a variety of possible events and are explained in detail in Note 25. However, by definition, provisions contain a greater degree of estimate than other balance sheet items since the estimated obligations can cause a greater or lesser cash drain depending on how the situation materializes.

Employee benefits: In various countries, Schindler has established defined employee benefit plans. Their status depends on actuarial assumptions some of which are of a long-term nature and may not correspond to reality. Actuarial differences which are above the so-called corridor are amortized over the average residual term of employment of the employees. Both the status used for the calculation and the amortization of any difference contain estimated values which have an effect on capital and income.

2.3 New issued accounting standards

A number of new IFRS standards, not yet applicable, were issued on the balance sheet date. These set out the following changes:

- IFRS 7 “Financial Instruments: Disclosures”: This standard replaces the disclosure rules of IAS 32 and has no influence on the valuation. However, it will require additional sensitivity analyses of key financial risks. Schindler will apply IFRS 7 for the first time to the 2007 statements, with comparative figures from previous years.
- IAS 39 “Financial Instruments: Recognition and Measurement (from 2006)”: There are changes in the area of the so-called fair value option, which permits companies to value certain financial instruments voluntarily by designation at fair value, as well as in the area of cash flow hedging. As far as we can judge today, no changes are likely to result from either of the new rules. It is possible, however, that Schindler will make some prospective adjustments, though these cannot be quantified at present as decisions are still pending.

– The other changes will have no impact – or only a marginal one – on Schindler’s 2006 consolidated financial statements: IFRS 4 – Insurance Contracts, IFRS 6 – Exploration for and Evaluation of Mineral Resources, IAS 1 – Presentation of Financial Statements, IAS 16 – Property, Plant and Equipment, IAS 19 – Employee Benefits, IAS 21 – The Effects of Changes in Foreign Exchange Rates, IAS 24 – Related Party Disclosures, IAS 38 – Intangible Assets, IFRIC 4 – Determining whether an Arrangement contains a Lease, IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment, and IFRIC 7 – Applying the Restatement Approach in IAS 29 Financial Reporting in Hyperinflationary Economies.

2.4 Main changes to methods of recognition and valuation

All changes resulting from the IASB Improvements Project that are relevant to Schindler, as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were binding on December 31, 2005, have been applied since January 1, 2005.

IAS 8 “Accounting Policies, Change in Accounting Estimates and Errors.”

Based on this revised standard, all changes that result from the application of new or revised standards, or from changes in estimates and correction of errors which have an influence on the presentation or content of the report, must also be adjusted retrospectively in the comparison period.

IFRS 2 “Share-based Payment” has no material effect, since the associated expenses for payments to employees were already measured in the previous periods and recognized as expenses spread over the vesting period of three years.

IFRS 3 “Business Combinations” was applied to all acquisitions with agreement date March 31, 2004, or later. According to this standard, intangible assets that result from either a contractual or a legal right, or can be separated from the business and their fair value 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 impairment test.

Capitalized goodwill arising from earlier business combinations has only been handled according to IFRS 3 and IAS 36 (revised) as from reporting year 2005. Consequently, there is no further scheduled amortization, which relieves the profit for the year ending December 31, 2005, by CHF 31 million relative to the previous year. In combination with IAS 38 "Intangible Assets" (Revised), these standards have the effect that, in the future, higher intangible assets and lower goodwill will result from acquisitions.

Based on IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," corresponding items relating to the sale by ALSO on February 5, 2004, of its Systems Business division have been reclassified in the profit and loss statement of the previous period. The resulting effect at the level of operating revenue is CHF 5 million. The total expenses also amount to CHF 5 million, with the consequence that at the level of "Profit from Discontinued Operations" the result is zero.

For financing purposes, the ALSO Group sells trade receivables to an independent bank. In the past, these sold receivables were directly deducted from the total outstanding receivables. Under the new regulations of IAS 39 "Financial Instruments: Recognition and Measurement" these receivables are no longer deducted from the total outstanding receivables. The pre-financing is correspondingly reported as a liability. The balance sheet of December 31, 2004, has been retroactively adjusted by CHF 50 million.

Based on IAS 1, "Presentation of Financial Statements," one effect of this is that consolidated net profit and consolidated shareholders' equity are now reported inclusive of minority interests. There were additionally reclassifications from non-current to current assets. The balance sheet and profit and loss statement were changed in form and expanded with some information that was formerly reported as notes now being presented directly in the balance sheet or profit and loss statement respectively. The statement of shareholders' equity has been expanded to show minority interests.

In the profit and loss statement, accounting gains and losses on the sale of fixed assets are no longer offset against depreciation but recognized as Other Income. Corresponding to the general trend, the "Fund" in the cash flow statement only contains the item "Cash on hand" (without exclusion of current accounts with banks). All of these changes are also made retrospectively and have no effect on consolidated shareholders' equity or net profit.

The changes and adjustments made in the balance sheet and profit and loss statement relative to the previous year are as stated below.

2.5 Restatement

Restatement of consolidated balance sheet as at 31.12.2004

In million CHF	31.12.2004	Restatement				31.12.2004
	before restatement ¹	IFRS 5	IAS 1	IAS 39	Other	after restatement
Assets						
Securities	336		3			339
Accounts receivable	1 229			50	-1	1 278
Financial assets available for sale		34				34
Property, plant and equipment	514	-34	-62		-1	417
Investment properties			62			62
Financial assets	443		-3			440
Liabilities and shareholders' equity						
Current financial debts	173			51		224
Short-term provisions	224				-1	223
Non-current financial debts	700			-1	-1	698
Consolidated shareholders' equity	1 495	-	-	-	-	1 495

¹As disclosed in the Annual Report for 2004

Restatement of consolidated profit and loss statement 2004

In million CHF	2004	Restatement				2004
	before restatement ¹	IFRS 5	IAS 1	IAS 39	Other	after restatement
Operating revenue	8 259	-5				8 254
Material cost	3 493	-1				3 492
Personnel cost	2 818	-4				2 814
Other operating cost	1 327				-13	1 314
Depreciation and amortization	135				13	148
Investing activities	5				-1	4
Income taxes	154				-1	153
Net profit	308					
Minority interests			21			
Net profit						329

¹As disclosed in the Annual Report for 2004

2.6 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 74 to 76.

In the reporting year, the scope of the consolidation was expanded to include the following companies: SAS Levage Moderne, France (since January), ELETEC vytahy, Czech Republic (since July), Hontz Elevator Company, USA (since July), Mercury Ascensore Ltd., Japan (since October), and Slade Industries Inc., USA (since October). A number of other small companies in Europe and the USA were added to the scope of the consolidation and the remaining shares were purchased in the subsidiaries Ternitz Druckguss GmbH, Austria (20%) and Holake Hong Kong Lifts Limited, Hong Kong SAR (40%).

2.7 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."

2.8 Acquisitions and goodwill

Companies are consolidated as from the date on which control is acquired.

The identifiable assets and liabilities of business combinations with agreement date before March 31, 2004, were revalued at fair value and included according to the purchase method. For companies acquired before this date, the difference between the acquisition price and the value of the acquired net assets was capitalized as goodwill. Until December 31, 2004, the linear amortization of these goodwill items was based on an expected useful life of maximum 20 years. As from January 1, 2005, these items are no longer amortized but subjected to an annual impairment test.

The identifiable assets and liabilities of business combinations with agreement date as from March 31, 2004, are revalued at fair value and included according to the purchase method. In addition, assets that result from either a contractual or a legal right, or can be separated from the business and their fair value reliably determined, are deducted from goodwill (paid added value) and carried separately as intangible assets. This applies mainly to maintenance contracts, licenses, patents, trade marks, and similar rights. The remaining goodwill is no longer amortized but subjected to an annual impairment test.

Existing provisions for restructuring are taken over on the date of acquisition. The acquisition balance sheet does not contain any additional creation of restructuring costs. 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 "Investing activities."

2.9 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 financial statements of the foreign subsidiaries in foreign currencies are translated into Swiss francs as follows:

- Balance sheet at year-end exchange rates
- Income statement at the annual average exchange rates
- Cash flow statement at the annual average exchange rates

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. These differences are recognized in the profit and loss statement at the time of repayment.

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

			2004	2005	2004	2005
			Year-end	Year-end	Average	Average
			exchange	exchange	exchange	exchange
			rates	rates	rates	rates
Euro countries	EUR	1	1.54	1.56	1.55	1.55
USA	USD	1	1.13	1.32	1.24	1.24
Great Britain	GBP	1	2.18	2.27	2.27	2.26
Brazil	BRL	100	42.64	56.61	42.47	51.46
China	CNY	100	13.67	16.30	14.96	15.17

2.10 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

- Financial assets “at fair value through profit and loss” are carried in the balance sheet at fair value. These are acquired principally for the purpose of generating a profit from short-term fluctuations in price. In addition, certain financial instruments can be assigned voluntarily by designation.
- 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.

Except for financial assets “at fair value through profit and loss”, the first-time measurement of financial assets is at purchase cost including transaction costs. All purchases and sales are recognized on the date of the transaction. Financial assets “at fair value through profit and loss” are carried in the balance sheet at fair value. Changes in value are reported as Financing Activities (Financial Income or 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 “at fair value through profit and loss” are valued at market values.

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. 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.

2.11 Segment reporting

The segment reporting reflects the structure of the Schindler Group.

The primary segmentation covers the business units Elevators & Escalators (E&E) and ALSO as well as central financing activities which are included in "Finance/Eliminations." The unit Elevators & 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.

2.12 Cash on hand

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

2.13 Securities

Marketable securities in current assets comprise readily saleable titles including time deposits with a term of three to twelve months or a residual term of up to twelve months.

Securities in non-current assets comprise company shares held long term and time deposits with a term of more than twelve 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 "at fair value") 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.

2.14 Accounts receivable

Trade accounts receivable, as well as other receivables, do not bear interest and 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.

2.15 Inventories

Inventories are valued at the lower of purchase or manufacturing cost and net realizable value.

Costs are evaluated according to the weighted average cost method. Pro rata direct overheads are included in inventories. Slow-moving items are partially amortized. Obsolete articles are fully written off.

2.16 Non-current assets held for sale and associated liabilities

The item "Non-current Assets Held for Sale and Discontinued operations" comprises assets held long term until sold and liabilities from business operations that have been discontinued. These are all those assets of a business segment that are associated with discontinuation of a major line of business or balance sheet items or disposal groups that comprise at least one non-current asset plus any associated liabilities that will be realized by a sales transaction and no longer by continued use. The reclassification only takes place when management has decided on the sale and begun seeking purchasers. In addition, the object or disposable group must be saleable, and it must be highly probable that sale will take place within one year. Long-term assets or disposal groups that are classified as "for sale" are no longer systematically amortized. Should their value need to be adjusted, this takes place by means of impairment.

In the profit and loss statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the profit and loss statement.

2.17 Uncompleted contracts, 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.

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.

Proceeds from other customer orders, especially services, are recognized as billings or operating revenue on the date when they are performed. Discounts, sales taxes, and other reductions in the proceeds from the sale are deducted.

Provisions are made immediately for foreseeable losses on customer orders (see also Note 25).

Interest income is accrued to the respective period taking into account the outstanding amount and the applicable rate of interest. The applicable rate of interest is that rate of interest that discounts the estimated future cash flows over the life of the financial asset to exactly the net carrying amount of the asset.

2.18 Property, plant and equipment/Investment properties

Property, plant and equipment and investment properties are valued at purchase value less cumulative depreciation. Third-party capacities are not capitalized.

Depreciation takes place according to the linear method in systematically planned manner over the useful life of the property. Land is not depreciated. Impairments (Notes 15 and 16) are recognized as amortization and reported separately.

Real estate not used for operational purposes is recognized as investment property and carried in the balance sheet and depreciated according to the same criteria as real estate used for operational purposes. Investment property includes real estate (land and/or buildings or parts thereof) that is held for the purpose of generating rental income and/or for a future still undefined purpose.

The market value of the investment properties reported separately in Note 16 is based on estimates or assumptions (external valuations, discounted cash flow calculations, comparison 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:

	Years
Buildings	20–40
Machines and tools	5–10
Furniture	10
EDP	3–5
Vehicles	5–10

2.19 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.

Except for goodwill, no intangible assets with an unlimited useful life are capitalized.

Impairments (Note 17) are recognized as amortization and reported separately.

2.20 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.

2.21 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.

2.22 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 350 employees in the Group.

The plan has a lifetime of six years and provides for entitled employees to receive a predefined proportion 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 pass into the ownership of the employees and carry all associated rights, but are subject to the restriction that for a period of three years they may not be sold.

There is also a share purchase program for the employees of the ALSO Group. The program allows all employees of the ALSO Group to purchase shares of ALSO Holding AG at preferential conditions of 50% of the market price.

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. or ALSO Holding AG 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. All options allow only the purchase of shares or bearer participation certificates and cannot result in direct receipt of cash or cash equivalents.

The fair value of the option premium from the capital participation plan as calculated by the Hull-White method (see Note 32) is recognized in the profit and loss statement and charged to personnel cost for the vesting period of three years.

2.23 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.

2.24 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.

Minority interests comprise shares held by third-party shareholders in the shareholders' equity (incl. net profit for the year) of subsidiaries.

Dividends are charged to shareholders' equity in the period in which they are determined.

2.25 Leases

Property, plant and equipment 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.

2.26 Impairment

Goodwill amounts are subjected to an annual impairment test in the third quarter.

The discounted cash flow model that is used to calculate the fair value for the impairment test depends on several factors. These include estimates of future cash flows, discount rates, and other variable parameters. The basis for the test is the forecast for the reporting year and the medium-term plan for the following two years. To make these estimates, significant assumptions and valuations are necessary. The factors such as volumes, selling prices, sales growth, material costs, personnel costs, and operating costs, as well as capital expenditure, market conditions, and other economic factors, are based on assumptions that management regards as reasonable.

Impairments of the goodwill are recognized immediately as amortization in the profit and loss statement and not reversed in subsequent periods.

The recoverable value of property, plant and equipment and other assets, including intangible assets, is always tested if events or changed circumstances indicate that their carrying amounts may be overvalued. If the carrying amount exceeds the recoverable value, exceptional depreciation is applied to reduce the value to the amount that appears recoverable based on the discounted expected future revenues.

2.27 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 Operating revenue

In million CHF	2004	2005
Billings	8 220	8 658
Sundry operating revenue	45	36
Change in balance of work in progress	-14	173
Capitalized own production of property, plant and equipment	3	3
Total operating revenue	8 254	8 870

CHF 3 338 million (previous year CHF 3 078 million) of the operating revenue were calculated according to the percentage of completion method.

4 Personnel cost and headcount

4.1 Personnel cost

In million CHF	2004	2005
Salaries and wages	2 211	2 294
Social charges	603	626
Total personnel cost	2 814	2 920

Depending on the function, the procedure usually includes the base salary, variable salary components, social benefits, and other payments. All Schindler companies follow the compensation policy of the Group, according to which the income situation, individual performance, and market practices are taken into account.

Schindler pursues a policy of performance premiums and bonus payments wherever these are justifiable. For managerial employees, the variable components play an important role in the total compensation.

4.2 Headcount

	2004	2005
Average headcount	39 269	39 651
Headcount at year-end	39 443	40 385

5 Other operating cost		
In million CHF	2004	2005
Special cost	392	422
Employee-related expenses	209	238
Rent, leasing	133	141
Maintenance and repairs	70	73
Energy supply, consumables and packing material	114	117
Insurance, fees and capital taxes	100	92
General administration and advertising	208	231
Losses on receivables	8	23
Other operating expenses	100	104
Other income	-20	-50
Total other operating cost	1 314	1 391

Research and development costs of CHF 110 million (previous year CHF 114 million) have been charged to the profit and loss statement.

“Other income” includes contributions to advertising expenses by suppliers, income from other periods, and accounting gains from the sale of fixed assets and investment properties. Accounting gains are reported gross before deduction of taxes, reserves, and contractually agreed expenses, etc. The annual financial statements for 2005 contain the proceeds from the sale of the Industrial and Trading Park at Altenrhein, Switzerland, and the land at Saragossa, Spain.

6 Financial income		
In million CHF	2004	2005
Interests	25	32
Value adjustments on available-for-sale items	3	-
Total financial income	28	32

7 Financial expense		
In million CHF	2004	2005
Interests	52	52
Foreign currency transactions	5	27
Other financial expense	14	13
Total financial expense	71	92

The foreign currency result mainly comprises valuation differences on operational hedging transactions. "Other financial expense" mainly comprises bank charges and country-specific financial transaction costs.

8 Investing activities		
In million CHF	2004	2005
Income from investments in associates	4	-1
Amortization of intangible assets	-	-1
Total investing activities	4	-2

9 Income taxes		
In million CHF	2004	2005
Current income taxes of the reporting period	127	137
Current income taxes of previous period	-	1
Deferred income taxes	26	33
Total income taxes	153	171

9.1 Reconciliation of income taxes

In million CHF	2004	%	2005	%
Net profit before taxes	482		572	
Weighted average income tax rate		33		32
Expected income tax expense	158		184	
Setup/use of unrecognized tax loss carryforwards	-3		-9	
New inclusion of deferred taxes	2		-3	
Other	-4		-1	
Effective income taxes	153		171	
Effective income taxes and profit before taxes		32		30

The weighted average tax rate is calculated using expected income tax rates of the individual Group companies in each jurisdiction.

10 Securities		
In million CHF	2004	2005
Investment funds	184	–
Other securities	24	88
Time deposits	131	24
Total securities	339	112

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

11 Accounts receivable		
In million CHF	2004	2005
Supplies and services, gross	1 307	1 559
Allowance for doubtful accounts	–103	–121
Supplies and services, net	1 204	1 438
Associates and other related parties	4	11
Other accounts receivable	70	106
Total accounts receivable	1 278	1 555

Sold accounts receivable of CHF 17 million (previous year CHF 50 million) have not been derecognized because the collection risk remains within the Group.

12 Production orders in progress		
In million CHF	2004	2005
Work in progress	748	918
Down payments from customers	–313	–388
Net assets of production orders in progress	435	530
Work in progress	430	577
Down payments from customers	–698	–998
Net liabilities of production orders in progress	–268	–421

13 Inventories		
In million CHF	2004	2005
Raw material and trading material	249	327
Semifinished and finished goods	85	103
Down payments to suppliers	7	5
Total inventories	341	435

Write-downs totaling CHF 113 million (previous year CHF 95 million) were recognized for slow-moving and obsolete items.

14 Assets and liabilities held for sale

Discontinued business operations

On February 5, 2004, the ALSO Group divested the systems business. The values included in the profit and loss statement of the consolidated financial statements are as follows:

In million CHF	2004	2005
Operating revenue	5	-
Material cost	1	-
Personnel cost	4	-
Operating profit	0	-
Profit from discontinued business operations	0	-

The effect of the discontinued business operations on the individual items of the balance sheet and cash flow statement is less than one million CHF and therefore not reported separately.

The amount of CHF 34 million reported in the balance sheet of the previous year under "Financial assets held for sale" is the carrying amount of the Industrial and Trading Park at Altenrhein, Switzerland, which was sold on January 1, 2005.

1 2 3
 4 5 6
7 8 9
 0

Financial Statements Group

15 Property, plant and equipment (PPE)

In million CHF	Operational land	Operational buildings	Equipment and machines	Other PPE	Total
Net book values 2004					
December 31, 2003	37	157	151	106	451
Additions	–	6	31	45	82*
Disposals	–	–2	–8	–7	–17
Reclassifications	–	–	2	–3	–1
Amortization	–	–12	–37	–43	–92
Change scope of consolidation	–	3	1	–	4
Translation exchange differences	–1	–3	–5	–1	–10
December 31, 2004	36	149	135	97	417
Of which lease	1	6	–	3	10
Fire insurance value					1 840
Overview as of January 1, 2004					
Acquisition costs	51	429	592	491	1 563
Accumulated amortization and impairment losses	–14	–272	–441	–385	–1 112
Net book values	37	157	151	106	451
Overview as of December 31, 2004					
Acquisition costs	49	414	560	439	1 462
Accumulated amortization and impairment losses	–13	–265	–425	–342	–1 045
Net book values	36	149	135	97	417

*Of which finance lease

1

In million CHF	Operational land	Operational buildings	Equipment and machines	Other PPE	Total
Net book values 2005					
December 31, 2004	36	149	135	97	417
Additions	6	13	32	49	100*
Disposals	-1	-5	-6	-2	-14
Reclassifications	3	1	4	-6	2
Amortization	-1	-11	-37	-37	-86
Impairment	-	-	-3	-	-3
Change scope of consolidation	2	2	1	3	8
Translation exchange differences	-5	17	11	8	31
December 31, 2005	40	166	137	112	455
Of which lease	1	7	-	5	13
Fire insurance value					1 834
Overview as of January 1, 2005					
Acquisition costs	49	414	560	439	1 462
Accumulated amortization and impairment losses	-13	-265	-425	-342	-1 045
Net book values	36	149	135	97	417
Overview as of December 31, 2005					
Acquisition costs	53	415	597	480	1 545
Accumulated amortization and impairment losses	-13	-249	-460	-368	-1 090
Net book values	40	166	137	112	455

*Of which finance lease

2

Other PPE include EDP equipment, furniture, vehicles, and assets currently under construction. Assets under construction amounted to CHF 18 million in the year under review (previous year CHF 8 million).

Gains and losses from the sale of assets are recognized as "other income." In the reporting year, a gain of CHF 33 million (previous year CHF 13 million) was realized.

16 Investment properties

In million CHF	2004	2005
Net book values		
Net book values January 1	104	62
Additions	1	2
Disposals	-3	-4
Amortization	-7	-4
Impairment	-	-1
Transfers to "Financial assets held for sale"	-34	-
Other reclassifications	1	-3
Translation exchange differences	-	1
Net book values December 31	62	53
Overview as of January 1		
Acquisition costs	196	155
Accumulated amortization and impairment losses	-92	-93
Net book values	104	62
Overview as of Dezember 31		
Acquisition costs	155	181
Accumulated amortization and impairment losses	-93	-128
Net book values	62	53
Fire insurance value	290	249
Net book value of property, plant and equipment under finance lease	-	-
Market value	144	166
Rental income	15	10
Operating expenses:		
Real estate with rental income	9	6
Real estate without rental income	3	1

There are no restrictions on the saleability of the investment properties carried in the balance sheet. There are also no significant contractual obligations to sell, construct, repair, maintain, or improve investment properties.

17 Intangible assets			
In million CHF	Goodwill	Other intangible assets	Total
Net book values 2004			
December 31, 2003	457	105	562
Additions	–	22	22
Amortization	–31	–17	–48
Translation exchange differences	–6	–1	–7
December 31, 2004	420	109	529
Overview as of January 1, 2004			
Gross carrying amount	658	233	891
Accumulated amortization and impairment losses	201	128	329
Net book values	457	105	562
Overview as of December 31, 2004			
Gross carrying amount	652	254	906
Accumulated amortization and impairment losses	232	145	377
Net book values	420	109	529
Net book values 2005			
December 31, 2004	420	109	529
Additions	–	26	26
Amortization	–	–23	–23
Change scope of consolidation	46	81	127
Reclassifications	–2	12	10
Translation exchange differences	82	9	91
December 31, 2005	546	214	760
Overview as of January 1, 2005			
Gross carrying amount	420	254	674
Accumulated amortization and impairment losses	–	145	145
Net book values	420	109	529
Overview as of December 31, 2005			
Gross carrying amount	546	382	928
Accumulated amortization and impairment losses	–	168	168
Net book values	546	214	760

In the previous year, according to the standards then in force, goodwill amortization of CHF 31 million was charged to the profit and loss statement. According to new IFRS rules, as from January 1, 2005, these items are no longer amortized but subjected to an annual impairment test.

The impairment test was performed in the third quarter of the reporting year on the basis of the figures forecast by the cash-generating units for 2005 and their plan data for 2006 and 2007. Starting from historical values, the valuations are based on forecast growth rates for items including sales and operating profit. The growth strategy in the respective markets is also taken into account. The value of the perpetual annuity at the end of the planning period is discounted to the date of the valuation (terminal value). Based on the enterprise values calculated by the DCF method, no value adjustments are required.

The following assumptions were used in the calculations:

Goodwill	Book value at	Base data used		
	31.12.2005 in CHF million	Interest rate	Growth rate (real)	Inflation rate
C. Haushahn Aufzüge GmbH & Co.	169	15.2%	0.8%	2.0%
Elevadores Atlas Schindler S.A.	313	22.9%	0.5%	7.5%
Schindler (China) Elevator Co. Ltd.	12	14.9%	7.0%	5.0%
ELETEC Vytahy s.r.o.	13			
Mercury Ascensore Ltd.	26			
Miscellaneous	13			
Total	546			

18 Investments in associates

In million CHF	Share in equity of associated companies	Intangible assets in investments in associated companies	Total investments
Net book values			
December 31, 2003	36	–	36
Additions	14	21	35
Share of net profit	4	–	4
Dividends received	–5	–	–5
Reclassifications	–5	–	–5
Translation exchange differences	–1	–	–1
December 31, 2004	43	21	64
Additions	2	5	7
Amortization	–	–1	–1
Share of net profit	–1	–	–1
Dividends received	–3	–	–3
Reclassifications	–3	–10	–13
Translation exchange differences	2	–	2
December 31, 2005	40	15	55

Cumulative values of the associated companies

In million CHF	2004	2005
Share of operating revenue	95	88
Share of net profit	4	–1
Balance sheet values		
Current assets	66	50
Non-current assets	22	30
Current liabilities	38	31
Non-current liabilities	7	9
Shareholders' equity	43	40

The values of the associated companies are based on the financial statements of those companies or their latest available forecasts for the reporting year. In all companies the closing date is December 31. Wherever possible, the values in the local financial statements are adapted to the measurement rules of the Group.

19 Financial assets

In million CHF	2004	2005
Loans to associates and other related parties	2	1
Securities	385	469
Other financial assets	53	63
Total financial assets	440	533

The securities consisted mainly of bonds. These are classified as "available for sale" and at December 31, 2005, comprised the following:

Currency	Effective interest rate	2007 to 2010	Maturity 2011 and after	Total in CHF
EUR	up to 3,5%	231	–	231
EUR	up to 4,0%	9	–	9
GBP	up to 5,0%	159	–	159
GBP	up to 6,0%	45	–	45
Total		444		444

20 Deferred taxes

20.1 Net book values

In million CHF	2004	2005
Deferred taxes on account of temporary differences		
Current assets	42	43
Property, plant and equipment	–10	3
Provisions	36	57
Employee benefits	32	25
Tax loss carryforwards	14	9
Other temporary differences	–33	–101
Total net book value	81	36
Thereof recognized in the balance sheet as deferred tax liabilities	–103	–164
Thereof recognized in the balance sheet as deferred tax assets	184	200

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 121 million whose recoverability depends partly on tax-planning measures of the Group.

20.2 Statement of changes in net deferred tax assets and liabilities

In million CHF	2004	2005
January 1	118	81
Setup and reversal of temporary differences	-26	-33
Change scope of consolidation	-	-26
Translation exchange differences	-11	14
December 31	81	36

20.3 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 73 million (previous year CHF 64 million).

20.4 Tax loss carryforwards

In million CHF	2004	2005
Total tax loss carryforwards	386	379
Includes tax loss carryforwards in deferred taxes of	33	22
Total unused tax loss carryforwards	353	357
Of which expiring:		
Within one year	-	-
In two to five years	90	26
In more than five years	263	331
Tax effect of unused tax loss carryforwards	114	116

An analysis of income taxes and the effective income tax rate are contained in Note 9.

21 Employee benefit plans

21.1 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
under liabilities				-356

21.2 Defined benefit plans 2005

In million CHF	Funded	Unfunded	Others	Total
Net assets at market value	1 846			1 846
Present value of defined benefit obligation	-1 970	-198	-124	-2 292
Financial surplus/shortfall	-124	-198	-124	-446
Unrecognized actuarial loss	198	1	5	204
Assets not shown in the balance sheet	-18			-18
Total net book value 2005	56	-197	-119	-260
Amount reported as employee benefits				
under assets				84
under liabilities				-344

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.

21.3 Periodic pension cost for defined benefit plans

In million CHF	2004	2005
Current service cost	97	63
Interest cost on present value of defined benefit obligation	80	83
Expected return on plans assets	-87	-86
Amortization of actuarial gains/losses	5	13
Less employee contributions	-24	-23
Change in assets not shown in the balance sheet	15	-
Periodic pension cost	86	50
Actual return on plan assets	7.7%	10.5%

21.4 Change of net assets at market values

In million CHF	2004	Funded 2005
January 1	1 665	1 687
Expected return	87	86
Actuarial gains/losses	7	23
Employee contributions	24	23
Employer contributions	61	88
Benefits paid	-98	-94
Change scope of consolidation	-34	-
Translation exchange differences	-25	33
December 31	1 687	1 846

21.5 Change in present value of defined benefit obligation

In million CHF	Funded		Unfunded		Other		Total	
	2004	2005	2004	2005	2004	2005	2004	2005
January 1	-1 696	-1 724	-213	-210	-121	-123	-2 030	-2 057
Service cost	-81	-68	-10	-10	-6	15	-97	-63
Interest cost	-74	-77	-1	-1	-5	-5	-80	-83
Actuarial gains/losses	-3	-142	1	-2	-14	-3	-16	-147
Employee contributions	-23	-23	-1	-	-	-	-24	-23
Benefits paid	94	94	11	16	17	16	122	126
Change scope of consolidation	35	-	1	13	-	-16	36	-3
Translation exchange differences	24	-30	2	-4	6	-8	32	-42
December 31	-1 724	-1 970	-210	-198	-123	-124	-2 057	-2 292

21.6 Asset allocation of investments as per December 31

In %	2004	2005
Equity	35.1	37.7
Bonds	44.0	41.4
Real Estate	17.5	18.6
Other	3.4	2.3
Total	100.0	100.0

21.7 Basis of actuarial calculations

Weighted averages in %	2004	2005
Technical interest rate	4.5	4.1
Expected return on assets	5.4	5.0
Increase in salaries/wages	2.9	2.4
Increase in pensions	1.4	1.4
Fluctuation rate	3.9	5.5

22 Accounts payable

In million CHF	2004	2005
Supplies and services	483	634
Associates and other related parties	23	24
Social security institutions	53	56
Indirect taxes and capital taxes	77	129
Other accounts payable	102	68
Total accounts payable	738	911

23 Accrued expenses and deferred income

In million CHF	2004	2005
Personnel cost	294	339
Late cost	62	58
Invoiced service contracts	286	267
Other accrued expenses and deferred income	267	319
Total accrued expenses and deferred income	909	983

24 Financial debts

24.1 Current financial debts

In million CHF	2004	2005
Bank overdrafts	35	35
Current portion of non-current financial debts of bank loans	186	22
Current portion of non-current financial debts of financial leases	3	4
4½% debenture 1999–2006, nominal value CHF 300 million	–	299
Total current portion of non-current financial debts	189	325
Total current financial debts	224	360

24.2 Non-current financial debts

In million CHF	2004	2005
3½% debenture 1999–2009, nominal value CHF 300 million	297	298
4½% debenture 1999–2006, nominal value CHF 300 million	298	–
Total outstanding debentures and bonds	595	298
Bank loans and private placements	57	61
Finance leases	15	15
Other non-current financial debts	31	61
Total non-current financial debts	698	435
Thereof CHF portion	86.0%	78.0%

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 29.6).

The individual Group companies are in compliance with all “debt covenants.”

24.3 Synopsis of maturity and average interest rate on financial debt

In million CHF	2004 Book value	2005 Book value	2004	2005
			Effective interest rate in %	Effective interest rate in %
Within one year	222	361	4.6	3.9
Within two to five years	650	353	4.1	4.1
Greater than five years	50	81	16.2	18.9
Total financial debts	922	795	4.8	5.4

25 Provisions

In million CHF	Loss jobs	Guarantees	Structure adaptation cost	Product liabilities	Other provisions	Total
Current provisions	44	39	59	43	44	229
Non-current provisions	19	23	7	114	54	217
Total provisions	63	62	66	157	98	446

Statement of changes

December 31, 2004	56	75	74	145	89	439
Statement of profit and loss						
Setup	45	5	8	41	35	134
Usage	-41	-11	-18	-45	-32	-147
Reversal	-2	-9	-1	-	-3	-15
Change scope of consolidation	-	1	-	-	-	1
Translation exchange differences	5	1	3	16	9	34
December 31, 2005	63	62	66	157	98	446

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 of order receipt.

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 communicated 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, or are expected, and are not yet closed. Reversal takes place parallel to the payments, which may extend over a period of up to ten 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 five years.

26 Additional information concerning the consolidated cash flow statement

Acquisition of subsidiaries

In the reporting year, the companies stated in Note 2.6 were acquired. The following assets and liabilities were consolidated at their fair values as of the date of the acquisition.

In million CHF	Carrying amount	Fair value
Cash on hand and securities	9	9
Accounts receivable and prepaid expenses	13	12
Net balance of uncompleted contracts and inventories	10	7
Fixed assets	5	8
Intangible assets (excluding goodwill)	–	81
Other non-current assets	3	3
Current liabilities	–22	–25
Non-current liabilities	–9	–38
Net assets	9	57
Goodwill		46
Total acquisition		103
Cash acquired		–8
Cash used		95

When calculating the cash flow from additions of subsidiaries and affiliated companies, the value of the cash acquired resulting from a new consolidation is deducted from the respective purchase price.

The residual added value (goodwill) from these acquisitions mainly reflects the potential for synergy and increased efficiency in the markets of these companies. The operating revenue and operating profit of the newly acquired companies since the date of the acquisition amount to CHF 46 million and CHF 5 million respectively.

If the acquisition of these companies had already been completed on January 1, 2005, this would have resulted in additional operating revenue of CHF 37 million and additional operating profit of CHF 3 million.

27 Off-balance sheet transactions

27.1 Contingent liabilities/claims

In million CHF	2004	2005
Total value of guarantees, pledges and guarantee obligations in favor of third parties	7	25

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

- As an internationally active company, Schindler is exposed to a multitude of legal risks. These relate particularly to risks associated with product liability, patent law, taxation, antitrust law, and other laws relating to competition. Some subsidiaries are involved in legal proceedings. The results of currently pending or future proceedings cannot be predicted with certainty, which means that decisions of courts or other authorities can cause expenses that are not fully covered, or covered at all, by insurances and can therefore have significant consequences for our business and on future results. 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.
- As already communicated on several occasions, in January 2004 the European Commission initiated investigations into various companies in the European elevator and escalator industry regarding suspected collusions in contravention of antitrust laws. The investigations included individual subsidiaries of the Schindler Group. The Board of Directors of Schindler Holding Ltd. immediately instructed the Audit Committee to clarify by means of extensive investigations whether, and to what extent, infringements of the Code of Conduct enacted in 1997 and of regulations under antitrust laws had occurred. Based on the results of the internal investigations it had to be assumed that in the past, isolated infringements had occurred in a small number of EU countries. This was notified to the European Commission.

On October 11, 2005, the European Commission delivered Statements of Objections to the companies involved. The European Commission had concluded that infringements had occurred in a small number of European countries. On the other hand, absolutely no indications of pan-European collusions were found. After the companies involved have submitted the requested replies to the Statements of Objections in the first quarter of 2006, the proceedings will continue. The European Commission has not yet made any statement regarding specific sanctions. They will form part of its decision. Since a reliable estimate of the financial consequences of the proceedings is not possible at this time, no provisions were created in the reporting year.

- As also already announced, class-action lawsuits filed in the USA following the announcement of the EU investigation were rejected by the responsible judge in New York due to lack of evidence. In July 2005, a group of the previous plaintiffs filed a new class-action lawsuit which once again collectively accused the international elevator industry of practices that violated antitrust legislation. We consider this lawsuit also to be completely without legal foundation. We are therefore optimistic that it will likewise be rejected.
- Sale of a parcel of land in Saragossa, Spain, will result in proceeds to the Group – after deduction of taxes and other direct expenses – amounting to approximately EUR 20 million. This payment depends on the purchaser being able to make use of the land in a different form. The necessary authorizations have not yet been issued by the local authorities. The receivable is not recognized in the financial statements dated December 31, 2005.

27.2 Other commitments

In million CHF	2004	2005
Irrevocable payment commitments resulting from contracts not to be shown in the balance sheet	59	49

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, 2005: 55%). The minority shareholder has the right to assign his shares at already fixed contractual conditions at any time before this date.

27.3 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

27.4 Synopsis of maturity of rental and lease payments 2005

In million CHF	Rental contracts	Operating leases	Finance leases
Within one year	17	61	5
Within two to five years	41	105	14
Greater than five years	7	33	3
Total payments	65	199	22
Less interests			-3
Total finance lease borrowings 2005			19

28 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 counterpartner 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 52 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.

29 Financial instruments

29.1 Fair value of financial assets and liabilities				
In million CHF	2004 Net book value	2004 Fair value	2005 Net book value	2005 Fair value
Financial assets				
Cash on hand	1 011	1 011	1 108	1 108
Marketable securities within current assets	339	339	112	112
Accounts receivable	1 278	1 278	1 555	1 555
Financial assets	440	440	533	533
Financial liabilities				
Current and non-current financial debts	922	957	795	817
Other liabilities	844	844	1 011	1 011

Wherever possible, the fair value is determined from the current fair price, or from own calculations in the case of OTC transactions.

29.2 Carrying amount by currency		
Cash on hand and securities in current assets		
In million CHF	2004	2005
CHF	533	500
EUR	360	387
USD	285	121
Other	172	212
Total	1 350	1 220

29.3 Open derivative financial instruments 2004

In million CHF	Gross replacement values		Contract values	Contract values by expiry date			
	positive	negative		within 3 months	3 to 12 months	1 to 5 years	over 5 years
Forward	29	15	1 539	752	468	319	–
Options	–	1	39	15	24	–	–
Foreign exchange	29	16	1 578	767	492	319	–
Forward	1	3	378	–	78	300	–
Options	–	–	–	–	–	–	–
Interest	1	3	378	–	78	300	–
Forward	–	–	–	–	–	–	–
Options	–	–	–	–	–	–	–
Other derivatives	–	–	–	–	–	–	–
Total derivatives	30	19	1 956	767	570	619	–

29.4 Open derivative financial instruments 2005

In million CHF	Gross replacement values		Contract values	Contract values by expiry date			
	positive	negative		within 3 months	3 to 12 months	1 to 5 years	over 5 years
Forward	11	57	2 411	1 167	859	385	–
Options	–	–	68	1	67	–	–
Foreign exchange	11	57	2 479	1 168	926	385	–
Forward	1	–	300	–	300	–	–
Options	3	3	624	–	624	–	–
Interest	4	3	924	–	924	–	–
Forward	–	–	–	–	–	–	–
Options	–	–	–	–	–	–	–
Other derivatives	–	–	–	–	–	–	–
Total derivatives	15	60	3 403	1 168	1 850	385	–

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

29.5 Hedging transactions 2004

In million CHF	Market value	Purchase cost	Risk	Hedging instrument	Positive replacement value	Negative replacement value
Underlying transaction						
Net investments 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

29.6 Hedging transactions 2005

In million CHF	Market value	Purchase cost	Risk	Hedging instrument	Positive replacement value	Negative replacement value
Underlying transaction						
Fair value hedges	62	62	Foreign currency	Forward exchange transaction	-	-
Net investments in foreign subsidiaries	64	62	Foreign currency	Forward exchange transaction	-	2
Cash flow	-126	-128	Foreign currency	Forward exchange transaction	-	2
Non-current financial debts	-301	-300	Market value	Interest rate swap	1	-

30 Assets pledged or assigned as security against the company's own liabilities (pledged assets)

In million CHF	2004	2005
Securities	16	17
Accounts receivable	75	35
Inventories	4	4
Property, plant and equipment	66	66
Total pledged assets	161	122

31 Segment reporting

The Group consists of the traditional core business of Elevators & Escalators, and the ALSO Group, which is operating in the IT industry as a logistic and service company.

The results of the business segments have been presented on a management reporting basis (Management Approach). They include all revenues and expenses which are directly attributable to a segment plus a Group overhead cost which has been assigned to each segment.

Intercompany charges have been included in the individual values and are based on market prices (at arm's length). "Services/Eliminations E & E" contains values of management and service companies as well as eliminations within the Elevators & Escalators business. Intercompany sales of ALSO to Elevators & Escalators are included in "Finance/Eliminations."

Allocation of operating revenue to geographical regions is based on the location where invoicing occurs.

Assets and liabilities which cannot be divided between the two segments, especially financial liabilities for Group financing, are reported under "Finance/Eliminations."

31.1 Segment information 2004

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E & E	Elevators & Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue third parties	3 600	1 850	950	4	6 404	1 850	–	8 254
Intercompany sales	1 099	39	121	–1 259	–	2	–2	–
Total operating revenue	4 699	1 889	1 071	–1 255	6 404	1 852	–2	8 254
Operating profit					508	31	–18	521
Assets	2 040	920	549	74	3 583	425	1 328	5 336
Investments in associated companies	47	–	17	–	64	–	–	64
Liabilities	1 713	569	351	208	2 841	248	752	3 841
Additions of property, plant and equipment	43	23	10	2	78	4	–	82
Depreciation and amortization	83	36	15	8	142	6	–	148
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

31.2 Segment information 2005

In million CHF	Europe	Americas	Asia, Australia, Africa	Services/ Eliminations E & E	Elevators & Escalators	ALSO	Finance/ Eliminations	Group
Operating revenue third parties	3 828	2 009	1 050	3	6 890	1 980	–	8 870
Intercompany sales	1 265	48	198	–1 511	–	–	–	–
Total operating revenue	5 093	2 057	1 248	–1 508	6 890	1 980	–	8 870
Operating profit					632	23	–21	634
Assets	2 363	1 179	763	88	4 393	438	1 218	6 049
Investments in associated companies	44	–	11	–	55	–	–	55
Liabilities	1 813	731	460	195	3 199	247	718	4 164
Additions of property, plant and equipment	54	22	16	3	95	3	–	98
Depreciation and amortization	70	23	14	6	113	4	–	117
Of which impairment	4	–	–	–	4	–	–	4
Share in profits of associated companies					–2	–	–	–2
Personnel at year-end	19 793	12 108	7 572	289	39 762	623	–	40 385

32 Capital participation plans

32.1 Share plan Schindler Holding Ltd.

The awards under the participation plan made in April 2005 for the financial results of 2004 required 18 068 bearer participation certificates (previous year 17 392) with a market value on December 31, 2004, of CHF 4.9 million (previous year CHF 4.1 million). The corresponding number was taken from treasury. The respective expense was charged to personnel cost.

32.2 Option plan Schindler Holding Ltd.

The changes in the balance of the options issued on registered shares (in 2001, 2002, 2003) and bearer participation certificates (2004 and 2005) carrying the right to purchase Schindler registered shares or bearer participation certificates are shown below.

32.2.1 Statement of changes in options Schindler Holding Ltd.

Number	2004	Weighted exercise price in CHF	2005	Weighted exercise price in CHF
Balance on January 1	92 445	259.50	116 841	265.90
Options awarded	27 967	286.50	26 306	329.00
Options exercised	-1 250		-7 136	
Expired: through redemption through date	-2 321 -		-1 652 -	
Balance on December 31	116 841	265.90	134 359	277.85

32.2.2 Option conditions on shares and bearer participation certificates Schindler Holding Ltd.

Year of issue	Right to	Exercise period	Exercise price then applicable in CHF	Open on 31.12.2005 Number
2001	Shares	May 1, 2004, until April 30, 2007	268.70	10 040
2002	Shares	May 1, 2005, until April 30, 2008	270.60	9 957
2003	Shares	May 1, 2006, until April 30, 2009	255.00	61 147
2004	Bearer participation certificates	May 1, 2007, until April 30, 2010	286.50	27 313
2005	Bearer participation certificates	May 1, 2008, until April 30, 2011	329.00	25 902

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004 and 2005) of Schindler Holding Ltd.

32.3 Option conditions on shares ALSO Holding AG

Year of issue	Right to	Exercise period	Exercise price then applicable in CHF	Open on 31.12.2005 Number
2003	Shares	May 1 2006 until April 30 2009	362.40	2 768
2004	Shares	May 1 2007 until April 30 2010	334.65	396
2005	Shares	May 1 2008 until April 30 2011	330.78	503

One option gives entitlement to purchase one registered share of ALSO Holding AG.

The options are valued using the Hull-White model, which explicitly takes into account the effects of the restriction period as well as of an earlier exercise date. The following parameters are used in the valuation:

32.4 Participation certificates Schindler Holding Ltd.

	2004	2005
Price	353.50	435.50
Strike	286.50	329.00
Volatility	33.33%	30.61%
Risk-free interest rate	2.30%	1.90%
Dividend rate	1.95%	1.86%
Exit rate	5%	5%

32.5 Shares ALSO Holding AG

	2004	2005
Price	340.00	398.00
Strike	334.65	330.78
Volatility	55.00%	52.90%
Risk-free interest rate	2.30%	1.90%
Dividend rate	1.30%	1.40%
Exit Rate	5%	5%

The volatility was calculated on the basis of the historical volatility of the share price over a time horizon of six years before the date of valuation.

The fair value of the options is recognized in the profit and loss statement, with one third (vesting period) of the amount CHF 2.8 million (previous year CHF 2 million) being charged to personnel expenses.

32.6 Allocation to Board of Directors and Management Committees

	2004	2005
Bearer participation certificates Schindler Holding Ltd.	5 791	5 211
Options on bearer participation certificates Schindler Holding Ltd.	7 614	6 472
Shares ALSO Holding AG	189	385
Options of shares ALSO Holding AG	396	503

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

33 Shareholders' equity

33.1 Share capital

	31.12.2004	31.12.2005
Number of shares	7 356 820	7 356 820
Nominal value in CHF	1.–	1.–
Share capital in CHF	7 356 820.–	7 356 820.–

33.2 Bearer participation certificates capital

	31.12.2004	31.12.2005
Number of bearer participation certificates	5 141 640	5 141 640
Nominal value in CHF	1.–	1.–
Share capital in CHF	5 141 640.–	5 141 640.–

33.3 Own shares and bearer participation certificates

In million CHF	Registered shares		Bearer participation certificates	
	Number	Value	Number	Value
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
Withdrawals for employee stock plan	–	–	–18 068	–5
Exercise of options from the capital participation plan	–7 003	–2	–133	–
Acquisition	29 474	13	12 049	5
Sales	–190	–	–	–
December 31, 2005	102 222	29	52 956	14
Number of shares reserved for capital participation plan	102 222		52 956	
Already committed on December 31, 2005	81 144		52 956	

33.4 Value fluctuations of financial instruments

In million CHF	available for sale	Hedges
December 31, 2004	3	2
Addition	–1	–4
Realized through the profit and loss statement	–1	0
Realized as translation exchange differences in shareholders' equity	–	–2
December 31, 2005	1	–4

34 Earnings per share and bearer participation certificate

In CHF	2004	2005
Net profit (share of Schindler Holding shareholders)	308 000 000	377 000 000
Outstanding number of shares and BPC	12 498 460	12 498 460
Less number of treasury stock (weighted average)	146 700	150 811
Outstanding number of shares and BPC (weighted average) for calculation	12 351 760	12 347 649
Basic earnings per share and BPC	24.94	30.53
Diluted net profit	307 826 418	376 999 944
Diluted number of shares and BPC	12 389 906	12 401 384
Diluted earnings per share and BPC	24.84	30.40

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 AG.

35 Related parties

On December 31, 2005, the Schindler and Bonnard families, together with parties related to these families, held within the scope of a stockholder retainer contract 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% 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 99 to 102). 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 transactions taken place during the periods reported.

36 Compensation of key management*

In million CHF	2004	2005
Short-term employee benefits	24	24
Post-employment benefits	3	3
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payment	2	3
Total	29	30

*Board of Directors, Executive Committee of the Board, Management Committees

37 Proposal of the Board of Directors

The Board of Directors proposes to the General Meeting a dividend for the financial year 2005 of CHF 9.– (previous year CHF 7.–) per registered share and bearer participation certificate. This represents a total dividend payment of CHF 112 million (previous year CHF 87 million).

38 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 20, 2006, and presented for approval by the General Meeting of March 21, 2006.

39 Events after balance sheets date and outlook

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

Report of the statutory auditors

1	2	3
4	5	6
7	8	9
	0	

Financial Statements Group

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 3 to 60) of Schindler Holding Ltd. for the year ended December 31, 2005.

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 the Swiss Auditing Standards and the International Standards on Auditing (ISA), which require that an audit be so planned and performed as to obtain reasonable assurance regarding whether the 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 20, 2006

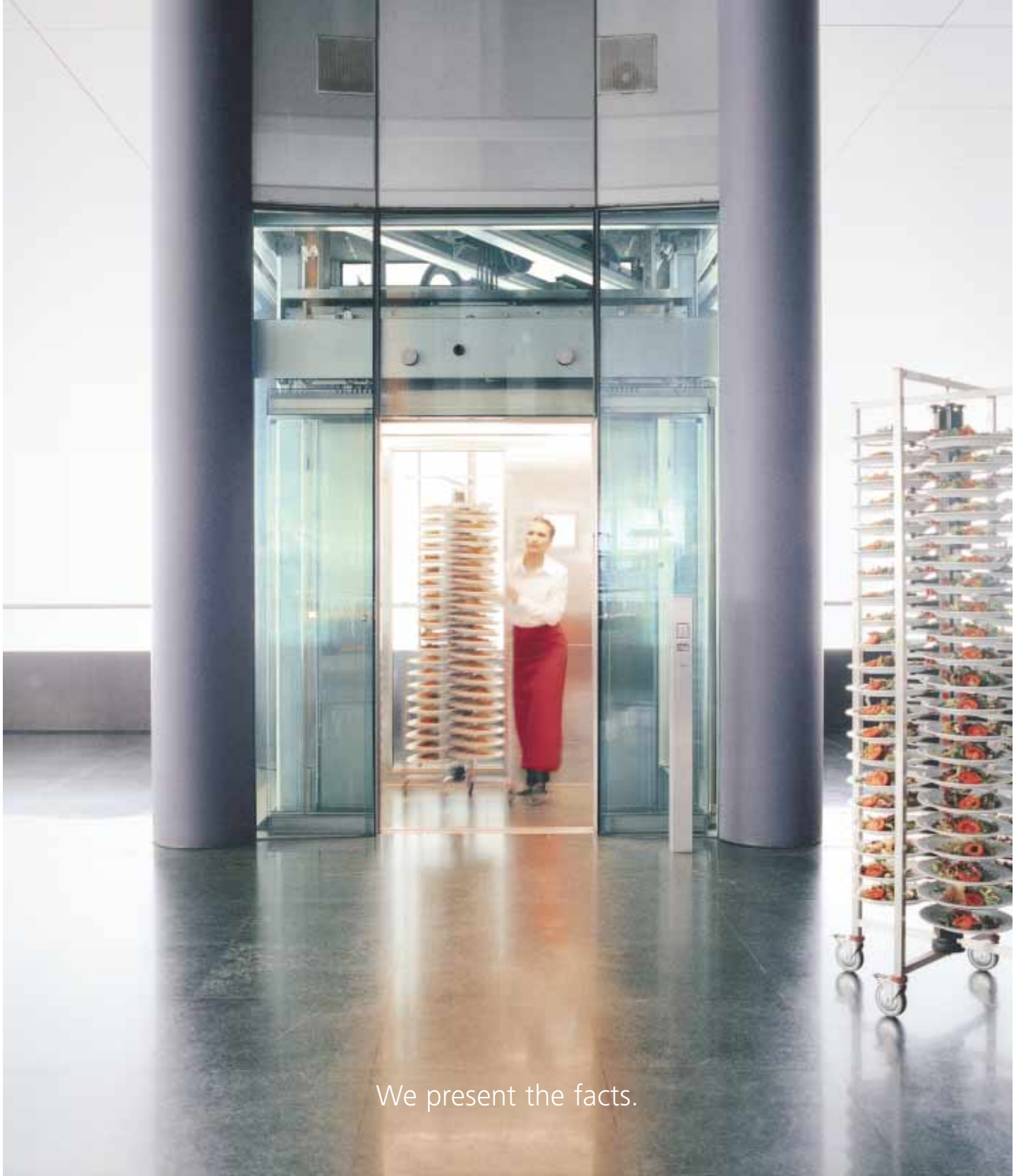
ERNST & YOUNG LTD.

Roland Ruprecht
Certified accountant
(in charge of the audit)

Marcel Gehrig
Certified accountant

1 2 3
4 5 6
7 **8** 9
0

Financial Statements Schindler Holding Ltd.



We present the facts.

Profit and loss statement

1 2 3
4 5 6
7 **8** 9
0

Financial Statements
Schindler Holding Ltd.

Revenue			
In 1000 CHF	Notes	2004	2005
Income from subsidiaries	1	223 966	270 137
Extraordinary income	2	1 321	16 512
Income from financial operations	3	13 156	12 982
Total revenue		238 443	299 631

Expenses			
In 1000 CHF	Notes	2004	2005
Financial expenses	4	22 481	25 549
Depreciation and adjustments	5	67 457	75 916
Administration expenses and taxes	6	15 782	21 322
Total expenses		105 720	122 787
Net profit for the year		132 723	176 844

Balance sheet before appropriation of profits

Financial Statements
Schindler Holding Ltd.

Assets					
In 1000 CHF	Notes	31. 12. 2004	%	31. 12. 2005	%
Current assets					
Cash and cash equivalents	7	461 004		452 366	
Securities	7	38 224		47 923	
Accounts receivable from subsidiaries	8	146 355		253 827	
Accounts receivable from third parties	9	844		2 163	
Prepaid expenses and accrued income	10	7 467		2 718	
Total current assets		653 894	31.9	758 997	36.4
Non-current assets					
Investments in subsidiaries	11	1 288 000		1 231 000	
Loans to subsidiaries	12	102 968		91 797	
Financial assets	13	3 576		5 576	
Total non-current assets		1 394 544	68.1	1 328 373	63.6
Total assets		2 048 438	100.0	2 087 370	100.0

Liabilities and shareholders' equity

In 1000 CHF	Notes	31.12.2004	%	31.12.2005	%
Liabilities					
Accounts payable to subsidiaries	14	289 004		257 873	
Accounts payable to third parties	15	19 281		3 636	
Debentures	16	600 000		600 000	
Provisions	17	62 372		55 307	
Accrued expenses and deferred income	18	13 084		15 519	
Total liabilities		983 741	48.0	932 335	44.7
Shareholders' equity					
Share capital	19, 20	7 357		7 357	
Bearer participation capital	19, 20	5 142		5 142	
Statutory reserves	20	317 121		317 121	
Reserves for treasury stock	20	31 189		43 051	
Other reserves	20	565 055		599 193	
Brought forward from previous year		6 110		6 327	
Net profit for the year	20	132 723		176 844	
Total shareholders' equity		1 064 697	52.0	1 155 035	55.3
Total liabilities and shareholders' equity		2 048 438	100.0	2 087 370	100.0

Appropriation of profits

Financial Statements
Schindler Holding Ltd.

Proposals to the General Meeting

In 1000 CHF	31.12.2004	31.12.2005
Total available profit		
Net profit for the year	132 723	176 844
Brought forward from previous year	6 110	6 327
Profits as per balance sheet	138 833	183 171

Appropriation of net profit

Gross dividends proposed		
per registered share	CHF 9.– (previous year CHF 7.–)	50 938*
per bearer participation certificate	CHF 9.– (previous year CHF 7.–)	35 568*
Total dividend		86 506*
Appropriation to other reserves	46 000	65 000
Total appropriation of net profit	132 506	177 486
Balance carried forward to new account	6 327	5 685

* Distribution excluding dividends on treasury stock (see also notes to consolidated financial statements, page 59)

** 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

1	2	3
4	5	6
7	8	9
	0	

Financial Statements
Schindler Holding Ltd.

Principles of valuation

The financial statements as at December 31, 2005, 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 Income from subsidiaries

Income from subsidiaries, totaling CHF 270.1 million (previous year CHF 224.0 million), includes the ordinary dividends of the subsidiaries and associated companies as well as contractually agreed payments for services rendered by Schindler Holding Ltd.

2 Extraordinary income

Extraordinary income of CHF 16.5 million comprises extraordinary income relating to a different period and extraordinary reversals of provisions (see also Note 25). Income reported under this item in the previous year (CHF 1.3 million) related to the sale of subsidiaries within the Group.

3 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 13.0 million (previous year CHF 13.2 million).

While interest income and market gains on securities in the reporting year were higher than in the previous year, exchange rate gains on foreign currency items were lower.

4 Financial expenses

The financial expenses of CHF 25.5 million (previous year CHF 22.5 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. Slightly higher interest expense for the interest rate swap (IRS) on the 4 $\frac{1}{8}$ % debenture (see also Note 16) along with revaluations of financial assets caused the increase in financial expenses.

5 Depreciation and adjustments

Depreciation and adjustments on investments in subsidiaries and loans amounted to CHF 75.9 million in the year under review by comparison with CHF 67.5 million in the previous year. This expense item covers not only losses on receivables but also the prudent assessment of economic and currency risks associated with the investments in subsidiaries.

6 Administration expenses and taxes

The main items included under this heading, amounting to CHF 21.3 million (previous year CHF 15.8 million), are personnel costs, general business expenses, and taxes. The increase in expenditure of CHF 5.5 million relative to the previous year is attributable to higher charges within the Group.

7 Cash, cash equivalents, and securities

At the end of the year under review the value of cash, cash equivalents, and securities amounted to CHF 500.3 million (24.0% of total assets). On December 31, 2004, the comparable value was CHF 499.2 million, or 24.4% of total assets. In the reporting year, cash inflow resulted mainly from the cash flow and from the repayment of capital by a subsidiary (see Note 11). A cash drain of approximately the same amount resulting from restructuring of investments in a finance company, payments into the reserves of subsidiaries, and payments of dividends, caused cash, cash equivalents, and securities on December 31, 2005, to be at the same level as the previous year.

7.1 Repurchase program/own shares and bearer participation certificates

As announced in the press release of December 20, 2005, Schindler Holding Ltd. has extended the repurchase of a maximum of 10% of the entire nominal capital that it decided on December 10, 2001, until December 31, 2006. 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 an unchanged 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 participations capital since December 31, 2002, is shown in Note 19.

On the date of the balance sheet, Schindler Holding Ltd. held 102 222 own registered shares (previous year 79 941) and 52 956 own bearer participation certificates (previous year 59 108). Of these, 102 222 registered shares and 52 956 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 33).

8 Accounts receivable from subsidiaries

Accounts receivable from affiliated and associated companies amount to CHF 253.8 million compared with CHF 146.4 million at the end of 2004. The increase of CHF 107.4 million results mainly from restructuring of investments in an affiliated finance company.

9 Accounts receivable from third parties

Accounts receivable from third parties, including tax credits for withholding taxes, closed at CHF 2.2 million (previous year CHF 0.8 million). An advance of CHF 1.6 million in the reporting year caused total assets on December 31, 2005, to be higher than the previous year.

10 Prepaid expenses and accrued income

Prepaid expenses amount to CHF 2.7 million (previous year CHF 7.5 million) and comprise accrued interest as well as accruals from the valuation of forward exchange transactions which are lower than the previous year.

11 Investments in subsidiaries

At the end of the reporting year, the balance sheet value of investments in subsidiaries was CHF 1 231.0 million. This is a net reduction of CHF 57.0 million from the previous year's value of CHF 1 288.0 million. The gross increase of CHF 79.6 million comprises payments into the reserves of subsidiaries. Capital repayments, de-recognition of the carrying amount of a subsidiary that was legally merged with Schindler Holding Ltd. of total CHF 51.9 million and amortization of CHF 74.5 million resulted on balance in the reported amount for investments in subsidiaries.

The companies in which Schindler Holding Ltd. has a direct or indirect interest are listed on pages 74 to 76 of the Financial Statements.

12 Loans to subsidiaries

Loans to subsidiaries and associated companies amount to CHF 91.8 million compared with CHF 103.0 million at the end of the previous year. The decrease results mainly from offsetting a loan against the corresponding liabilities of a company that was legally merged in the previous year.

13 Financial assets

The financial assets of CHF 5.6 million (previous year CHF 3.6 million) comprise holdings of less than 10% in subsidiaries. The net increase of CHF 2.0 million results from an increase and partial revaluation of such a holding.

14 Accounts payable to subsidiaries

Accounts payable to subsidiaries, including associated companies, amount to CHF 257.9 million, which is CHF 31.1 million less than the previous year's value of CHF 289.0 million. Lower credit balances of operating companies cause the decrease in the reporting period.

15 Accounts payable to third parties

Accounts payable to third parties amount to CHF 3.6 million. The decrease of CHF 15.7 million is attributable to the reduced level of miscellaneous creditors.

16 Debentures

In 1000 CHF	2004	2005
3½% debenture 1999–2009, due: 02.06.2009	300 000	300 000
4⅞% debenture 1999–2006, due: 26.10.2006	300 000	300 000
Total debentures outstanding	600 000	600 000

The 4⅞% 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.

17 Provisions

The existing provisions to cover financial risks in conjunction with international business commitments amount to CHF 55.3 million (previous year CHF 62.4 million). They consist mainly of provisions for guarantees, bad debts, and currency risks, as well as provisions to cover commitments entered into. In the reporting year, the provisions were increased to CHF 6.5 million as a result of a legal merger, and the reversal through the profit and loss statement of CHF 13.6 million was reduced to CHF 7.1 million.

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, 2005, amounted to CHF 1.7 million (previous year CHF 1.8 million). This amount is reported as a provision.

18 Accrued expenses and deferred income

Accrued liabilities amount to CHF 15.5 million (previous year CHF 13.1 million) and include negative replacement values of derivative financial instruments, outstanding invoices, and accrued interest for the outstanding debentures.

19 Share capital/participation certificate capital

19.1 Share capital

	Number	Nominal value CHF	Share capital CHF
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
December 31, 2005	7 356 820	1	7 356 820

19.2 Bearer participation certificate capital

	Number	Nominal value CHF	Participation certificate CHF
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
December 31, 2005	5 141 640	1	5 141 640

20 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, 2002	7 357	5 507	317 121	28 062	465 459	125 643	949 149
Dividend						0	0
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 as per 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
Dividend						-86 506	-86 506
Appropriation to other reserves					46 000	-46 000	
Change in reserves for treasury stock				11 862	-11 862		
Net profit 2005						176 844	176 844
December 31, 2005	7 357	5 142	317 121	43 051	599 193	183 171	1 155 035
Of which share premiums (unchanged)			311 321				

21 Contingent liabilities

In 1000 CHF	2004	2005
Total contingent liabilities in favor of affiliated companies		
for bank guarantees, loans, and supply contracts	469 400	501 600

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 and a distributor of Schindler elevators and escalators amount to CHF 30.2 million (previous year CHF 1.1 million)

As stated in more detail in the financial report of the Group financial statements (page 47), in January 2004 the European Commission initiated investigations into various companies in the European elevator and escalator industry regarding suspected collusions in contravention of antitrust laws. The investigations included individual subsidiaries of the Schindler Group. Addressees of the Statements of Objections delivered by the European Commission on October 11, 2005, formally included Schindler Holding Ltd. in its role as parent company of the Schindler Group.

22 Liabilities to employee benefit schemes

In 1000 CHF	2004	2005
Total liabilities	308	857

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 59.

24 Significant shareholders

Regarding the existence of a stockholder retainer contract, see note 35 to the Consolidated Financial Statements, "Related parties," on page 60.

25 Hidden reserves

As a result of a complete review, hidden reserves totaling CHF 13.5 million were eliminated in the reporting year by means of changes to provisions.

Essential affiliated companies and unconsolidated subsidiaries

Status December 31, 2005

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)	
Europe					
Austria	Ternitz	Ternitz Druckguss GmbH	100	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	Olomouc	Vytahy Olomouc s.r.o.	51	100 000 CZK	●
	Prague	ELETEC Vytahy s.r.o.	100	2 000 000 CZK	● ●
	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	19 846 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 Mozdólépcső 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	90 CHF	○
		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	●
Malta	Msida	Schindler Ltd.	70	50 MTL	●
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	Carnaxide	Schindler S.A.	100	4 000 EUR	●

- Production
- Sales, installation, maintenance
- Other services

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)		
Rumania	Bucharest	Schindler Romania S. R. L.	100	1 250 000	LEI	●
Russia	Moscow	ZAO Schindler	70.6	21	RUR	●
Slovakia	Bratislava	Schindler V'ytahy 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	○
	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 Türkelî Asansör san. a.s.	100	3 600	YTL	●
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	1 001 614	CLP	●
Colombia	Bogotá	Ascensores Schindler de Colombia S.A.	100	317 477	COP	●
Costa Rica	San José	Elevadores Schindler S.A.	60	200 000	CRC	●
Guatemala	Guatemala	Elevadores Schindler S.A.	100	600	GTQ	●
Mexico	Mexico City	Elevadores Schindler S.A. de C.V.	100	34 906	MXP	●
Peru	Lima	Ascensores Schindler del Perú S.A.	97.2	2 228	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	● ●
	Mountainside	Slade Industries, Inc.	100	100	USD	●
	Niles	Adams Elevator Equipment Company	100	1 625	USD	● ●
	Wilmington	Schindler Enterprises, Inc.	100	568 434	USD	○
Venezuela	Caracas	Ascensores Schindler de Venezuela S.A.	100	40 000	VEB	●

- Production
- Sales, installation, maintenance
- Other services

Country	Head office	Name of company	Participation in %	Nominal capital (in thousands of local currency)	
Africa					
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	●
Bahrain	Manama	Jalal Schindler Lifts & Escalator W.L.L.	49	20 BHD	●
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 Hong Kong Lifts Limited Ltd. •	100	300 000 HKD	●
		Schindler Lifts (Hong Kong) Ltd. •	100	25 000 HKD	●
	Macau SAR	Jardine Schindler Lifts (Macao) Ltd. •	100	25 000 MOP	●
	Shanghai	Schindler (China) Elevator Co. Ltd.	96.4	564 602 RMB	● ●
		Shanghai Schindler Elevator Technology Service Co. Ltd.	100	99 427 RMB	○
	Suzhou	Schindler Electronics (Suzhou) Co. Ltd.	100	71 426 RMB	●
India	Bombay	Suzhou Esca Step Co. Ltd.	100	38 914 RMB	●
		Suzhou Schindler Elevator Co. Ltd.	55	155 713 RMB	● ●
		Schindler India PVT Ltd.	100	1 191 879 INR	●
		PT Berca Schindler Lifts •	50	6 745 000 000 IDR	●
Indonesia	Jakarta				
Israel	Kfar Yona	Schindler Nechushtan Elevators Ltd.	100	7 045 ILS	● ●
Japan	Kagoshima	Mercury Ascensore Ltd.	100	25 000 JPY	●
	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 Elevator Company Limited •	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	● ●

- Production
- Sales, installation, maintenance
- Other services

Report of the statutory auditors

1	2	3
4	5	6
7	8	9
	0	

Financial Statements
Schindler Holding Ltd.

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, 2005.

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 20, 2006

ERNST & YOUNG LTD.

Roland Ruprecht
Certified Accountant
(in charge of the audit)

Marcel Gehrig
Certified Accountant

Corporate Governance

We show things as they really are.



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.

1 Structure of the Group and its shareholders

1.1 Operational structure of the Group

Board of Directors of Schindler Holding Ltd.	
Status as at 1. 1. 2006	
Alfred N. Schindler	Chairman, executive member
Luc Bonnard	Vice Chairman, executive member
Alfred Spörri	Executive member
Prof. Dr. Pius Baschera	Non-executive member
Dr. Hubertus von Grünberg	Non-executive member
Scott D. Miller	Non-executive member
Lord Charles Powell	Non-executive member
Dr. Jenö C. A. Staehelin	Non-executive member
Robert Studer	Non-executive member
Management Committees	
Status as at 1. 1. 2006	
Elevators & Escalators	ALSO
Roland W. Hess	Thomas C. Weissmann
Jürgen Tinggren	Michael Dressen
Miguel A. Rodríguez	Marc Schnyder
Emmanuel Altmayer	Hans Wyss
Dr. Christoph Lindenmeyer	Peter Zurbrügg
Brent L. Glendening	
Erich Ammann	
Dr. Rudolf W. Fischer	
Prof. Dr. Karl Hofstetter	

The operational structure of the Group corresponds to the segment reporting presented on page 55 of the Financial Statements. Essential affiliated companies and unconsolidated subsidiaries are listed on pages 74 to 76 of the Financial Statements.

ALSO Holding AG, Hergiswil/Switzerland, 64.5% of whose shares were held by Schindler Holding Ltd. at the end of 2005, has been listed on the SWX Swiss Exchange (securities number Na. 155 143) since 1986 and publishes its own annual report. That annual report also fulfills the requirements of IFRS (formerly IAS). On 31. 12. 2005, the market capitalization of ALSO was CHF 242 million. 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.

1.2 Shareholders

At the end of 2005, shares were held by 3 009 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 5 100 196 registered shares of Schindler Holding Ltd., corresponding to 69.3% of the voting rights of the share capital entered in the Register of Companies.

1.3 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.

2 Capital structure

2.1 Capital

As at 31. 12. 2005, the share capital of Schindler Holding Ltd. is CHF 7 356 820.– and the participation capital CHF 5 141 640.–.

2.2 Authorized and conditional capital

On 31. 12. 2005, Schindler Holding Ltd. did not own any authorized or conditional capital.

2.3 Changes in capital

Details of the value of the capital of Schindler Holding Ltd. on 31. 12. 2005, as well as how it has changed in the last three reporting years, are presented on pages 71 and 72 of the Financial Statements.

2.4 Shares and bearer participation certificates

The share capital on 31. 12. 2005 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.–. 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 31. 12. 2005, 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.–. 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.

2.5 Bonus certificates

There are no outstanding bonus certificates.

2.6 Limitations on share transferability and nominee registrations

2.6.1 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 2005.

2.6.2 Nominee registrations

The statutes contain no special regulations regarding nominee registrations.

2.7 Convertible bonds and options

2.7.1 Convertible bonds and debentures

Schindler Holding Ltd. has no outstanding convertible bonds.

Details of outstanding debentures of Schindler Holding Ltd., including amounts, interest rates, and maturity dates, are presented on page 70 of the Financial Statements.

2.7.2 Employee options

All values are after the 10:1 share/participation certificate split of June 11, 2002

	Options awarded (number)	Exercise price in CHF	Barred period ends	Exercise period ends	Expired as at 31.12.2005 (number)	Exercised as at 31.12.2005 (number)	Outstanding on 31.12.2005 (number)
2001	15 420	268.70	30.04.04	30.04.07	–	–5 380	10 040
2002	13 190	270.60	30.04.05	30.04.08	–360	–2 873	9 957
2003	64 536	255.00	30.04.06	30.04.09	–3 389	–	61 147
2004	27 967	286.50	30.04.07	30.04.10	–577	–77	27 313
2005	26 306	329.00	30.04.08	30.04.11	–348	–56	25 902

One option gives entitlement to purchase one registered share (options awarded 2001 to 2003) or one bearer participation certificate (options awarded 2004 and 2005) of Schindler Holding Ltd.

3 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 & Escalators business and over ALSO.

The Board of Directors, which according to its statutes comprises between five and ten members, currently has nine members. Of these, three are executive members, who form the Executive Committee of the Board, while the remaining six are non-executive members.

The Executive Committee of the Board is elected for a term of three years. According to the management by laws, 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.

3.1 Board of Directors of Schindler Holding Ltd.

Status as at 31.12.2005			Term of office expires*
Alfred N. Schindler Chairman	Hergiswil, Switzerland	Executive member	2008
Luc Bonnard Vice Chairman	Hergiswil, Switzerland	Executive member	2008
Alfred Spörri	Zug, Switzerland	Executive member	2008
Prof. Dr. Pius Baschera	Zurich, Switzerland	Non-executive member	2008
Dr. Hubertus von Grünberg	Hanover, Germany	Non-executive member	2008
Scott D. Miller	Colorado, USA	Non-executive member	2008
Charles Powell (Lord Powell of Bayswater KCMG)	London, UK	Non-executive member	2006
Dr. Jenö C. A. Staehelin	Hergiswil, Switzerland	Non-executive member	2008
Robert Studer	Schönenberg, Switzerland	Non-executive member	2008

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

3.2 Activities and vested interests

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 Treuhand 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 of 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 October 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 a member of the board of directors of Bobst Group SA, Lausanne. 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 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. He is chairman of the board of directors of Tehag Freizeit AG in Meierskappel and a member of the board of directors of Art Bowling, also in 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. Pius Baschera (1950, Switzerland and Italy)

was elected to membership of the Board of Directors in March 2005. He joined Hilti AG, Schaan, Liechtenstein, as Head of Production Controlling in 1979, transferring in 1982 to Hilti Inc., Tulsa, USA, as Head of Corporate Development. In 1985, Pius Baschera became head of Hilti (Switzerland) AG, then of Hilti Germany GmbH, and in 1989 became responsible for the market region Europe 1. In 1990, as Chief Financial Officer, he was made a member of the Executive Board of Hilti AG, and since January 1994 has been its chairman. He is also a member of the advisory board of Vorwerk & Co, Wuppertal, and of Ardex, Witten, both in Germany, as well as chairman of the board of directors of Venture Incubator AG, Zug, Switzerland, and a titular professor at the Swiss Federal Institute of Technology, Zurich, Switzerland. On completion of his studies in mechanical engineering and management science at the Swiss Federal Institute of Technology in Zurich, Pius Baschera was awarded a Doctor of Science degree.

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, Frankfurt (ITT). In 1989 he became president and CEO of ITT Automotive Inc., 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, 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 BHF Bank AG, 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, 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 Satinvest, London, and serves on the boards of Caterpillar Inc., Peoria, 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; Barrick Gold, Toronto; Magna Corporation, Toronto; 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, 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 which 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. After completing a commercial apprenticeship he gained a diploma in business at the Zurich Management School in 1969.

3.3 Cross involvement

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

3.4 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.

3.5 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 nontransferable 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 strategy 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 Nomination Committee, the Compensation Committee, and the Audit Committee.

3.5.1 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.

3.5.2 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

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

3.5.2.1 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.

3.5.2.2 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.

3.5.3 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.

3.5.4 Compensation Committee

Members		
Dr. Hubertus von Grünberg	Non-executive member of the Board of Directors	Chairman
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 two 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.

3.5.5 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.

Members		
Alfred Spörri	Member of the Executive Committee of the Board	Chairman
Walter G. Frehner	External	Member
Prof. Dr. Oliver Gassmann	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 & Escalators and ALSO.

The following controlling instruments of the Executive Committee of the Board are coordinated by the Audit Committee through the 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 & Escalators business
- Information 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.

To ensure the protection of legitimate whistle-blowers, guidelines to prevent potential discrimination of whistle-blowers have been added to the Code of Conduct in the reporting year.

Schindler strives for corruption-free business conduct and has therefore signed the "Partnering Against Corruption Initiative" (PACI) of the World Economic Forum and Transparency International to obtain "level playing field" conditions.

3.5.6 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 three 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 & 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.

3.6 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.

3.7 Board of Directors of ALSO Holding AG

Thomas C. Weissmann	Chairman of the Board of Directors and President of the Management Committee	Executive member
Prof. Dr. Karl Hofstetter		Non-executive member
Prof. Dr. Rudolf Marty		Non-executive member

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

4 Management Committees

According to Art. 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.

4.1 Management Committee Elevators & Escalators

Roland W. Hess President

North, Central, and South America ad interim

David J. Bauhs Deputy to the President (until 30.4.2005)

Technology and Procurement (until 30.4.2005)

Jürgen Tinggren Deputy to the President (from 1.5.2005)

Technology and Procurement (from 1.5.2005), Asia/Pacific (until 31.12.2005)

Miguel A. Rodríguez

Europe

Emmanuel Altmayer

Asia/Pacific (as from 1.1.2006)

Dr. Christoph Lindenmeyer

Eastern Europe/Middle East/India/Africa (EMIA)

Brent L. 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



Jürgen Tinggren



Miguel A. Rodríguez



Emmanuel Altmayer



Dr. Christoph Lindenmeyer



Brent L. Glendening



Erich Ammann



Dr. Rudolf W. Fischer



Prof. Dr. Karl Hofstetter



4.2 Activities and vested interests

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 his 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.

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. Since May 1, 2005, Jürgen Tinggren has been Deputy to the President of the Management Committee and responsible for Technology and Procurement. 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.

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.

Emmanuel Altmayer (1956, France)

has been a member of the Management Committee with responsibility for the Asia/Pacific region since January 1, 2006. In July 1999 he joined Schindler France, initially as Head of New Installations. In 2000 he became overall head of Schindler France. From 1995 to 1999, Emmanuel Altmayer was CEO of Danto-Rogeat, Lyon, a subsidiary of Gaz de France. Prior to that, he held various management positions in the French construction industry. Emmanuel Altmayer graduated in engineering from the Ecole Centrale at Lyon, France, and subsequently earned a Master of Science in Mechanical Engineering at the University of California, Berkeley, USA.

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 of 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 Area Controller for North America. 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 CEO 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. In June 2005, representing Schindler Holding Ltd., he began a two-year term as Chairman of the Association of Swiss Industrial Holding Companies. He is also a member of the Governing Council of the University of Lucerne. Karl Hofstetter studied law and economics at the universities of Zurich, Switzerland, and Stanford, UCLA, and Harvard in the USA. He 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 lectured as a visiting professor at the Harvard Law School, USA.

4.3 Management Committee ALSO	
Thomas C. Weissmann	Chairman of the Board of Directors
	Chief Executive Officer of ALSO Group
	ad interim Managing Director ALSO Deutschland GmbH, Straubing, Germany (until 31.5.2005)
Jürgen Baumgartner	Chief Financial Officer (until 28.2.2005)
Michael Dressen	Managing Director ALSO Deutschland GmbH, Straubing, Germany (as from 1.6.2005)
Marc Schnyder	Managing Director ALSO Schweiz AG, Emmen, Switzerland
Hans Wyss	Chief Financial Officer (as from 1.3.2005)
Peter Zurbrügg	Chief Information Officer

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

4.4 Management contracts

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

5 Compensation, participation, and loans

5.1 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 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 90, "Compensation Committee").

According to the method described on page 56 of the Financial Statements under "Capital Participation Plans," 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 predefined 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.

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 to a further level of management and now applies to about 350 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.

5.2 Compensation of active members of governing bodies

5.2.1 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	2004	2005
Compensation fixed by contract ¹	3 410 000	3 410 000
Bonus ²	2 905 000	2 885 000
Voluntarily foregone within the R03 program	-1 715 550	-1 695 550
Actual payment	4 599 450	4 599 450
Taxes paid in Switzerland	5 370 000	5 350 000
Payments to charitable organizations	600 000	600 000

¹ Board membership fee, salary, fixed expenses, contributions to managerial insurance plan

² 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, participation certificates and corresponding options were awarded to Alfred N. Schindler as follows:

Number	2004	2005
Allocated number of participation certificates		
(value included in total compensation)	575	501
Allocated number of options on participation certificates	756	622
Barred period ends	30.4.2007	30.4.2008
Exercise period ends	30.4.2010	30.4.2011
Exercise price in CHF (participation certificates)	286.50	329.00
Allocation ratio options: participation certificates	1:1	1:1

5.2.2 Compensation of the Executive Committee of the Board

In CHF	2004	2005
Total compensation (incl. Chairman of the Board of Directors)		
3 persons	10 598 450	11 049 450
Average per member	3 532 817	3 683 150

The total compensation includes salaries, bonuses (including the value of 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.

5.2.3 Compensation of members of the Management Committee Elevators & Escalators

In CHF	2004	2005*
Total compensation 10 persons (previous year 10)	10 334 018	10 993 662
Average per member	1 033 402	1 199 396

*One member four months, one member ten months

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

5.2.4 Compensation of non-executive members of the Board of Directors

In CHF	2004	2005
Total compensation 7 persons (previous year 6)	960 000	960 000
Per member (incl. joiners and leavers 2005)	160 000	160 000

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

5.3 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, 2005, amounted to CHF 1.7 million. This amount is reported by Schindler Holding Ltd. as a provision.

In normal fulfillment of contractual obligations, in the reporting year total compensation of CHF 328 334 was paid to two former members of the Management Committee Elevators and Escalators.

5.4 Allocation of bearer participation certificates

Number BPC	2004	2005
Executive members of the Board of Directors		
(incl. Chairman of the Board) 3 persons	1 725	1 503
Members of the Management Committee Elevators & Escalators		
9 persons (previous year 10 persons)	4 066	3 708

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.

5.5 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	2004	2005
Executive members of the Board of Directors		
incl. parties to the stockholder retainer contract	5 122 439	5 102 439
Members of the Management Committee Elevators & Escalators		
8 persons (previous year 10)	10 273	7 698
Non-executive members of the Board of Directors	3 240	3 540

5.6 Option holdings as at December 31

As at December 31, 2005, holdings of options by members of the governing bodies were as follows:

Number of options						Holding
	Allocated in 2001	Allocated in 2002	Allocated in 2003	Allocated in 2004	Allocated in 2005	on 31.12. 2005
Executive members of the Board of Directors						
(incl. Board Chairman)	3 510	2 370	9 798	2 268	1 866	19 812
Members of the Management Committee						
Elevators & Escalators	3 330	4 380	20 163	5 100	4 606	37 579
Barred period ends	30.4.2004	30.4.2005	30.4.2006	30.4.2007	30.4.2008	
Exercise period ends	30.4.2007	30.4.2008	30.4.2009	30.4.2010	30.4.2011	
Exercise price in CHF	268.70	270.60	255.00	286.50	392.00	
Assignment ratio options : shares/BPC*	1:1	1:1	1:1	1:1	1:1	

*The allocations made in 2001 to 2003 give entitlement to purchase registered shares; the allocations made in 2004 and 2005 give entitlement to purchase bearer participation certificates.

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

5.7 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.

5.8 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, 2005.

The Chairman of the Board of Directors has been granted borrowing rights. On December 31, 2005, the unutilized credit limit was CHF 25 million, which was secured by own shares with a value of over CHF 80 million.

6 Shareholders' rights of participation

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 Agenda

According to Art. 17 of the statutes, shareholders who represent together 5% of the share capital may submit matters to be placed on the agenda.

6.7 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 five to ten days before the General Meeting. There are no exceptions to this rule regarding the closing date for registration.

7 Change of control and defensive measures

7.1 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").

7.2 "Change of control" clauses

Contracts of employment and other agreements 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").

8 Auditors

8.1 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.

8.2 Audit and other fees

The fees for audits and other services 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	2004	2005
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)	2 599	3 431
Additional fees (corporate, legal, and taxation advice, and special projects)	755	984

Including other auditors, the total audit fees incurred by the Group in the reporting year amounted to CHF 4.2 million (previous year CHF 3.9 million).

8.3 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.

9 Top-level personnel changes

Emmanuel Altmayer, who was formerly responsible for Schindler France, was appointed to the Management Committee and assigned responsibility for the Asia/Pacific region by the Boards of Directors. Effective January 1, 2006, he took over from Jürgen Tinggren who – in his role as a Member and Deputy to the President of the Management Committee – will focus on technology and supply management.

The Board of Directors and Dr. Clemens Kolbe, who joined the Group with the rank of a member of the Management Committee on January 1, 2005, terminated their working relationship by mutual agreement on October 18, 2005.

10 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

The exact dates for the current year and the next two years are available at www.schindler.com under Corporate Information – Investor Relations – Financial Calendar.

Also available at www.schindler.com are the Annual Report, press releases, and 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 following contacts:

Corporate Communications

Riccardo Biffi
Head of Corporate Communications
Schindler Management Ltd.
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 30 60
Fax +41 (0)41 445 31 44
riccardo.biffi@ch.schindler.com

Investor Relations

Barbara Zäch
Investor Relations Manager
Schindler Management Ltd.
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 30 61
Fax +41 (0)41 445 31 44
barbara.zaech@ch.schindler.com

Stephan Jud
Head of Treasury
Schindler Management Ltd.
CH-6030 Ebikon
Switzerland
Telephone +41 (0)41 445 31 19
Fax +41 (0)41 445 45 30
stephan.jud@ch.schindler.com

The Annual Report of the Schindler Group for 2005 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,
concept, and text**

Schindler Management AG
Corporate Communications
Ebikon, Switzerland

Concept and graphic design

Interbrand Zintzmeyer & Lux AG
Zurich, Switzerland

**Typesetting, prepress,
and printing**

NZZ Fretz AG
Schlieren, Switzerland

Image photography

Markus Bertschi, Switzerland
Noë Flum, Switzerland
Peter Granser, Germany

