

Ping An Finance Center, 660m office tower; Shenzhen, China  
33 Schindler 7000 double-deck units, PORT technology



# Welcome to Schindler

## Presentation of Annual Results 2013

Lucerne, February 14, 2014



**Schindler**

# Schindler presentation

- Opening / welcome
- Business Review 2013
- Business Outlook 2014
- Discussion

Jürgen Tinggren

Silvio Napoli

# Highlights 2013

## Strong growth and excellent cash flow enhancement

### **Growth**

- Orders received up by >5% (>7% in local currencies)
- Revenue increased by 7% (+8% in local currencies)
- Record order backlog of CHF 7 722 million (+14% in local currencies)

### **Profitability**

- EBIT declined 9% reflecting transformation and one-time cost
- Net profit declined by 37%, impacted by Hyundai impairment
- Excellent operating cash flow of CHF 808 million (+3%) confirms underlying strength

## Key figures as of December 31, 2013

### Strong growth and excellent cash flow

In CHF million	2013	2012	Δ%	Δ% in LC
Orders received	<b>9 456</b>	8 967	+5.5	+7.2
Revenue	<b>8 813</b>	8 258	+6.7	+8.4
Operating profit (EBIT)	<b>896<sup>1</sup></b>	990	-9.5	-7.6
in %	<b>10.2<sup>2</sup></b>	12.0		
Hyundai impairment	<b>-219</b>	–		
Net profit	<b>463</b>	730	-36.6	
Net profit before Hyundai impairment	<b>682</b>	730	-6.6	
Cash flow from operating activities	<b>808</b>	782	+3.3	
Order backlog	<b>7 722</b>	7 083	+9.0	+13.8
Number of employees at year-end	<b>48 169</b>	45 246	+6.5	

<sup>1</sup> Including restructuring cost of CHF 25 million

<sup>2</sup> Before restructuring cost: 10.5%

# Hyundai impairment

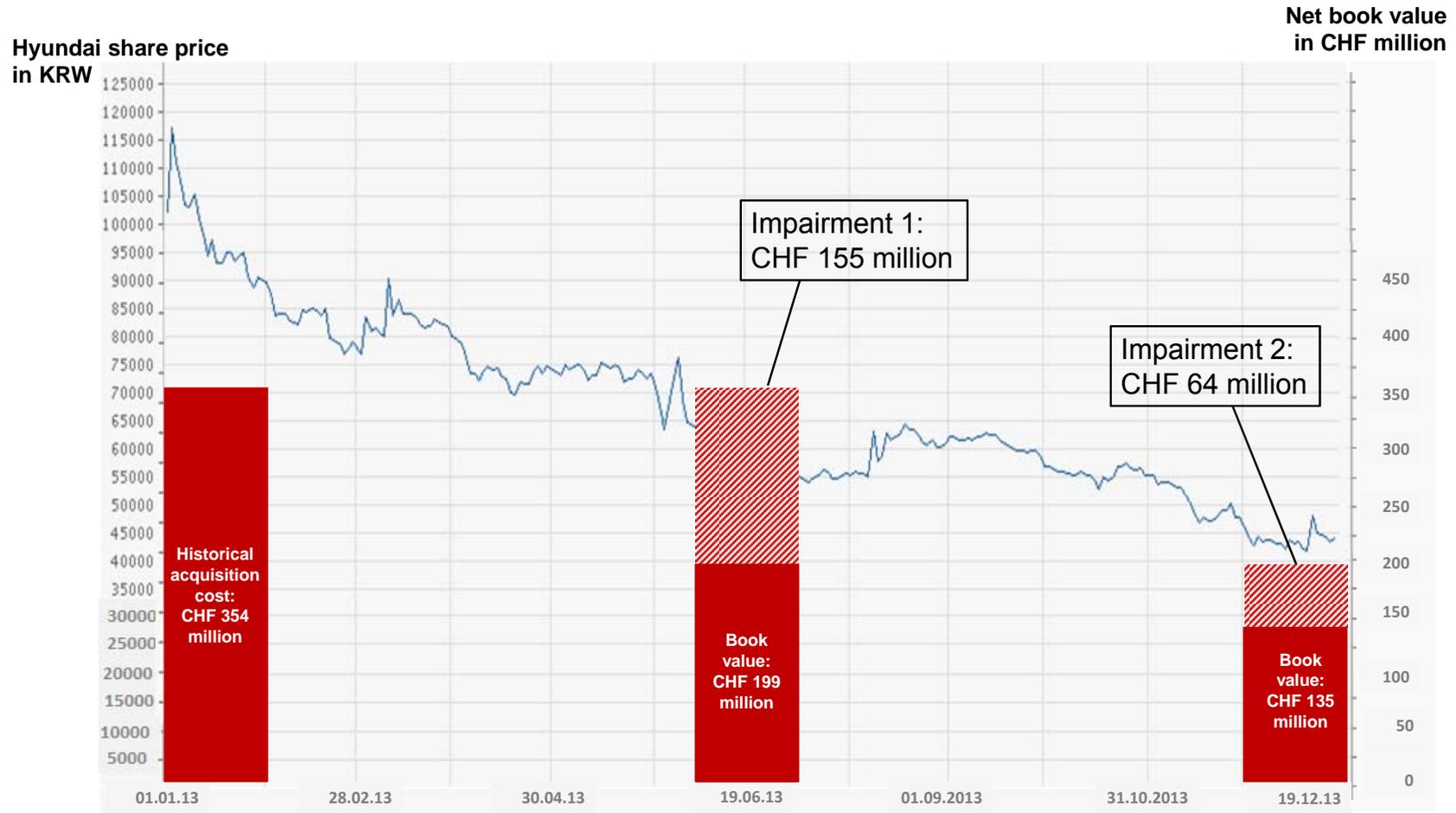
## Summary of facts

- South Korea is one of the largest E&E markets globally
- Schindler signed LOI to buy Hyundai E&E (HE) business in 2004
- Schindler purchased 35% of HE outstanding shares
- Starting 2006, HE entered in derivative contracts and circular shareholding to boost control of Hyundai Merchant Marine (HMM)
- As HMM share price plunges the derivative contracts create a colossal cash and equity drain for HE
- HE records huge losses, issues serial capital increases → share price drops 62%, forcing Schindler to make two impairments, totaling CHF 219 million

The underlying E&E business healthy, but further risks for minority shareholders and remaining Schindler book value of CHF 135 million exist

# Hyundai share price development

Impairment triggered by 62% drop in share price



# LEAP program captured growth but EBIT impact short of target

## Strong growth drivers

- Excellent progress in strategic markets:  
China, India, SE Asia, and the Middle East
- New NI products:  
Schindler 3100/3600 and Schindler 5500
- Large project sales:  
Schindler 7000 and Schindler 9000 escalators

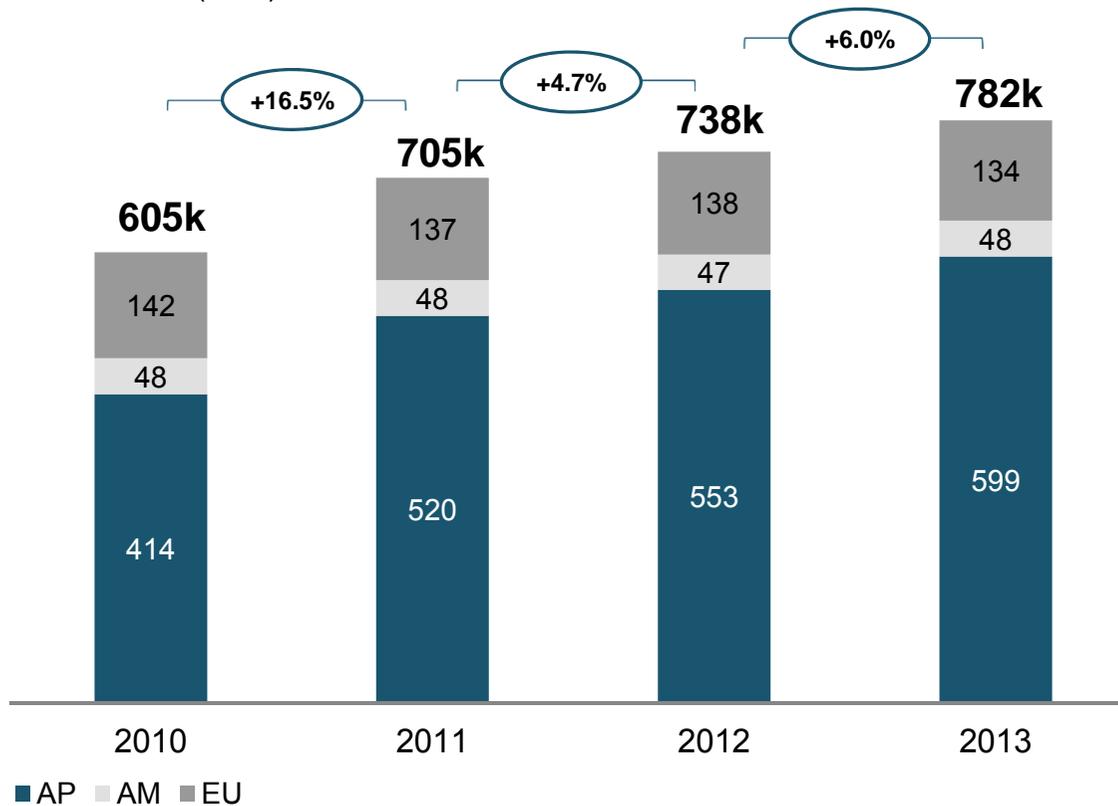
## EBIT impact trailing

- Negative currency translation impacts: CHF 18 million
- Restructuring costs (Q4/2013): CHF 25 million
- Transformation and project cost: CHF 30 million
- Delayed efficiency and cost improvements (LEAP)
- Faster growth/mix shift

# Global NI E&E market with robust growth in 2013: + 43 500 units

## China capturing the largest share of the growth

NI E&E market (units)



- China +40k units
- AP (ex. China) +5.5k units
- Europe -3k units
- Americas +1k units

## Asia / Pacific and the Middle East: Development 2013

### **Strong growth continued in emerging markets**

- China market accelerated in 2013
- In India, market growth continued at a good level
- Robust growth in Southeast Asia and the Middle East

### **Schindler achieved above market growth**

- Excellent order intake in China and India
- Growing order intake in Southeast Asia and the Middle East
- Construction of new factories in China and India on track
- Relocation of R&D, procurement and key business functions completed

## Europe: Development 2013

### **Difficult market conditions continued**

- Markets in southern and eastern Europe declined slightly
- Rest of Europe stagnated at the previous year's levels

### **Schindler performed well in demanding environment**

- Order intake remained at 2012 good level
- New products Schindler 5500 and extensions of Schindler 3300 well received by customers
- New elevator plant with logistics center opened in Slovakia

# Americas: Development 2013

## **Mixed growth in Americas**

- North American market continued recovery from very low level
- Brazilian market slowed while rest of Latin America developed positively

## **Schindler maintained its strong market position**

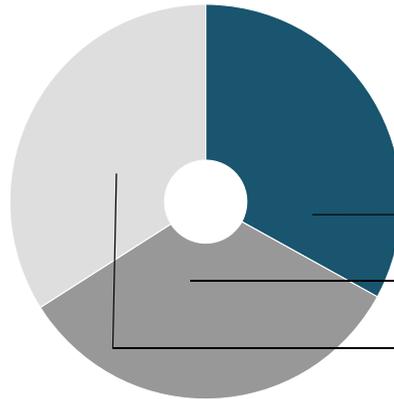
- Order intake increased, Schindler 3300 and PORT well received
- New elevator factory in Pennsylvania, USA, opened end-2013
- Latin America developed in line with market

# Order backlog and revenue per market area

Record order backlog provides solid base for future growth

## Order backlog (+13.8% in LC)

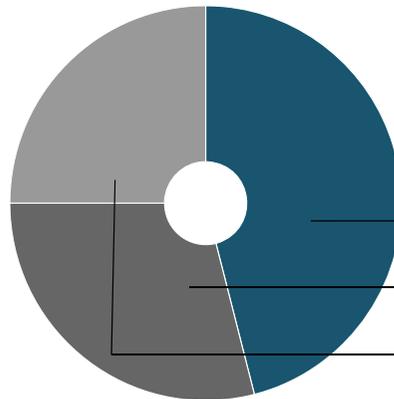
**2013: CHF 7 722 million**  
2012: CHF 7 083 million



	<u>2013</u>	<u>2012</u>
Europe	<b>30%</b>	32%
Americas	<b>32%</b>	32%
Asia / Pacific	<b>38%</b>	36%

## Revenue (+8.4% in LC)

**2013: CHF 8 813 million**  
2012: CHF 8 258 million



	<u>2013</u>	<u>2012</u>
Europe	<b>45%</b>	46%
Americas	<b>28%</b>	29%
Asia / Pacific	<b>27%</b>	25%

## In summary: LEAP accelerates growth

Supply chain and efficiency benefits trailing

### LEAP Initiatives

Growth in strategic markets

New NI products

Service business growth

Supply chain transformation

Field and structure efficiency

### Progress 2013

– Above market growth in China, India and Emerging Markets

– Schindler 5500 well received  
– Schindler 3600 China accelerating

– Organic growth in maintenance portfolio  
– Customer Excellence improved loyalty

– New factories in ramp-up phase

– Certain delays in realizing field efficiency  
– Structure cost leverage maintained

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# Megatrends support E&E business outlook

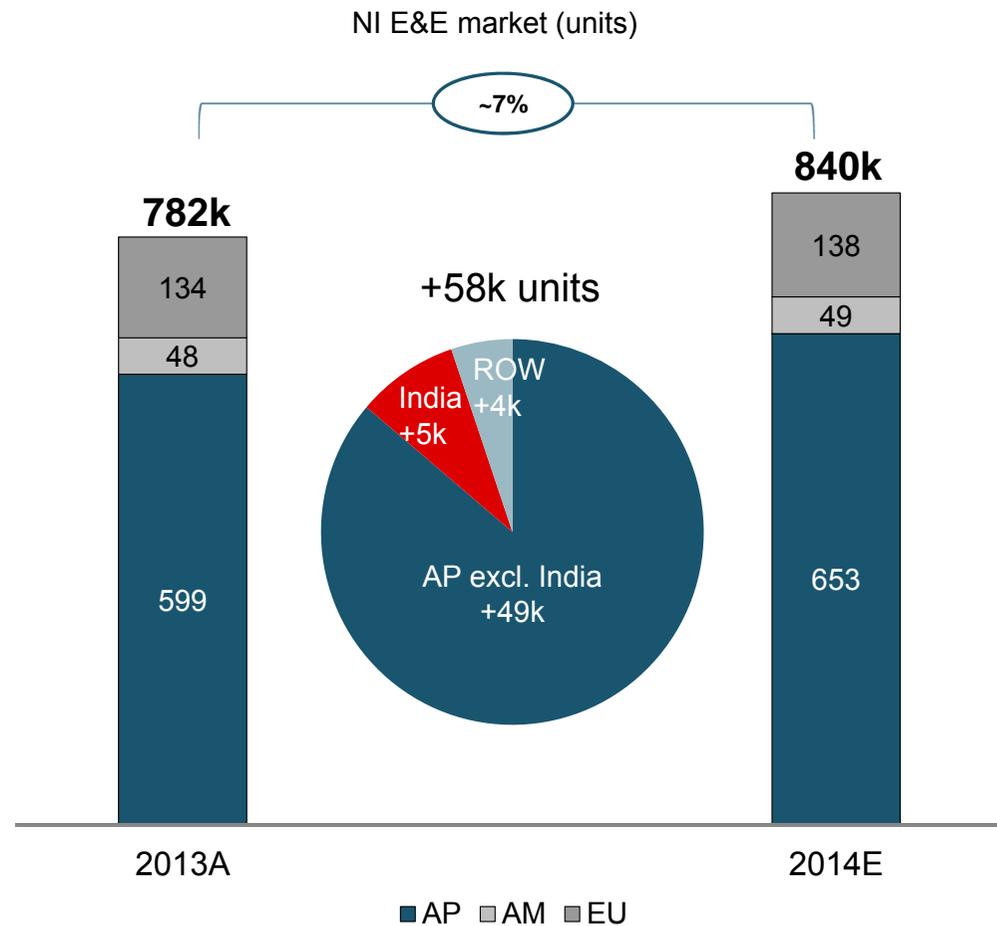
## Megatrends

Urbanization

Wealth creation in emerging markets

Energy efficiency

Demographic change



# Action plan 2014

**OBJECTIVES:**

- Grow faster than market
- Absolute EBIT growth
- Differentiation through innovative products and superior service

**STRATEGIC MARKETS**

- China
- India
- South-East Asia
- Middle East

**CUSTOMER FOCUS**

- Premier position in high-rise and escalators
- Service innovation
- Net Promoter Score to drive loyalty
- Global key accounts

**QUALITY & COMPETITIVENESS**

- State-of-the-art supply chain
- Economies of scale
- Global product platforms
- Faster time-to-market
- Employee engagement

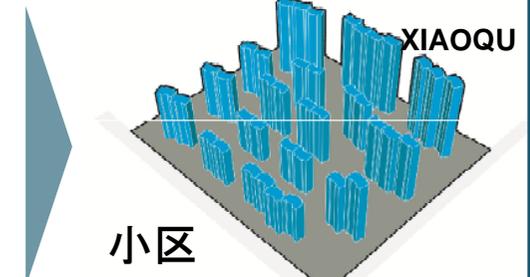
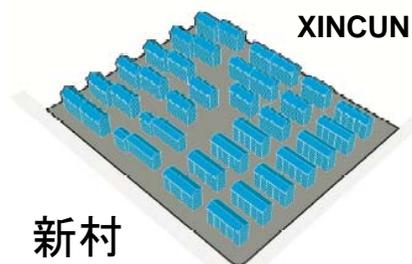
## China's market will continue to drive global E&E growth

- Slower but more sustainable GDP growth
- Government-approved construction pipeline ensures future growth (estimated at 9% in 2014)
- Gradual shift from investment-driven to consumption-driven economy positive for future maintenance market
- Increasing income level drives floor space per capita
- Maintenance and modernization markets set to increase dramatically

### Example of government-planned urban development:

From 'new villages'  
to 'small neighbourhoods'

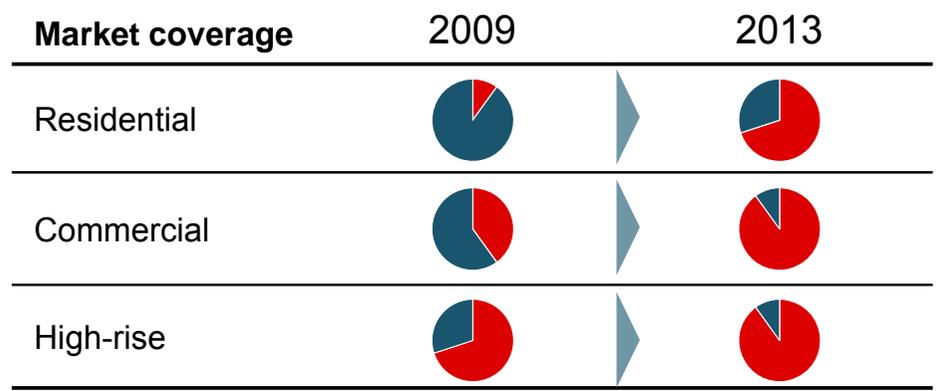
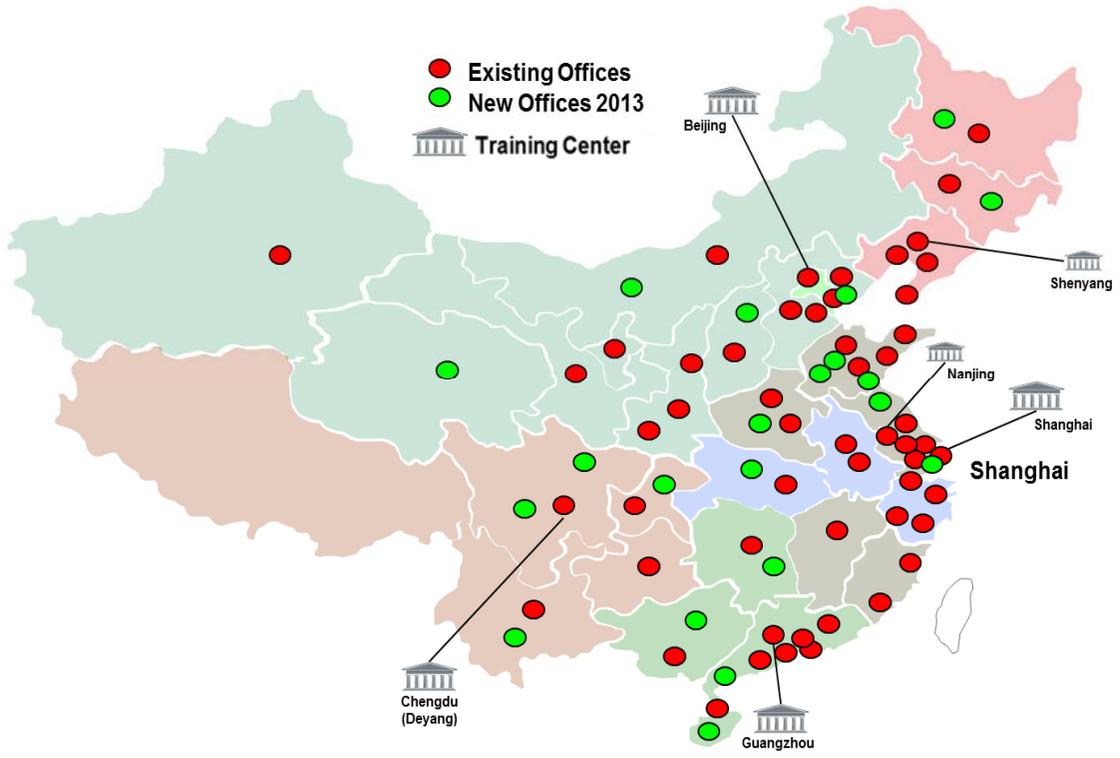
- More square meters per person
- Higher ratio of construction area to land area
- Fewer people per hectare through vertical urbanization



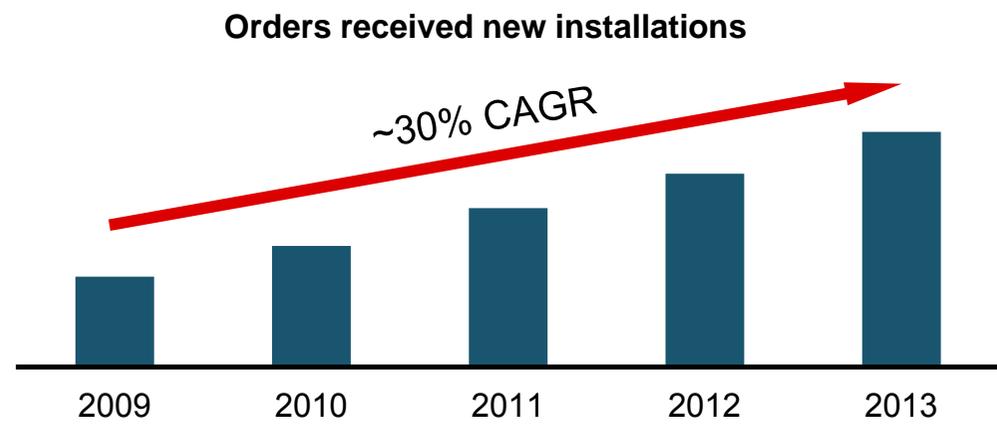
# Schindler drives China growth through product and geographic coverage



From 75 in 2013 to 100+ in 2016



Present in 80% of all cities >2 million inhabitants

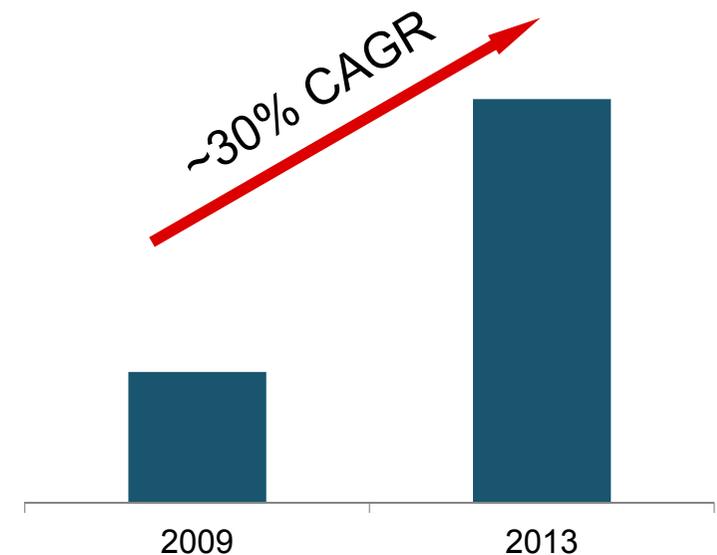


## Huge potential in China maintenance market

### Schindler well positioned to capture the opportunity

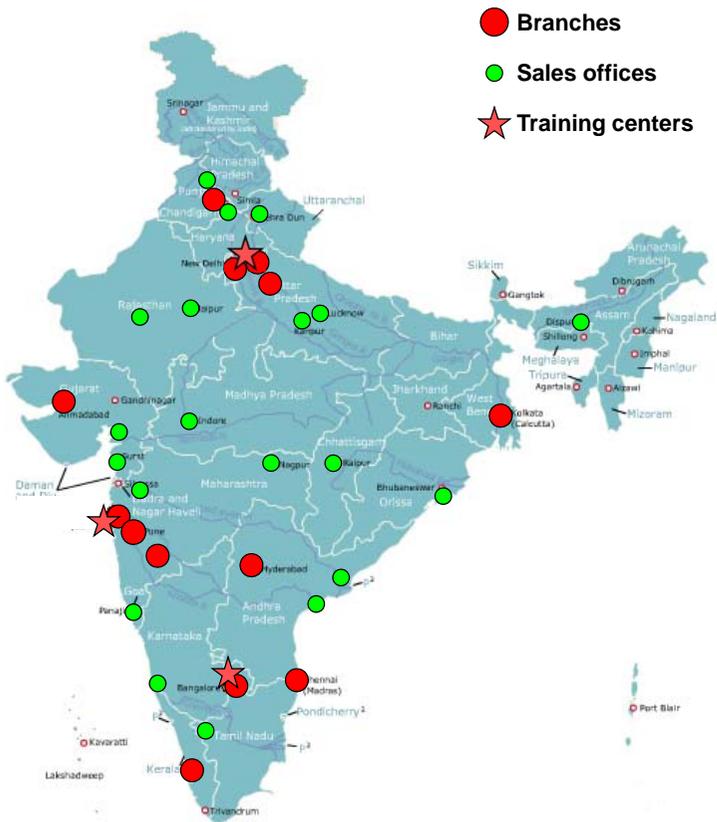
- Annual additions to China's installed EI base are 450-500k units (equivalent to the total portfolio of units under maintenance in Switzerland, Austria and Portugal combined)
- Schindler's commitment to quality and safety plays key role when elevator safety regulations are being tightened
- Industry-leading conversion rate
- Customer Excellence program will drive even higher retention rate

Maintenance portfolio growth in China

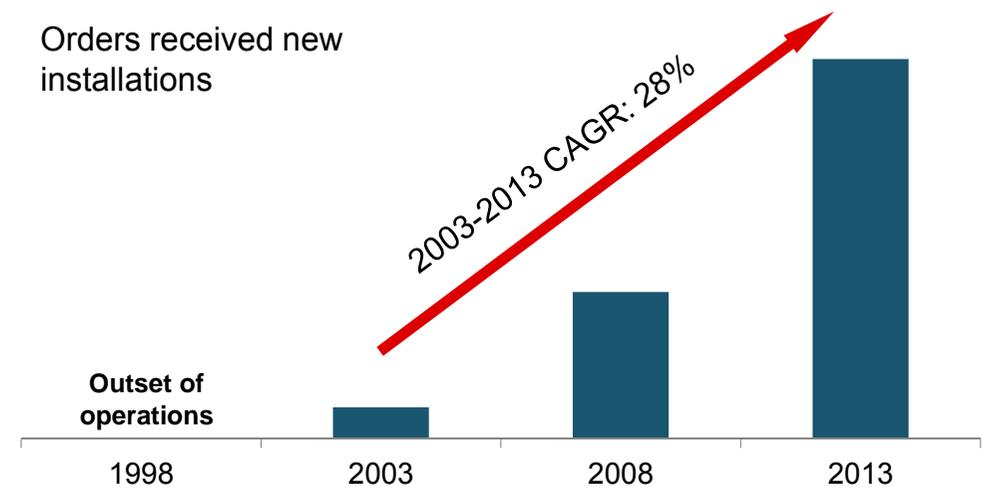


# India: from scratch to a leading position in 15 years

Local production underpins growth in world's second-largest NI market



Orders received new installations



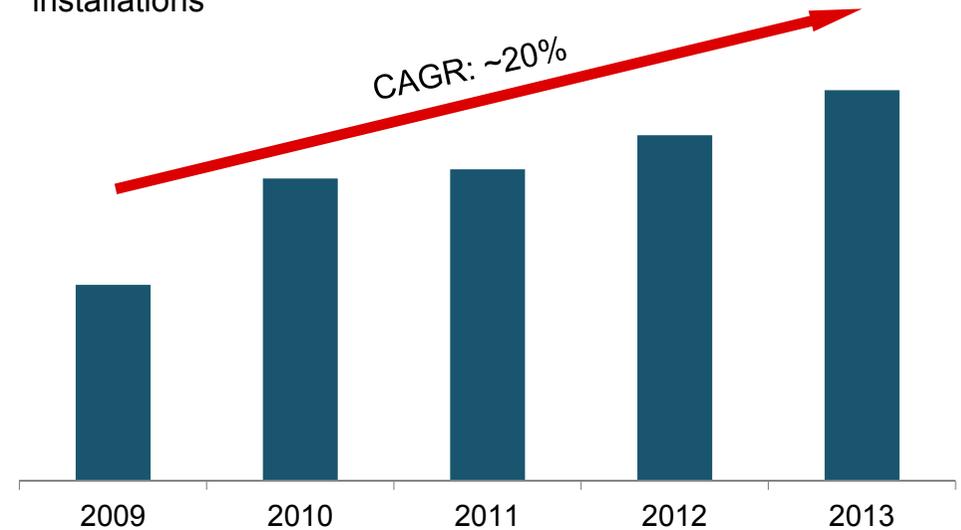
- Growing geographic coverage
- Pune elevator factory ramping up
- Schindler to become first OEM with own escalator factory
- Dedicated product: Schindler 3100
- Young, engaged workforce
- High conversion rate

# APME: New zone structure with dedicated resources

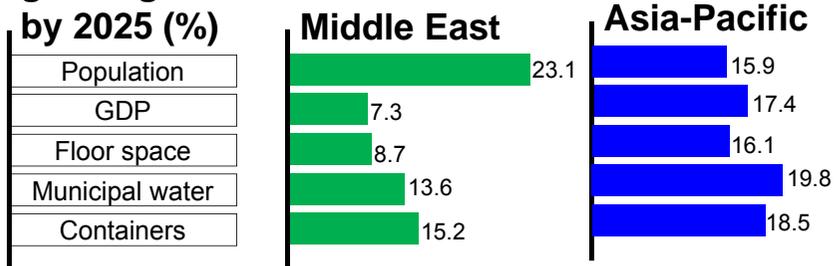
To focus on the opportunities in S.E. Asia and the Middle East



Orders received new installations



## Contribution to global growth by 2025 (%)



- Strong growth in S.E. Asia and the Middle East
- Build on the existing strong position in S. E. Asia
- S. Arabian J.V. now well positioned to capture the growth opportunity
- New zone HQ in Dubai

Source: McKinsey Global Institute

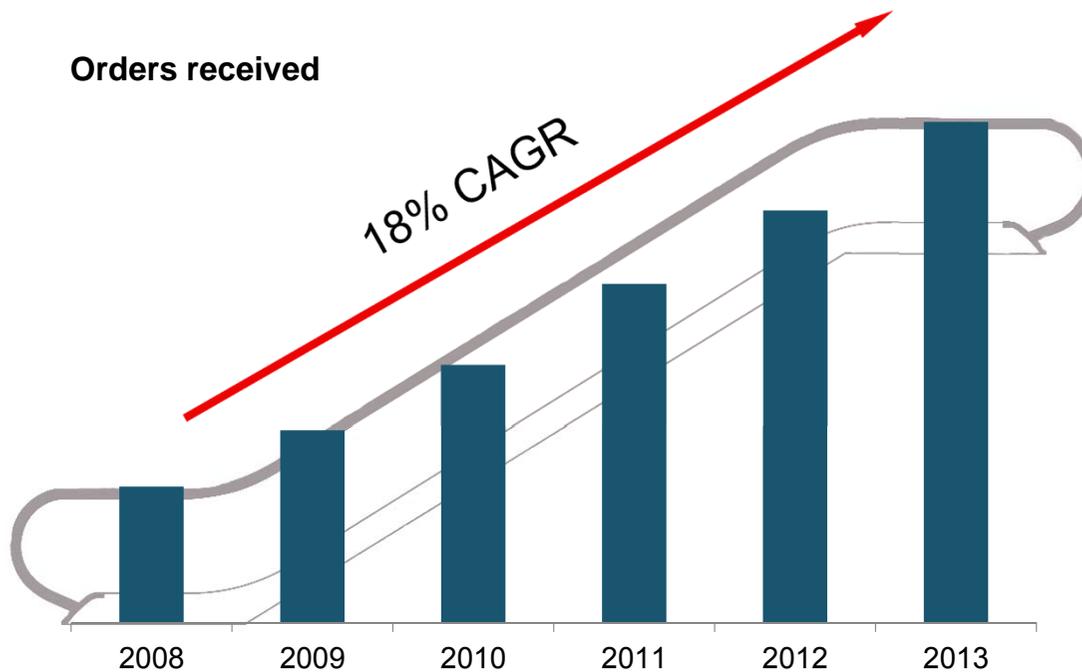
# Preferred supplier for high-requirement, high-rise solutions

## Worldwide network of 14 High-rise Competence Centers



- Customer-tailored solutions with industry-leading project management
- Comprehensive engineering from pre-planning to after-sales phases
- Highly skilled and trained people dedicated to high-rise solutions
- Strong support to Key Accounts globally

# Leading position as global escalator provider



- Fastest delivery times
- Widest product range
- Outstanding brand equity
- New escalator HQ in China to enhance scale economies and market intelligence
- Regional competence centers continue to support global escalator operations

## New FieldLink generation deployed globally

Innovative tools and processes improve service speed and quality

- State-of-the-art mobile platform based on commercially available hardware
- Integration with ERP
- Online ordering and overview of spare parts
- On-site troubleshooting support
- Faster response to customer calls
- Specialized staff dispatched according to type of call
- Higher transparency for the customer
- e-Signature for customer approval



## Net Promoter Score (NPS) deployed globally

A closed loop feedback system designed to improve customer loyalty



- More than 250,000 surveys executed in 2013
- Schindler's NPS improved significantly during the year
- Clear correlation observed between a high NPS and improved customer loyalty and profitability

## Our key customers: construction industry players are expanding globally

### FINANCIAL TIMES

Oct. 13<sup>th</sup>, 2013

**China developer in \$5 billion Brooklyn move**

### Bloomberg

July 29<sup>th</sup>, 2013

**Saudi Arabia awards \$22 Billion worth of contracts on Riyadh Metro Line Construction to three companies, from Spain, Italy, and the US**



Nov. 7<sup>th</sup>, 2013

**Singapore giant's property arm to develop 260 high-end condominiums in Colombo (Sri Lanka)**



Oct. 3<sup>rd</sup>, 2013

**Chinese billionaire plans to rebuild London's Crystal Palace**

- Construction companies and property developers increasingly operate across geographies
- Schindler well positioned to serve these customers through network of competence centers
- Renewed focus on delivering consistent quality across different geographies

# New world-class manufacturing facilities

Total capital investment: CHF 300 million



Shanghai, China

- Escalator factory ✓
- Elevator factory
- R&D center ✓
- China HQ
- Test tower



Pune, India

- Elevator factory ✓
- Escalator factory
- R&D center ✓
- Test tower



Dunajská Streda, Slovakia

- Escalator factory ✓
- Elevator factory ✓
- Logistics center ✓



Hanover, USA

- Elevator factory ✓
- Logistics center ✓

- Proximity to strategic markets  
 - Global platforms  
 - State of the art process  
 - Rationalized supplier base  
 - Economies of scale

# Unique global product platforms to drive consistent quality & scale economies

Gaining momentum across all markets

## Residential

## Schindler 3000

## Custom modular

## Schindler 5000

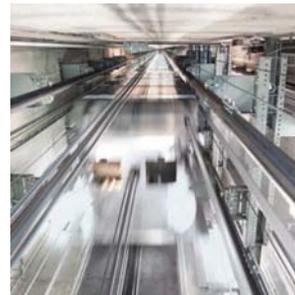


## High rise

## Schindler 7000

## Escalators

## Schindler 9000



## Global platforms evolution into market specific products

### Schindler 3600 gaining momentum in China mass residential segment

#### Innovative features:

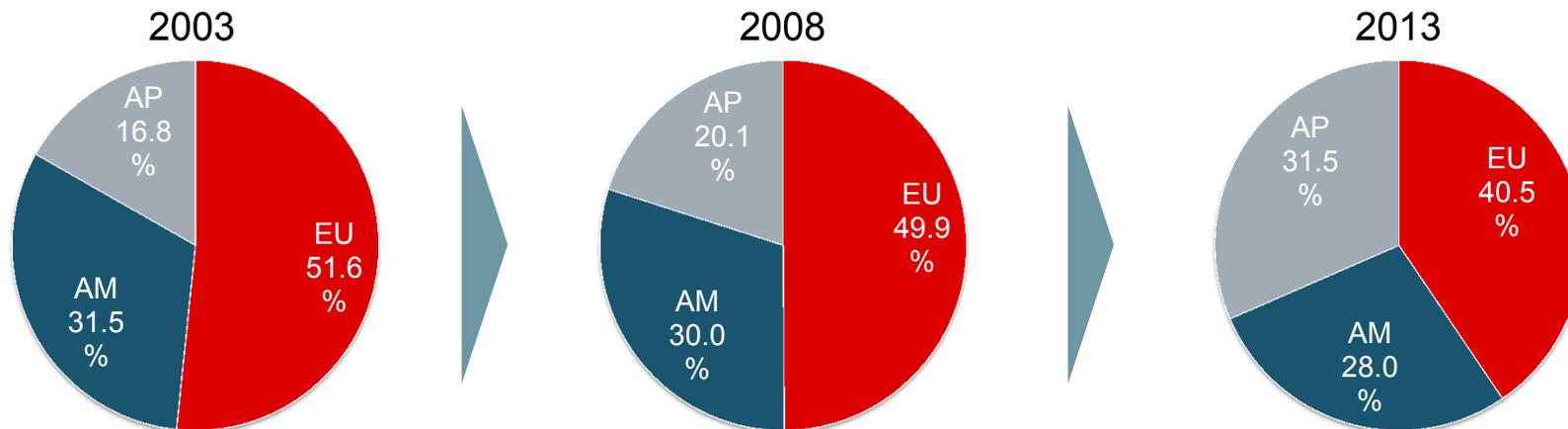
- Smooth traveling, less noise
- Less components, faster to install
- Proven quality and safety
- Energy efficient: A-Rating
- Accelerated time to market based on evolutionary development from Schindler 3300 platform
- Enhanced competitiveness based on scale economies combination with Schindler 3300 volume



# Schindler strives to become the preferred E&E employer globally

## Focus on talent acquisition and employee engagement

### Global workforce split by Regions



- Systematically hiring and training people in emerging markets to win the war for talent
- High level of employee engagement and loyalty
- >5 days of safety & technical training per employee globally. More in emerging markets
- >15 000 technicians certified world-wide in 2013
- Campus recruitment in major universities in China, India and other growth markets

# Megatrends impacting the E&E business

Medium-term outlook supports Schindler's growth objectives

## Megatrends

Urbanization

Wealth creation in emerging markets

Energy efficiency

Demographic change

## E&E market implications

- Emerging markets will continue to drive E&E growth > GDP
- Continuous innovation needed to adapt products and services to new markets and new requirements
- Sustainability critical in product development and operations
- Increased importance of safety and reliability, opportunities in modernization and replacements

# Outlook 2014

Status as of February 14, 2014

## **A three-speed world**

- Continued strong growth in emerging markets, particularly in China, India, Southeast Asia and the Middle East
- Recovery in North America continues
- European environment remains challenging

## **Schindler – focus on growth and expanding footprint in emerging markets**

- Revenue growth of 6-8% in local currencies
- Net profit guidance with publication of half-year results

# Additional Charts

# Key figures as of December 31, 2013

## Q4: October – December

In CHF million	Q4/2013	Q4/2012	Δ%	Δ% in LC
Orders received	2 256	2 241	+0.7	+3.6
Revenue	2 367	2 190	+8.1	+10.8
Operating profit (EBIT)	214 <sup>1</sup>	267	-19.9	-16.9
in %	9.0 <sup>2</sup>	12.2		
Net income from financing and investing activities	3	–		
Hyundai impairment	-64	–		
Profit before taxes	153	267	-42.7	
Income taxes	58	59		
Net profit	95	208	-54.3	
Net profit before Hyundai impairment	159	208	-23.6	
Cash flow from operating activities	195	260	-25.0	
	<b>31.12.13</b>	30.09.13		
Order backlog	7 722	8 113	-4.8	-3.2
Number of employees at end of period	48 169	47 366	+1.7	

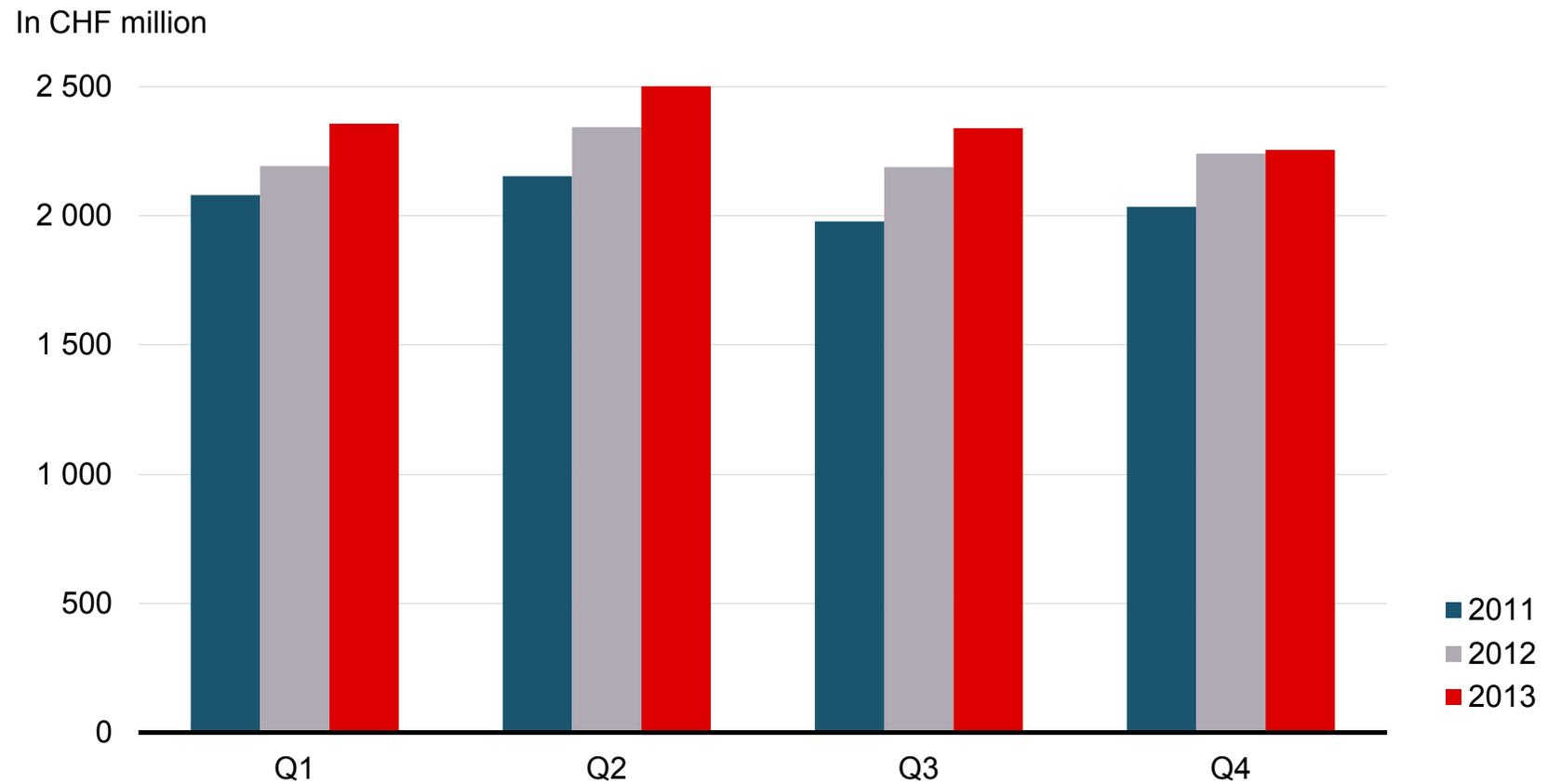
<sup>1</sup> Including restructuring cost of CHF 25 million

<sup>2</sup> Before restructuring cost: 10.1%

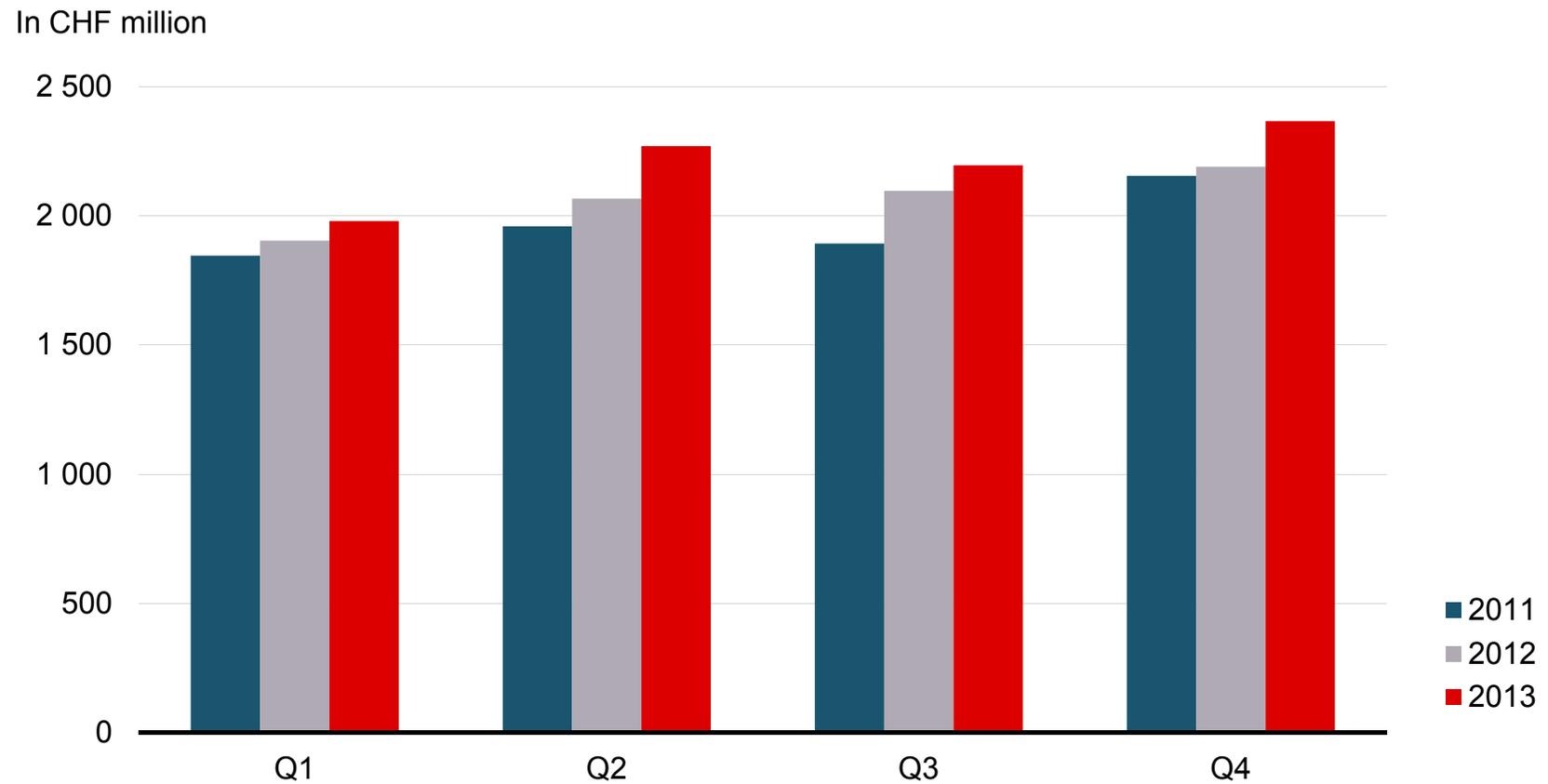
## Quarterly overview 2013/2012

In CHF million	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Orders received	<b>2 256</b>	2 340	2 503	2 357	2 241	2 189	2 344	2 193
Revenue	<b>2 367</b>	2 196	2 270	1 980	2 190	2 097	2 067	1 904
Operating profit (EBIT)	<b>214</b>	212	253	217	267	259	250	214
in %	<b>9.0</b>	9.7	11.1	11.0	12.2	12.4	12.1	11.2
Financing activities	<b>-10</b>	-7	3	-7	-2	-12	-2	-6
Hyundai impairment	<b>-64</b>	–	-155	–	–	–	–	–
Investing activities (associates)	<b>13</b>	8	8	15	2	2	2	9
Income taxes	<b>58</b>	51	69	59	59	66	67	61
Net profit	<b>95</b>	162	40	166	208	183	183	156
in %	<b>4.0</b>	7.4	1.8	8.4	9.5	8.7	8.9	8.2
Net profit before Hyundai impairment	<b>159</b>		195					

## Quarterly development of orders received: 2011 – 2013



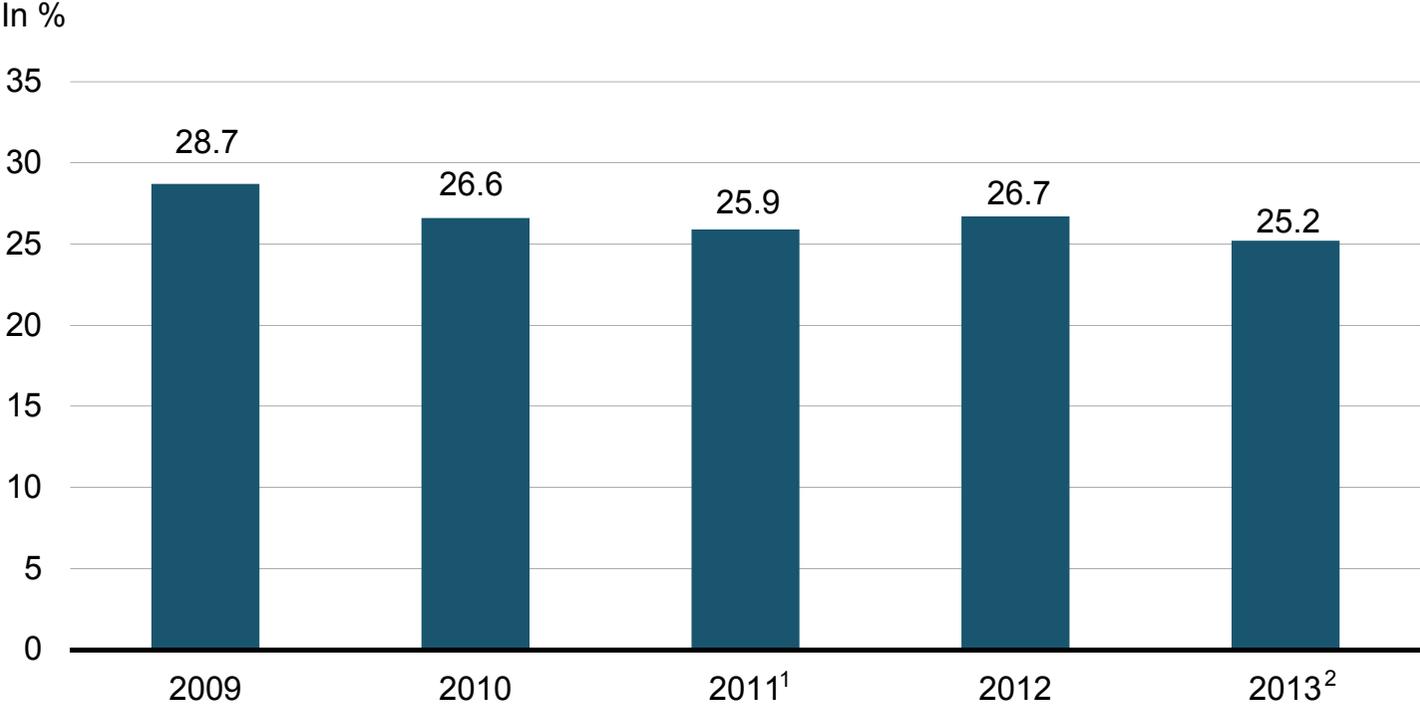
## Quarterly development of revenue: 2011 – 2013



# Balance sheet

In CHF million	31.12.2013	in %	31.12.2012	in %
Cash and cash equivalents	2 228	28.5	2 178	27.9
Other current assets	3 260	41.9	2 992	38.2
<b>Total current assets</b>	<b>5 488</b>	<b>70.4</b>	<b>5 170</b>	<b>66.1</b>
Non-current assets	2 309	29.6	2 652	33.9
<b>Total assets</b>	<b>7 797</b>	<b>100.0</b>	<b>7 822</b>	<b>100.0</b>
<b>Current liabilities</b>	<b>3 974</b>	<b>51.0</b>	<b>3 328</b>	<b>42.5</b>
Non-current liabilities	1 298	16.6	1 681	21.5
<b>Total liabilities</b>	<b>5 272</b>	<b>67.6</b>	<b>5 009</b>	<b>64.0</b>
Equity	2 525	32.4	2 813	36.0
<b>Total liabilities and equity</b>	<b>7 797</b>	<b>100.0</b>	<b>7 822</b>	<b>100.0</b>
<b>Net working capital</b>	<b>-537</b>		<b>-509</b>	
<b>Net liquidity (excluding Hyundai)</b>	<b>1 972</b>		<b>2 267</b>	

# Return on equity (ROE) in %



<sup>1</sup> After LEAP restructuring costs: 22.3%

<sup>2</sup> After Hyundai impairment: 17.3%

# Thank you.

## Financial calendar

2014

Ordinary General Meeting Schindler Holding Ltd.	March 17
Publication of selected key figures as of March 31	April 22
Publication of Interim Report as of June 30	August 13
Publication of selected key figures as of September 30	October 21

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