



Shaping urbanization.
Investing in the future.
Group Review 2017



Schindler

Urban landscapes shaped by dedicated people and leading technology.

Schindler was founded in 1874 in Lucerne, Switzerland, and is one of the leading manufacturers of elevators, escalators, and moving walkways, as well as a top provider of vertical transportation maintenance and modernization across the globe. The Group has over 1 000 branch offices in more than 100 countries, in addition to production sites as well as research and development centers in Brazil, China, Europe, India, and the United States.

Schindler moves people and goods, connecting vertical and horizontal transport systems, thus enabling the shaping of urban landscapes – both now and in the future.

Our products and services



Passenger elevators

Elevator solutions to meet every individual need in the market – from low-rise requirements with a focus on affordable basic transportation through to mid-rise applications for the residential and commercial market segments and finally to high-rise solutions for buildings of up to 500 meters.



Freight elevators

Our freight elevators can transport small or large volumes of light or heavy freight.



Escalators and moving walks

Escalators for all applications – from shopping malls, offices, hotels, and entertainment centers, to busy airports, subways, and railway stations. Our moving walks – whether inclined or horizontal – ensure efficient transportation in public areas.



Modernization

We offer a range of elevator and escalator modernization products.



Maintenance

The next technician is always within reach worldwide, 24 hours a day.

Key figures

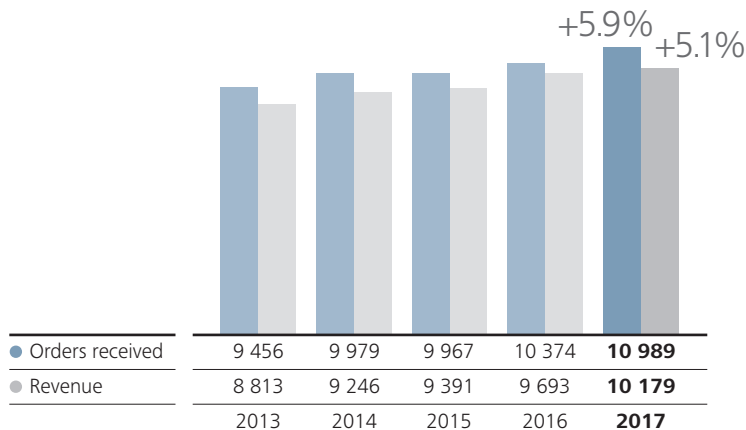


Our products
and services

Key figures

Orders received and revenue

In CHF million



Orders received

In CHF million

10 989

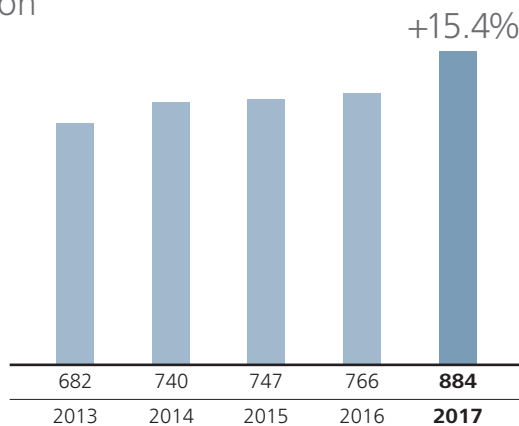
Revenue

In CHF million

10 179

Net profit¹

In CHF million



EBIT margin

Change in
percentage points²

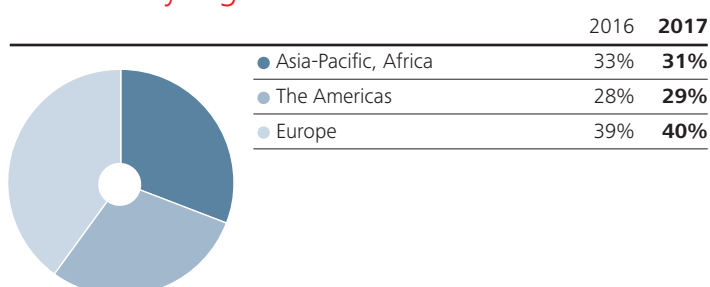
+0.5

Net profit

In CHF million

884

Revenue by region



Number of employees

As of December 31

61 019

¹ before exceptional items

² on a comparable basis

Contents

2	Milestones
4	Schindler in brief
8	Urban growth and mobility
	To the shareholders
31	Statement of the Board of Directors
	Strategy and markets
35	Business review
40	Examples of significant orders
58	Innovation and technology
65	Sustainability
	Overview of financial results
71	Summary financial statements Group
72	Key figures Group
75	Summary financial statements Schindler Holding Ltd.
76	Key figures registered share/participation certificate
78	Financial calendar
79	Important addresses

Milestones

Ladies and Gentlemen

This is my first letter to you, and I could not address you without first expressing my gratitude for your having entrusted me with my new role as your Chairman.

Acutely aware of this privilege, I will loyally serve you, as well as our company, as I have done for the past 23 years: with all my energy, dedication, and creativity.

As I told our top 120 leaders at the annual Schindler Executive Meeting last year, we owe a tremendous debt of recognition to Mr. Alfred N. Schindler for his historic impact, first as Head of Strategic Planning, then as CEO and, finally, as Chairman of our Group. You will not be surprised to hear that, as a response, they gave Mr. Schindler a standing ovation.

The results presented in this report are the latest evidence of the incredible progress achieved under Mr. Schindler's stewardship, during which our market capitalization grew from CHF 210 million in 1982 to the CHF 23.9 billion recorded by the end of 2017. For us and for the next generations, Mr. Schindler built a solid global company, focused on growth and animated by a culture based on ethics, hard work, and meritocracy.

By the same token, it is difficult to find words to express the gratitude owed to Mr. Luc Bonnard for his long-standing and remarkable dedication to the Group, his qualities as Vice Chairman of the Board, and in all the crucial roles he played over his illustrious career.

Wishing them all the very best for their well-deserved retirement from executive functions, I am pleased to confirm that both Mr. Schindler and Mr. Bonnard will stay close to the company as active Board members. Most importantly, I know that I will be able to continue relying on their precious advice going forward.

It is my resolve to build on their legacy working together with the Supervisory and Strategy Committee, the Board and, of course, in a joint effort with the Group Executive Committee.

Among the several requirements that will be needed to deliver on this commitment, adaptability to fast change may well be the most essential.

'Fast fish eats slow fish,' one of the key lessons I learned from my fifteen years in Asia, rings truer than ever in the super-charged change environment surrounding us. Prevailing at this juncture will also mean acknowledging the multitude of paradoxes and staying above the emotional turmoil. A classic example, and one of the most interesting aspects of this point in history, is the fear directed at two diametrically opposed fates.

Economic experts maintain that we have entered an age of growth stasis characterized by unsustainable debt levels and sluggish wages. With scarce prospects to generate sufficient value, strong concerns regarding an aging society and how to finance related healthcare requirements would be more than legitimate if this scenario became reality.

On the other hand, technology gurus predict that artificial intelligence may be a substitute for several occupations as we know them today. Due to their superior productivity, robots would generate unprecedented efficiency gains. If that was to happen, the net effect in terms of financial result would be wealth creation of a magnitude that could resolve most of our current financial concerns. Both scenarios are uncertain and mutually exclusive. In either case, fear does not help.

It is anticipation, adaptability, and effectiveness that will make the difference. Throughout history, Schindler has navigated a number of tectonic changes of similar proportions, from the shift from steam to electrical power, to the change of microprocessor from relay technology. Interestingly, a famous study by J. Bessen of Boston University on the 271 occupations listed on the 1950 US Census, found that it is precisely our industry that is responsible for the only job that, by 2010, had become fully automated: the elevator operator.

One-hundred-and-forty-four years after our foundation, this ability to embrace change, innovate, and prevail is part of our DNA. Last year, the launch of 'Schindler Ahead' at the Hannover Fair – the world's leading trade show for industrial technology – constituted another historic landmark in our digital transformation strategy. With it, we introduced state-of-the-art technology to connect our installed units to the cloud and, at the same time, to our proprietary closed-loop ecosystem linking together equipment, technicians, ERP, call centers and, most crucially, our customers.



This strategic investment is in fact only the first essential step into the digital economy. Borrowing an expression from our US colleagues, it will grant us 'the water rights to the valley.' 'Cultivating the land' will have to be next, with 'Big Data' as the crop to be harvested.

In doing so, we will have to keep in mind that, in the digital era more than ever, customers will always favor products and services that improve their experience as users. For our company, this will have to be our primary focus, with the understanding that efficiency, while always essential, will follow as the result.

One of the biggest risks in fast-evolving environments is wanting to run after too many changes at the same time. Leadership is about prioritization, and that particular area is where Schindler's culture of focus has been driving capital allocation discipline. Balance sheet strength is a strategic choice, and we remain convinced that it is a fundamental requirement in preparing for an uncertain future.

It is precisely uncertainty that has affected China over the last couple of years. The protracted slowdown of the Chinese market, which still accounts for half of the world market, has had a severe impact on our industry. Here too, fear has proven to be not only useless but unjustified. After a period of progressive adjustment, the market is showing signs of welcome stabilization. Our company is resolved to continue growing, in China and

across the world, based on the balanced asset distribution across the globe, built over the years through long-term strategic investments, precisely aimed at reinforcing our income generation resilience.

I started this letter by referring to your trust, and will close it by referring to it again. The challenges ahead are both daunting and exciting. Everyone at Schindler faces them with the professional resolve to continue earning your trust. Whether they will turn into massive opportunities is a matter of entrepreneurial courage, grit, and execution excellence. Though history has shown that our company has traditionally been strong on all three accounts, the future will be made of what we will be able to deliver, day after day.

Silvio Napoli
Chairman of the Board of Directors

Schindler in brief

Schindler was founded in 1874 in Lucerne, Switzerland, and is one of the leading manufacturers of elevators, escalators, and moving walkways, as well as a top provider of vertical transportation maintenance and modernization across the globe.

The Group has over 1 000 branch offices in more than 100 countries, in addition to production sites as well as research and development centers in Brazil, China, Europe, India, and the United States.

Long-term strategic orientation

Over the long term, Schindler is committed to deliver on safety, quality, and customer experience. By focusing on these priorities, the company aims to grow more rapidly than the global elevator and escalator market, while at the same time increasing profitability both in absolute and relative terms over the long term. Schindler strives to achieve these goals through constantly improved operational processes and the modularity of products.

Throughout its 143-year history, Schindler has embraced global changes as a strategic opportunity through targeted investments, constant innovation, and a clear focus on the elevator and escalator business. Today, for example, seven out of ten elevators in the world are sold in Asia, where Schindler is in the process of completing a program of strategic investments in geographic expansion, supply chain, technical training facilities as well as research and development.

Moving more than one billion people each day

With more than one billion people moved each day, the company is resolved to provide reliable customer service and high-quality mobility solutions that ensure safe and efficient trips for the riding public, as well as cost-effective, superior performing equipment for building owners and operators. Schindler's offering ranges from small budget solutions for low-rise homes to sophisticated access and transport management concepts for multifunctional buildings.

Tradition of innovation

Over the years, Schindler has built a tradition of pioneering innovative, customer driven products, including destination control systems, and the first-ever patent for elevators without a machine room. Other landmark examples include development of exclusive elevator suspension traction media and 'InTruss' modernization, which enables existing escalators to be upgraded with significantly diminished building impact. With the dawn of artificial intelligence, the company is at the forefront of the 'Internet of Elevators and Escalators' (IoEE). Launched in 2017, 'Schindler Ahead' provides a unique, cloud-based digital toolbox connecting machine, users, technicians, and around-the-clock call centers in a closed-loop ecosystem.

As one of the industrial sector's leading digital companies, Schindler will continue to invest in the smart networking of products and digital processes.

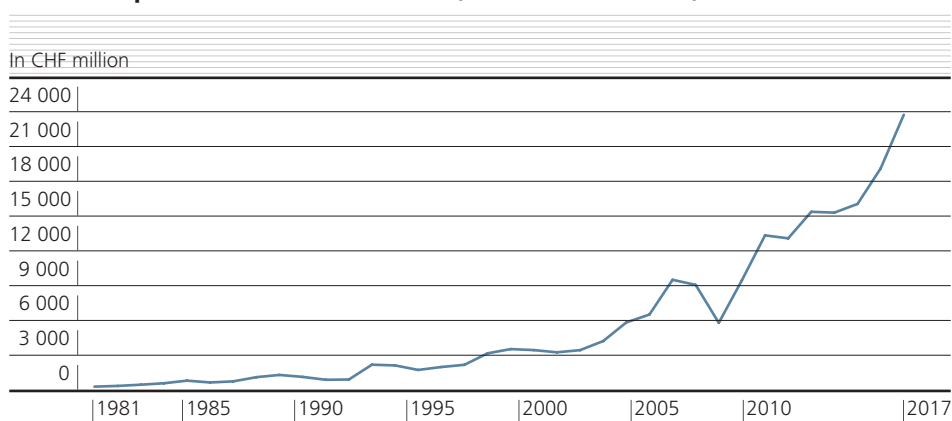
Success driven by employees

The motivation, commitment, and expertise of more than 61 000 employees have made Schindler's worldwide success a reality. In 2017, 59% of its global workforce worked in the area of installation and maintenance, while 7% of the company's professionals worked in production and 34% in engineering, sales, and administration.

Schindler creates value

Schindler will continue to systematically pursue its strategy of growth and innovation to create value for the company's diverse stakeholders and to provide fulfilling and exciting careers for employees.

Market capitalization 1981 to 2017 (as of December 31)



Key figures 2017

In CHF million	2017	2016	Δ %	Δ % local currencies
Orders received	10 989	10 374	5.9	5.5
Revenue	10 179	9 683	5.1	4.6
Operating profit (EBIT)	1 187	1 133	4.8	3.3
in %	11.7	11.7		
Net income from financing and investing activities	-21	-36		
Profit before taxes	1 166	1 097	6.3	
Income taxes	282	274		
Net profit	884	823	7.4	
Before exceptional items				
Operating profit (EBIT)	1 222¹	1 110 ²	10.1	8.6
in %	12.0	11.5		
Net profit	884	766 ³	15.4	
Cash flow from operating activities	810	929	-12.8	
Investments in property, plant, and equipment	227	189	20.1	
As of December 31				
Order backlog	10 707	10 004	7.0	6.3
Number of employees	61 019	58 271	4.7	

¹ Restructuring costs: CHF 35 million

² Gain on sale of operations in Japan: CHF 50 million, restructuring costs: CHF 27 million

³ Gain on sale of operations in Japan (after taxes): CHF 31 million, revaluation gain ALSO participation: CHF 26 million

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

In CHF	2017 ordinary	2016 ordinary	2016 extra-ordinary
Registered share	4.00	3.00	2.00
Participation certificate	4.00	3.00	2.00

Subject to approval by the General Meeting, the dividend will be paid on March 26, 2018.

Organization

Board of Directors Schindler Holding Ltd.

As of 31.12.2017

Silvio Napoli	Chairman	Member of the Supervisory and Strategy Committee
Alfred N. Schindler	Chairman emeritus	
Prof. Dr. Pius Baschera	Vice Chairman	
Prof. Dr. Karl Hofstetter	Member	Member of the Supervisory and Strategy Committee
Luc Bonnard	Member	
Patrice Bula	Member	
Prof. Dr. Monika Bütler	Member	
Dr. Rudolf W. Fischer	Member	
Anthony Nightingale	Member	
Tobias B. Staehelin	Member	
Carole Vischer	Member	

Group Executive Committee

As of 31.12.2017

Thomas Oetterli	CEO
Erich Ammann	Deputy CEO, CFO
Julio Arce	Field Quality & Excellence
Karl-Heinz Bauer	Chief Technology Officer
David Clymo	Corporate Human Resources
Paolo Compagna	Europe North
Carlos Guembe	Europe South
Andre Insera	Americas
Michael Nilles	Chief Digital Officer
Christian Schulz	Operations
Robert Seakins	Asia-Pacific
Egbert Weisshaar	Escalators and Supply Chain
Daryoush Ziai	China

Urban growth and mobility

Every week, the company moves the combined number of people on this planet: whether up to the office, down to the subway, or across sprawling airport concourses, Schindler makes each trip safe, efficient, and swift.

Urbanization – cities are key to the global economy

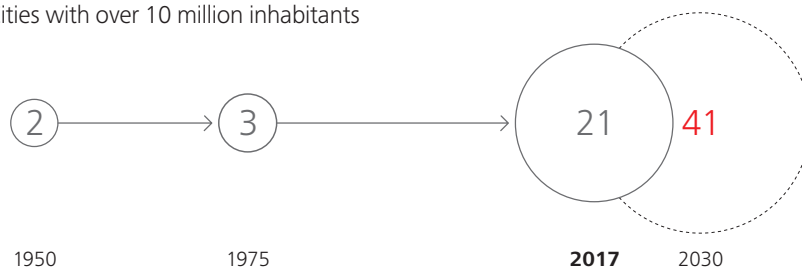
From Berlin to Beijing, cities vibrate with energy. They account for 60% of all jobs and produce 80% of global GDP. Urban areas are at the center of innovation covering hard goods, services, technology, and entertainment, delivering multiple benefits to people, business, and culture.

Currently, more than five hundred cities worldwide boast at least one million inhabitants and every passing second more than two people somewhere in the world relocate to a city from a rural area. The United Nations estimates that by 2030 almost 9% of the world's population will live in just 41 megacities. Today, for the first time in human history, more people live in the city than in the countryside, and by mid-century two-thirds of the global population is projected to be urban.

As cities become more densely populated, transporting people and goods safely and reliably to their destinations acquires ever-greater importance. Technological advances such as mobility and green buildings are crucial to making cities better places in which to live and work.

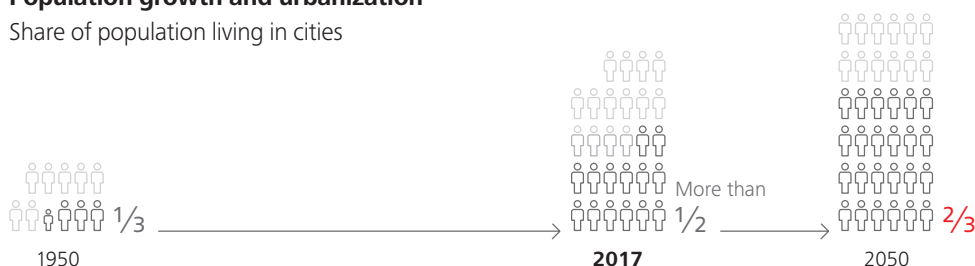
Number of megacities

Cities with over 10 million inhabitants



Population growth and urbanization

Share of population living in cities



Shaping the skyline

Elevators and escalators make tall buildings livable and large infrastructure projects accessible. Vertical transportation has allowed the steel-frame skyscraper to give new shape and substance to historic global cities like Hong Kong and New York, while enabling the rapid expansion of dynamic capitals such as São Paulo and Jakarta. Increasing urbanization will not only push horizontal limits of existing cities but their vertical boundaries as well – refashioning both their skylines and public transportation networks with the enabling power of elevators and escalators.

Countries such as China, India, Indonesia, and Brazil continue moving in vertical direction. China alone builds more than 70 skyscrapers each year. This long-term trend increases elevator density and supports further demand for the most advanced elevator and escalator products and services.

Related megatrends

In addition to urbanization, other megatrends are expected to continue increasing demand of elevators and escalators worldwide. In developed countries, the most enduring trend is toward aging populations: the number of people aged 60 or older will soon exceed 1.4 billion globally, prompting a need for inventive solutions to facilitate safe mobility. Similarly, urban infrastructure itself is aging. Over 50% of all elevators and escalators operating in developed countries were installed at least 20 years ago, a situation that creates significant demand for modernization via upgrading or full replacement.

Meanwhile, the middle class is set to increase by more than half over the next fifteen years. This trend brings with it the need for more, and more elaborate, structures – from hotels to hospitals, shopping malls to libraries, sports stadiums to airports – that can serve these fast-growing, increasingly affluent urban societies. As its wealth grows, so does the middle class' desire for greater amounts of living space. With the larger and taller buildings needed to increase the size of urban living quarters, comes a need for innovative solutions that enable residents to move freely and conveniently through their life within ever-larger architectural structures.

The Schindler contribution

The new way of living will only be possible with smart mobility solutions. Schindler has the expertise and product selection to make every type of facility found in cities – and elsewhere – easily and safely accessible. Given the long-term strategic thinking, Schindler has been investing in innovation for more than 140 years, enhancing technology and expanding product range to meet the world's and customers' ever-increasing urban mobility needs.

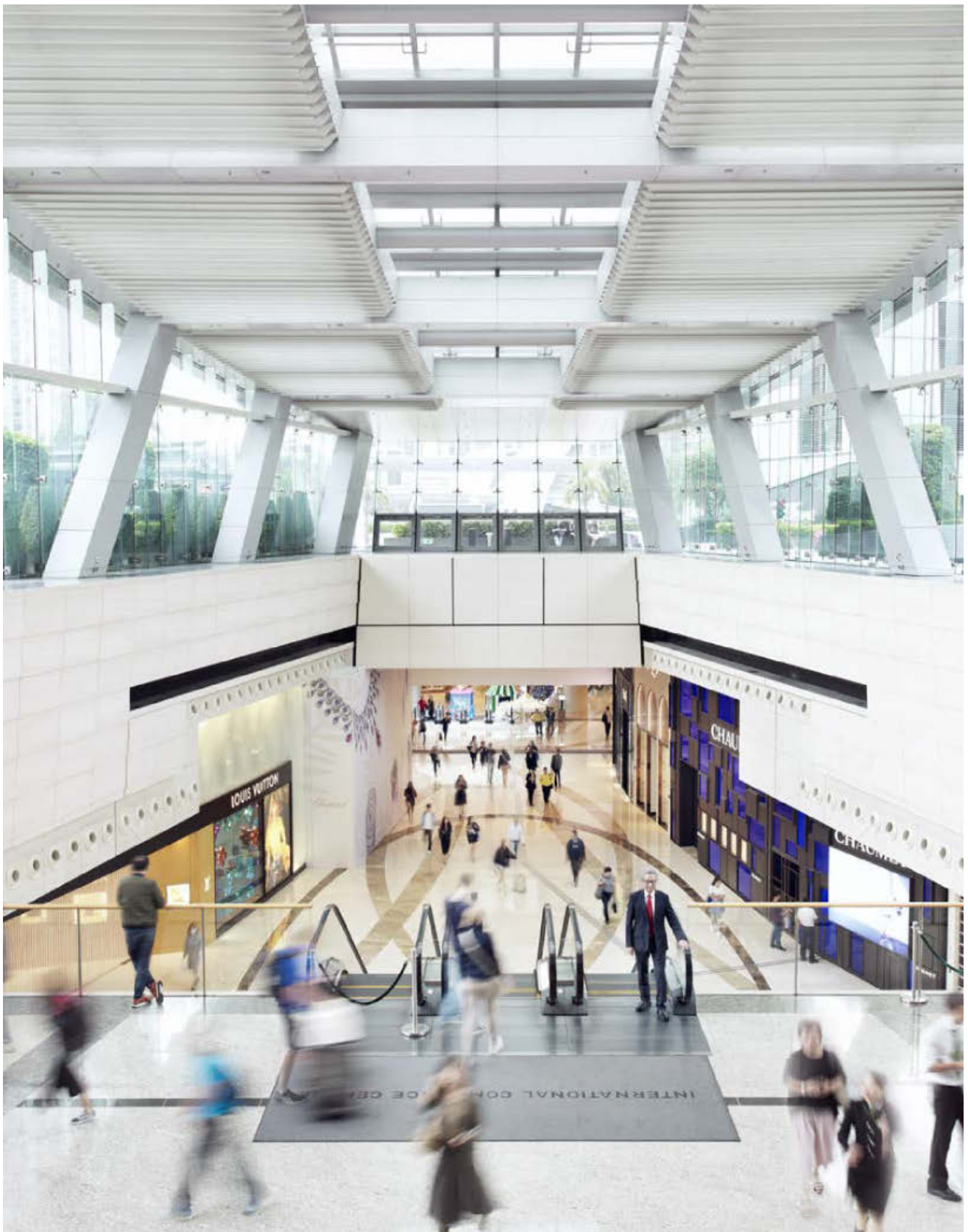
The following pages provide impressions of urban growth projects that were made possible by Schindler products and services.



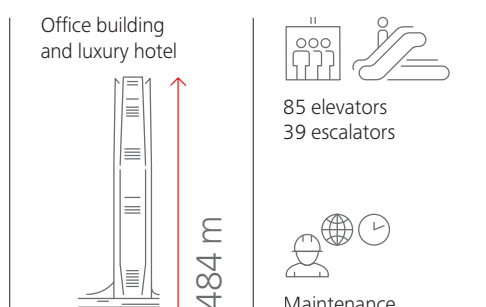
Hong Kong SAR, China



With over seven million inhabitants and a strong business and financial sector, Hong Kong is one of the world's most important cities. With the large number of skyscrapers, it has an impressive skyline. The International Commerce Centre (ICC) in the West Kowloon district stands out clearly at a height of over 480 meters. In addition to the world's highest swimming pool, the ICC offers a spectacular light show every evening on two of its facades.



International Commerce Centre (ICC)
Hong Kong SAR, China





Chongqing, China



When the construction of the Three Gorges Dam was completed, this not only secured an important electricity supply for the multi-million metropolis located at the confluence of the Yangtze and Jialing rivers but it also fundamentally improved accessibility. Chongqing subsequently experienced enormous growth, which transformed the appearance of the city. Today, Chongqing is one of the largest cities in the world. Its center features an impressive skyline with the new 339-metre-high World Financial Center – now the tallest building in the city.



World Financial Center (WFC)
Chongqing, China



Shopping mall, hotel
and office building



23 elevators



339 m



Maintenance



Hyderabad, India



A city with a long tradition and an even bigger future. Today, Hyderabad is considered one of India's high-tech centers. As the fourth-largest city in the country in terms of population, it is an example of rapid urbanization and is one of the fastest-growing metropolitan regions in India. This is stimulating the demand for new apartments. The Lanco Hills housing development project is a response to this trend.



Lanco Hills
Hyderabad, India



Residential and
commercial buildings,
villas



99 elevators



110 m



Maintenance



New York, USA



New York has remained true to its tradition as the symbol of a modern metropolis with an impressive skyline. Numerous high, modern apartment buildings with stylish architectural designs are currently under construction. Impressive new high-rise office buildings are in no way inferior to them in terms of design and functionality. 56 Leonard Street, commonly known as the 'Jenga Tower', is another extravagantly iconic New York building equipped with Schindler elevators and escalators.



56 Leonard Street
New York, USA



Luxury apartments



10 elevators
The PORT Technology



250 m



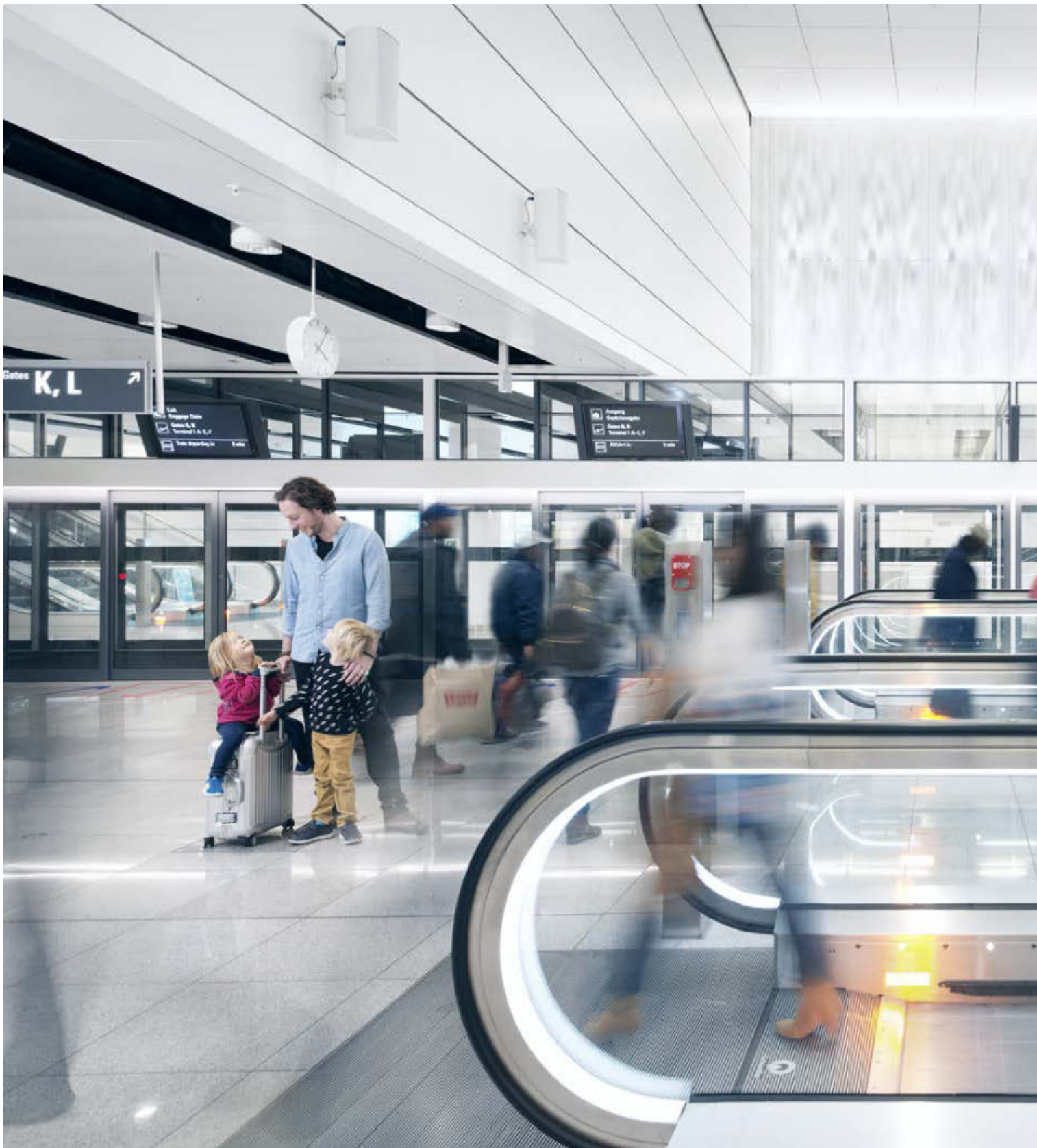
Maintenance



Munich, Germany



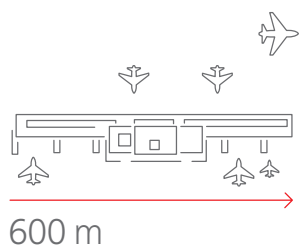
With more than 40 million passengers each year, Munich Airport is not only the second-largest airport in Germany but also an important hub in Europe due to its central location. To meet growing mobility requirements, a state-of-the-art satellite building was added to Terminal 2 in 2016. More than 120 Schindler installations offering fast, barrier-free, and comfortable mobility contributed to Terminal 2 and the satellite building being named the world's best terminal in the World Airport Awards 2017.



Munich Airport,
Terminal 2 satellite building,
Munich, Germany



Satellite building



45 elevators
83 escalators/
moving walks

A further 14 installations
in the station serving
the underground
passenger transport
system



Maintenance

To the shareholders

31 Statement of the Board of Directors

Statement of the Board of Directors

To the shareholders

Sustained growth and increased profitability

Asymmetrical developments in the construction industry across the globe shaped the year 2017. At the same time, rising commodity prices and fierce competition presented the industry with major challenges.

Thanks to the balanced geographical presence built over the years, Schindler was in the position to successfully navigate the uncertain situation, profitably growing in both new installations and in services.

The company could further strengthen its position across most markets thanks to competitive products and customer-driven services. Besides organic growth, local acquisitions in established markets such as Germany and Italy contributed to the overall increase.

Always looking beyond short-term financial results, Schindler is committed to a long-term growth strategy. The implementation of the ongoing strategic initiatives remains on course.

Innovation remains at the core of Schindler's value creation. With the launch of 'Schindler Ahead,' the cloud connectivity platform enabling the 'Internet of Elevators and Escalators,' a fundamental milestone was reached towards the digital transformation of the business. Similarly, new, modular and fast-evolving product portfolios are a key success factor for the future. Significant progress was also achieved on this front, with the launch of the first modular elevator systems in China, in preparation for the global roll-out over the next 24 months.

Increase in orders received and order backlog

After two years of decline, the overall market demand for new installations returned to growth. However, mirroring global economic trends, the elevator and escalator market developed unevenly across different regions throughout 2017.

North America, as well as Southeast Asian markets continued to develop along the positive course of the last few years. In Europe, demand in the Southern countries became almost as robust as in their Northern counterparts, though at a lower price level. By contrast, conditions in South American markets were challenging, particularly in Brazil. Demand in China became more stable, halting the downward trend of the last two years. Strong pricing pressure persisted, particularly in the case of major projects. At the same time, the Indian market continued to suffer from the 2016 monetary reforms, with further complications from new regulatory and fiscal changes.

For Schindler, orders received rose by 5.9% to CHF 10 989 million (previous year: CHF 10 374 million), corresponding to a growth of 5.5% in local currencies. Consistent with the underlying market development, the Europe region generated the largest increase, followed by Asia-Pacific and the Americas. In spite of the challenging local conditions, the company continued to grow in both China and India.

The order backlog increased by 7.0% over the previous year, reaching CHF 10 707 million as of December 31, 2017, equivalent to a growth of 6.3% in local currencies.

Accelerated revenue growth in the second half of 2017

With revenue increasing by 5.1% (4.6% in local currencies) to CHF 10 179 million (previous year: CHF 9 683 million), the Schindler elevator and escalator business crossed the 10 billion revenue milestone for the first time, with the largest regional contribution coming from Europe, followed by the Americas and Asia-Pacific.

Increased operating profit

In line with the objective of profitable growth, operating profit (EBIT) improved by 4.8% to CHF 1 187 million (previous year: CHF 1 133 million), representing an increase of 3.3% in local currencies. The EBIT margin was 11.7% (previous year: 11.7%).

On a comparable basis (exceptional items 2017: restructuring costs of CHF 35 million; exceptional items 2016: restructuring costs of CHF 27 million and gain on sale of operations in Japan of CHF 50 million) operating profit increased by 10.1% (8.6% in local currencies) and EBIT margin grew by 0.5 percentage points to 12.0%.

Higher net profit

Net profit improved by 7.4% to CHF 884 million. On a comparable basis (exceptional items 2016: revaluation of the participation in ALSO and gain on sale of operations in Japan, after taxes), net profit increased by 15.4%. Cash flow from operating activities totaled CHF 810 million (previous year: CHF 929 million), mainly reflecting higher net working capital levels.

Employees and training

To support Schindler's growth, the number of employees was increased across all regions, with the total headcount reaching 61 019 at the end of 2017. As in recent years, the largest increase occurred in the dynamic growth markets of the Asia-Pacific region.

Substantial efforts continue to be deployed in the area of training, with particular attention given to the technical competence level of the new joiners. To fulfill this essential requirement, ten new technical training centers have been opened over the last three years and more than 7 000 employees have been trained, with emphasis on growth markets.

Schindler Holding Ltd.: profit and dividend

Schindler Holding Ltd. closed the financial year 2017 with a net profit of CHF 575 million (previous year: CHF 519 million). The Board of Directors has decided to change the dividend policy and to increase the dividend payout ratio of 35% – 45% to 35% – 65%. The Board of Directors has proposed the payment of a dividend of CHF 4.00 per registered share and per participation certificate, to be submitted to the vote of the forthcoming General Meeting, scheduled for March 20, 2018.

Outlook for 2018

The favorable megatrends that are supporting the growth of the elevator and escalator business over the long term remain intact. The global economic outlook for 2018 anticipates overall GDP growth at levels comparable to the previous year, combined with significant uncertainty in some of the most important macroeconomic and political areas. Against this backdrop, the global elevator and escalator market is estimated to continue growing along similar patterns as in the previous year, barring unforeseen circumstances.

Consistent with the strategy in place, Schindler's ambition is to continue delivering on the profitable growth agenda. For 2018, the company aims to achieve an increase in revenue of 3% to 5%, measured in local currencies.

In parallel to financial targets, Schindler will continue to focus on quality and innovation. Particular attention will be dedicated to the implementation of modular product platforms and the development of the 'Internet of Elevators and Escalators,' with the objective to deliver increased customer benefits as well as further efficiency enhancements.

As in previous years, the forecast for net profit in 2018 will be provided with the publication of the half-year results.

Expression of gratitude to customers, employees, and shareholders

The progress and results achieved in 2017 stem from the dedication and expertise of more than 61 000 Schindler employees across the world. Their loyalty and their commitment to deliver value – every single day of the year and around the clock – continues to be exemplary. It is through their relentless efforts that the company earns the privilege of serving its customers, whom we would also like to sincerely thank. Finally, this message would not be complete without an expression of gratitude towards our shareholders, in particular for their trust in and support of the company.

Silvio Napoli
Chairman of the Board of Directors

Prof. Dr. Pius Baschera
Vice Chairman of the Board of Directors

Strategy and markets

- 35 Business review
- 40 Examples of significant orders

More than half of the world's population now lives in cities and urbanization is set to continue according to a study by the United Nations. It estimates that by 2030, a further one billion people will migrate from rural regions to urban centers.

As a result of this trend, taller buildings are being constructed to make effective use of the limited space available in densely populated areas. At the same time, the flow of people moving around major cities is increasing and this is driving the need for urban mobility solutions.

The growth of the middle class and the aging of the population in industrialized nations and emerging markets, as well as the trend towards single-person households, are further developments that will lead to a rising demand for mobility solutions. In addition, the use of energy-efficient and user-friendly technologies in buildings will increase and there will be a greater need to modernize outdated installations. Schindler is committed to responsibly shaping this future.

Long-term strategic focus

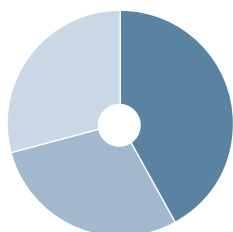
Schindler's strategy has a long-term focus with the aim of generating sustained value for all of the company's stakeholders. Schindler's ambition is to grow more strongly than the global elevator and escalator market as a whole, while at the same time further increasing profitability in absolute and relative terms. Significant progress was achieved in all areas in the reporting year.

Stronger growth and increased profitability

With competitive products and services, Schindler succeeded in strengthening its market position in numerous markets and increasing its profitability.

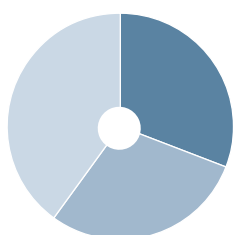
The new installations market as a whole grew slightly in 2017. Against this backdrop, orders received rose by 5.9% to CHF 10 989 million (previous year: CHF 10 374 million), revenue increased by 5.1% to CHF 10 179 million (previous year: CHF 9 683 million), operating profit grew by 4.8% to CHF 1 187 million (previous year: CHF 1 133 million), and the EBIT margin was 11.7% (previous year: 11.7%). Net profit rose by 7.4% to CHF 884 million. On a comparable basis, operating profit increased by 10.1% (8.6% in local currencies) and the EBIT margin by 0.5 percentage points to 12.0%. Net profit grew by 15.4%.

Order backlog	2017	2016
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● Asia-Pacific, Africa	42%	43%
● The Americas	29%	31%
● Europe	29%	26%

Revenue	2017	2016
---------	------	------



● Asia-Pacific, Africa	31%	33%
● The Americas	29%	28%
● Europe	40%	39%

Regional development of markets

Asia-Pacific, Africa

China

In the world's most important elevator and escalator market, the new installations business stabilized in 2017 for the first time after contracting for two years. This development was driven primarily by the residential real estate market. The commercial real estate sector experienced challenging market conditions, and there was continued strong pricing pressure in respect of major projects and infrastructure projects in particular. Schindler systematically pursued its growth strategy. Due especially to the high level of acceptance of its new products based on the harmonized Chinese product platforms and in the case of infrastructure projects, Schindler achieved above-market growth and was able to increase orders received.

India

The Indian market as a whole presented a mixed picture during the reporting year. The currency reforms introduced in 2016 continued to delay the progression of real estate projects, and the resulting impacts were also visible in the elevator and escalator business. In addition, the introduction of the Goods and Services Tax (GST) and the Real Estate Regulation Act (RERA) further undermined the confidence of market participants and restricted development. Schindler's business was also affected, but nevertheless orders received recorded a positive development. Long-term, India remains without doubt an attractive market.

Southeast Asia and Australia

The markets in Southeast Asia and Australia experienced continued economic growth. This was accompanied by positive developments in the construction sector in these countries, and Schindler achieved an increase in orders received. In Southeast Asia in particular, the residential real estate sector and the infrastructure sector benefited from continued good growth rates. Schindler secured a number of major projects in these areas. In Australia, the business performed strongly in all respects.

Middle East and Africa

Middle East and Africa overall saw a slightly improved development, with regional variances. Schindler performed well and generated an increase in orders received.

	2017	2016	Δ %	In local currencies
Revenue (in CHF million)	3 163	3 147	0.5	1.0
Number of employees	25 484	24 039	6.0	
Countries	29	28		
Production sites	5	5		

The Americas

North America

The US construction sector remained on course for growth in 2017. The demographic shift in major urban centers continued, leading to an acceleration in demand for residential properties. Operating conditions also improved in the commercial real estate sector due primarily to rising levels of employment. Schindler benefited from these trends and secured several major orders. Sales of the Schindler 5500 mid-rise elevator continued to increase. In addition, Schindler gained further market share in the low-rise segment with the machine room-less elevators in the Schindler 3000 series.

Latin America

Latin American markets were demanding. Schindler improved its market position through targeted product placements and technical innovations. However, Brazil – one of the most important markets in the region – continued to suffer and experienced a further decline in volumes. Against this challenging backdrop, Schindler performed well, and orders received were sustained at the previous year's level.

	2017	2016	Δ %	In local currencies
Revenue (in CHF million)	2 927	2 726	7.4	5.8
Number of employees	14 186	13 801	2.8	
Countries	12	12		
Production sites	3	3		

Europe

Markets in Northern Europe displayed positive developments in the reporting year. Germany in particular experienced strong growth in the new installations business in both the residential and commercial real estate sectors. Most countries in Eastern Europe also achieved pleasing growth. The UK was the only country to show signs of a slightly more restrictive approach to investment, reflecting uncertainty surrounding Brexit. Southern Europe also experienced robust growth. There was a noticeable upturn in the residential construction market – especially in Spain and France. With acquisitions in countries such as Germany and Italy, Schindler succeeded in further strengthening its market position. Orders received increased substantially.

	2017	2016	Δ %	In local currencies
Revenue (in CHF million)	4 089	3 810	7.3	6.7
Number of employees	21 349	20 431	4.5	
Countries	38	38		
Production sites	5	5		

Systematic focus on strategic initiatives

Alongside growth and profitability, Schindler has defined three strategic focus themes. Progress was achieved in all these areas in the reporting year.

Customers and markets

Schindler is proud that each day, more than one billion people around the globe place their trust in its mobility solutions. It is therefore committed to continuously developing and improving its product and service offering. With the Customer Excellence Program that has been running since 2012, it systematically measures and analyzes the satisfaction of customers based on the Net Promoter Score. In 2017, Schindler once again succeeded in further increasing its score.

People and organization

Schindler aims to attract and retain the best talents over the long term. By providing an open, communicative working environment and challenging roles, Schindler creates the necessary basis to allow employees to develop their skills and realize their potential. The company also invests in the training and development of employees at all levels and across all functions to enable them to reach their professional and personal goals. Schindler created more than 2 700 new positions in the reporting year and had a total of 61 019 employees worldwide at the end of 2017.

Innovation and technology

Schindler's global Research & Development (R&D) network generates numerous ideas, technologies, and concepts each year. In the area of product development, the results of market analysis and customer research, as well as aspects such as ergonomics and aesthetics, are taken into account. Prior to their launch, products undergo extensive testing to ensure they meet the very highest standards. In addition to pursuing its digitalization strategy, Schindler focused on the development of modular product platforms in 2017.

Modularity

Modular concepts for elevators are a core strategic element of Schindler's efforts to enhance its competitiveness. They lower the complexity of Schindler's product portfolio by reducing the range of components by more than half. Furthermore, modular product platforms seamlessly close the gap between different product lines, giving customers significantly more flexibility when selecting products. The standardization of key components that is achieved as a result of this concept will also lead to further improvements in quality, and enhance the efficiency of the installation process and service business in the medium term. Following the introduction of the harmonized Chinese product platform in the previous year, the first modular components will be rolled out globally in 2018.

Digitization

Schindler made decisive progress in its digital transformation in the reporting year and accelerated its pace of innovation in the context of the strategic partnerships with GE Digital and Huawei in 2016. At the Hannover Fair 2017, Schindler presented the first result of these efforts – 'Schindler Ahead.'

With 'Schindler Ahead,' the company has created a digital platform for smart, future-proof mobility solutions that digitally connects customers, passengers, machines, and service technicians. Elevators and escalators are transformed into intelligent machines. The connectivity achieved via the Internet of Things enables important information to be analyzed in real time and issues to be anticipated and addressed before they lead to any downtime. Using specific apps, operators and building managers can always see the status of their installations in real time; comprehensive administrative and performance-related data also facilitates the straightforward and efficient management of their elevator and escalator portfolios. 'Schindler Ahead' is already future-proof, since updates and new applications can be installed 'over the air' (OTA) from the 'Schindler Ahead' app store without a service technician having to complete the installation on site. With 'Schindler Ahead,' Schindler is offering customers increased transparency, enhanced reliability, and greater comfort. Finally, the connectivity between installations provides extensive insights for the further improvement of product design and the development of new digital offerings.

Examples of significant orders

Americas

From page 46



Europe

From page 50

Asia-Pacific and Africa

From page 42



Examples of significant orders in Asia-Pacific and Africa

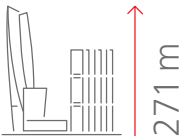
Crown Sydney Hotel Resort, Sydney
Named after a famous Aboriginal woman, Barangaroo is now the epitome of urban change in Sydney. This major project will transform the East Darling Harbour into an urban center by 2024. The Crown Sydney Hotel will be a landmark. Construction began in 2017 and once it is completed, 21 Schindler elevators with The PORT Technology will transport passengers efficiently.



Sydney: Key facts

The city is Australia’s industrial, commercial, and financial center and an important tourist destination, drawing over 10 million visitors annually. The mussel shell- and sail-shaped Opera House, the Harbour Bridge, and the Royal Botanical Gardens are key attractions. The city’s numerous beaches are popular with tourists and surfers alike.


Sydney is one of the world’s most multi-cultural cities: The majority of its population was born outside Australia. The city celebrates its diversity annually with the ‘Living in Harmony’ festival.



271 m

Crown Sydney
Hotel Resort,
Sydney, NSW,
Australia

Opening in 2020
350 rooms



6 Schindler 7000
15 Schindler 5500
The PORT Technology

Crown Sydney Hotel Resort



BB Tower, office building, Kuala Lumpur, Malaysia
12 Schindler 7000 elevators



The Glory, office building, Singapore
37 elevators, including 23 Schindler 7000, 13 Schindler 5500, and 1 customized elevator, as well as 6 Schindler 9300 escalators



The Royal Atlantis Resort & Residences, The Palm, multiuse building, Dubai, United Arab Emirates
73 elevators, including 28 Schindler 7000, 37 Schindler 5500, and 8 customized elevators, as well as 2 Schindler 9300 escalators



Cadre International TOD Centre (ITC), commercial, office, and residential building, shopping mall, and hotel, Guangzhou, China
52 elevators, including 25 Schindler 7000 – 4 with The PORT Technology – and 27 Schindler 5500, as well as 39 Schindler 9300 escalators



Xi'An Glory International Financial Center, office building and shopping mall, Xi'An, China
46 elevators, including 33 Schindler 7000 with The PORT Technology and 13 Schindler 5400, as well as 8 Schindler 9300 escalators



Qingdao Jiaodong International Airport, Qingdao, China
94 Schindler 9300 escalators



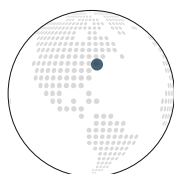
Landmark 81, commercial building, Ho Chi Minh City, Vietnam
28 elevators, including 22 Schindler 7000, 5 Schindler 5500, and 1 Schindler 80, as well as 18 Schindler 9300 escalators



Examples of significant orders in the Americas

4 World Trade Center, New York

As part of one of the world's most famous skyscraper complexes, 4 World Trade Center is among the most advanced skyscrapers globally. The building meets the latest technology and sustainability standards. 4 World Trade Center topped the Architectural Digest's list of the world's most breathtaking office views. 37 high-rise Schindler elevators, including 34 featuring The PORT Technology, transport passengers rapidly and reliably to all levels.

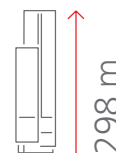


New York
USA

New York: Key facts

After Hong Kong, New York is the city with the most skyscrapers in the world, boasting a total of 250 buildings with a height of over 150 meters. It therefore also has an incredible number of elevators and escalators, with more than 70 000.

New York's traffic system is dominated by public transport. More than 13 000 taxis fill its streets but alternative providers are growing in importance.



298 m

150 Greenwich Street,
New York, NY 10007,
USA

Opened in 2013
232 258 m²
72 stories



37 Schindler 7000
The PORT Technology



6 Schindler 9300 AE

4 World Trade Center



One Vanderbilt, office building, New York, USA

42 elevators, including 35 Schindler 7000 – 30 with The PORT Technology – and 7 hydraulic elevators, as well as 5 Schindler 9700 escalators



Prudential Center, multi-purpose arena, Newark, USA

10 elevators, including 8 Schindler 400A, 1 Schindler 330A, and 1 freight elevator, as well as 8 Schindler 9300 escalators and 2 Schindler 9700 escalators



Torre Cuarzo Reforma, office building and hotel, Mexico City, Mexico
30 elevators with The PORT Technology, including 15 Schindler 7000 and 15 Schindler 5500



One Sixty, residential building, São Paulo, Brazil
7 Schindler 5500 elevators



Hospital São Domingos, São Luis, Brazil
14 Schindler 5500 elevators, 10 with Miconic 10, and 2 Schindler 9300 escalators



Examples of significant orders in Europe

Afragola high-speed railway station, Naples

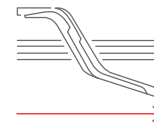
The futuristic new high-speed railway station in Naples is also aptly called 'Bridge over the Tracks.' The bright, glass-roofed building – designed by Zaha Hadid – forms a bridge with a span of over 400 meters. It is a key element of the Italian high-speed rail network and acts as a gateway to the south of Italy. Once the station is completed in 2022, the number of passengers using it is expected to reach around 12 million annually.



Naples
Italy

Naples: Key facts

The pizza capital – in 2017, UNESCO included the Neapolitan art of pizza-making on its Representative List of the Intangible Cultural Heritage of Humanity. In addition to its culinary heritage, Naples also has a classic old town, another UNESCO heritage site, and small churches and museums in addition to a well-developed public transport network. The so-called 'Art Stations' of Naples Metro are among the most beautiful in Europe.



Length of building
450 m

Afragola,
Naples, Italy

Opened in 2017
30 000 m²

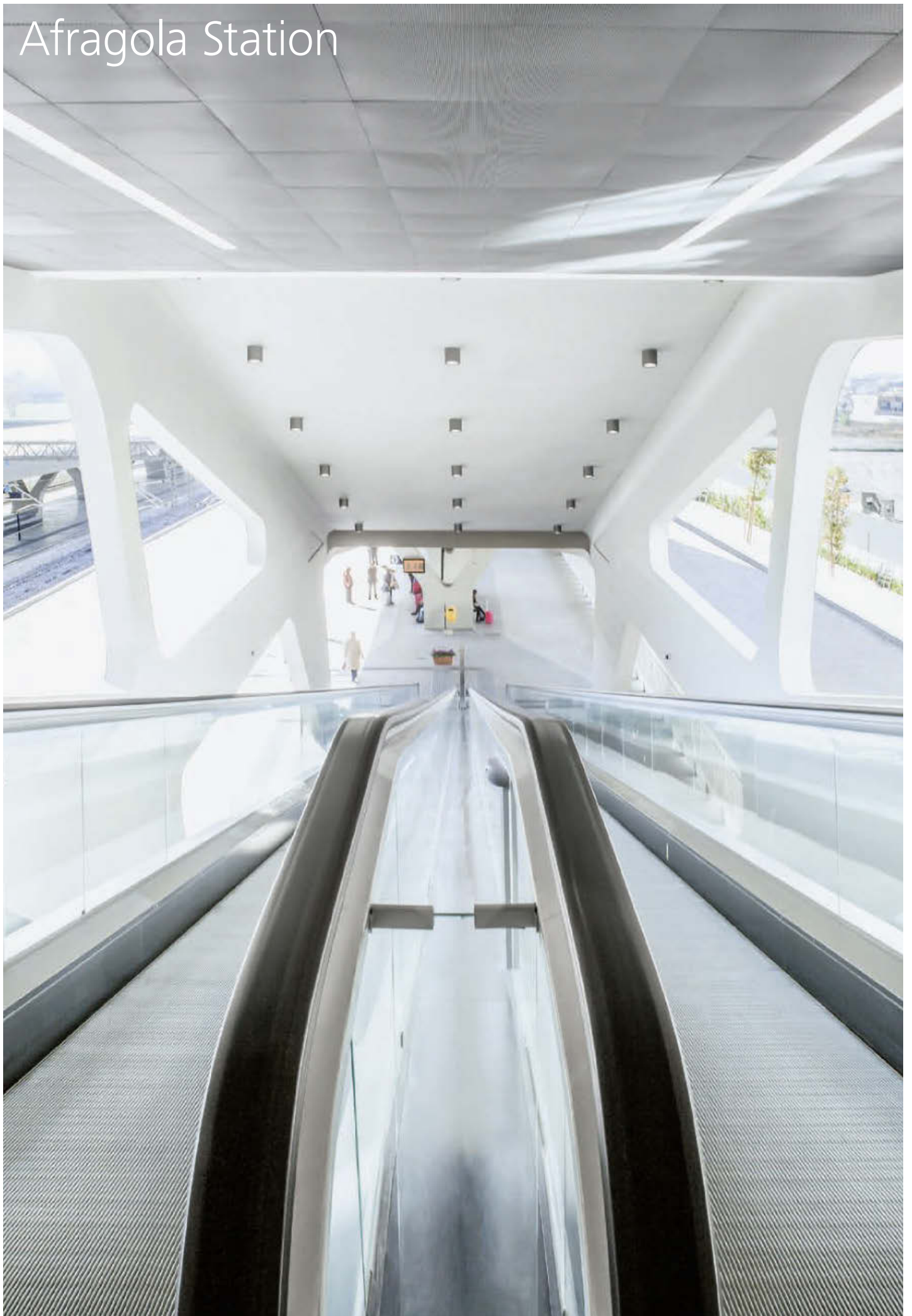


9 Schindler 5500



4 Schindler 9500 AE
2 Schindler 9300

Afragola Station



Federation Tower, east tower, multiuse building, Moscow, Russia

22 elevators, of which 8 with The PORT Technology, including 10 Schindler 7000, 2 Schindler 5500, 8 Schindler 5400, and 2 Schindler 2600, as well as 16 Schindler 9300 AE escalators



THE ICON VIENNA, multiuse building, Vienna, Austria

26 elevators, including 22 Schindler 5500, 1 Schindler 3300, and 3 Schindler 2600, as well as 3 Schindler 9300 escalators

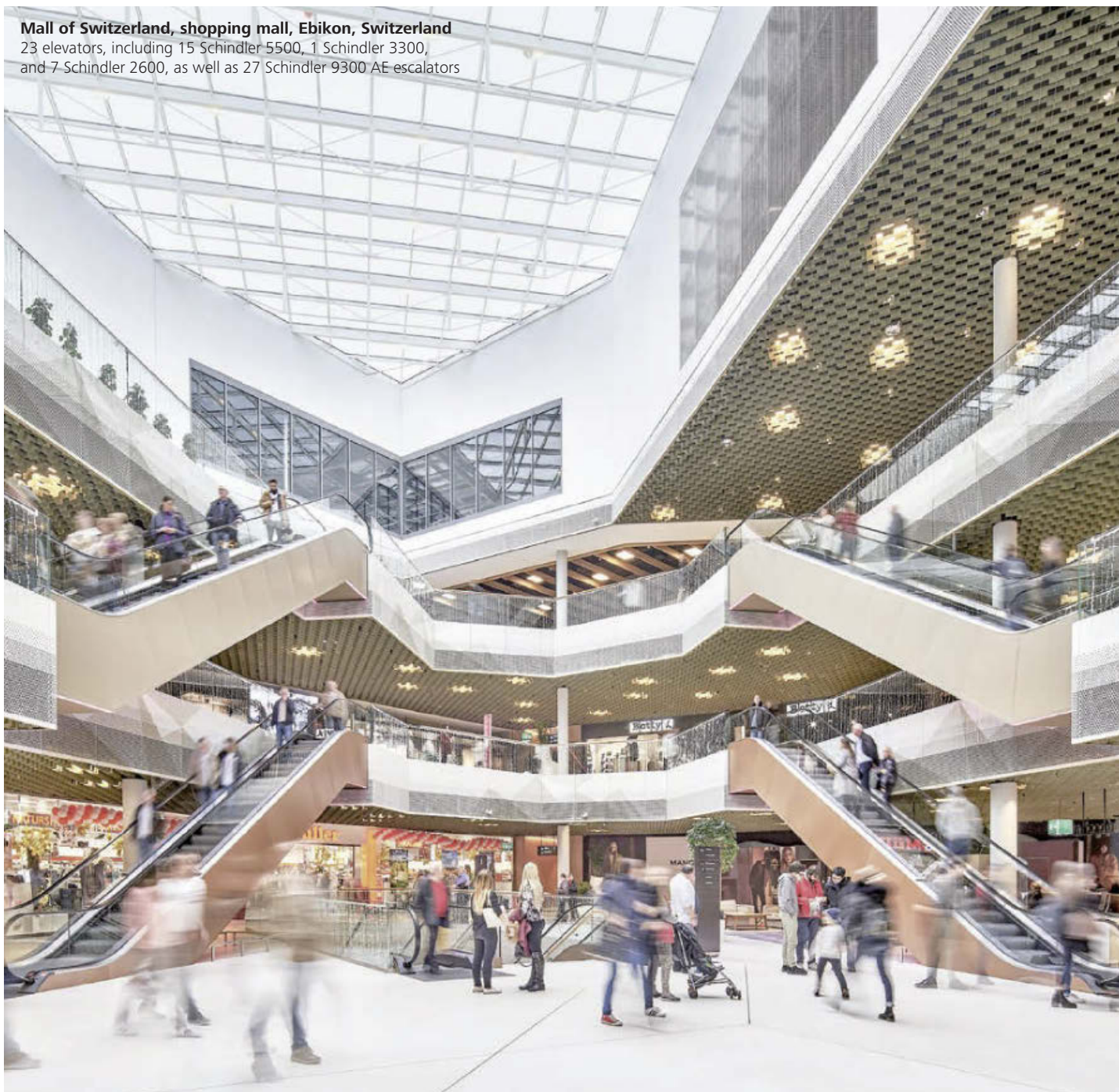


Twin City A1, commercial building, Bratislava, Slovakia

14 Schindler 5500 elevators



Mall of Switzerland, shopping mall, Ebikon, Switzerland
23 elevators, including 15 Schindler 5500, 1 Schindler 3300,
and 7 Schindler 2600, as well as 27 Schindler 9300 AE escalators



AZ Zeno Knokke, hospital, Knokke-Heist, Belgium
11 Schindler 5500 elevators with The PORT Technology



Further significant orders by region/territories in Asia-Pacific and Africa

Australia**Melbourne**

- Y3, office building
- 80 Collins Street, hotel and office building
- The Glen, shopping mall
- 530 Collins Street, office building

Sydney

- Crown Sydney Hotel Resort
- Wynyard Place, office building
- Darling Park, office buildings
- 255 George Street, office building

Cambodia**Phnom Penh**

- The Gateway, mixed development

China**Beijing**

- Beijing Gezhouba China Palace, residential buildings

Changzhou

- Changzhou Metro, line 1, various stations

Chengdu

- Chengdu Science City, phase 2, office buildings
- Chengdu Metro, line 3, various stations

Dalian

- Dalian Lu Neng Mountain 7, residential buildings

Foshan

- Wanke Financial Centre, phase 3, office buildings, hotel

Fuzhou

- Industrial Bank, office building
- Jinhui Huai'an Peninsula, phase 2, residential buildings

Guangzhou

- Huijing East Wing of Guangzhou International Final City, phase 1, office, residential, and commercial buildings

Hainan

- Luneng, Sea Stone Beach, residential buildings

Hangzhou

- China Life, ABC building, office building

Nanchang

- Hengmao Fantasy City, residential buildings

Nanjing

- Redstart Macalline Pukou, shopping mall

Ningbo

- Ningbo Guohua Financial Tower, office building

Qingdao

- Qingdao Jiaodong International Airport

Qingyuan

- Shunying Times Plaza, phase 2, shopping mall

Shanghai

- Poly Lingang Residence, residential buildings
- Shanghai Lifu Project, shopping mall and commercial buildings

- Xinhua Complex, shopping mall, office, and commercial buildings

- Mango West Bank Plaza, shopping mall, office, and commercial buildings

Shijiazhuang

- Xishan Town, villas

Suzhou

- Suzhou Luneng, residential buildings

Wuhan

- Wuhan Metro, line 21, various stations
- Wuhan Metro, line 2 south extension, various stations
- Plaza 66, shopping mall, office, commercial, and residential buildings

Xi'An

- Xi An Glory International Financial Center, shopping mall, and office building

Zhangjiagang

- Huijin Business Center, office building

Zhengzhou

- Zhengzhou Metro, line 5, various stations

Zhuhai

- Zhuhai Hengqin International Center, phase 1, office and commercial building

Hong Kong SAR

- Lohas Park, phase 6 and phase 10, residential buildings

- Tai Wai Station

- residential development, residential and commercial buildings

- Kau To 579, residential buildings

- TPTL 214, Tai Po, residential buildings

- Science Park, extension, commercial buildings

- The Hong Kong Jockey Club, Happy Valley Clubhouse, extension

- Ka Wa Chuen, residential buildings

- 4 Kin Fung Circuit, commercial building

- Eastwood Center, commercial center

- Baguio Villa, residential buildings

- Po Fook Shan Escalators, residential building

Macau SAR

- Macau Fisherman's Wharf, residential building

- Galaxy, lot 3C, hotel, casino, and commercial building

Taiwan region

- Taipei Farglory 100, residential building

Egypt**Al Ain El Sokhna**

- El Galala Resort, shopping mall, hotels

New Cairo

- Lake View Residence, residential buildings

New El Alamein City

- Porto Lagoun, residential buildings

New Ismailia

- New Ismailia Residence, residential buildings

India**Delhi**

- Delhi Metro Rail, various stations
- K.K. Towers, commercial buildings

Gurugram

- Roselia, Serenas, Solera 2, Millennia, residential buildings

Mumbai

- Sky City, Eternia and Enigma, residential buildings

Nagpur

- Nagpur Metro Rail, various stations

Noida

- Greater Noida Metro Rail, various stations

Indonesia**Bali**

- Duta Mall Banjarmasin 2, residential buildings

Bandung

- Kings Shopping Center, shopping mall

- Podomoro Golf View Cimanggis, residential buildings

Depok

- Pesona Square, shopping mall

Jakarta

- Thamrin Nine Tower 2, commercial building
- Citra Towers, commercial buildings

- Transmart, phase 2, various outlets
- BNI 46 Pejompangan, office building

Semarang

- Tentrem, hotel, apartments, and shopping mall

Malaysia

Johor Bahru

- Almas JB, commercial building

Kuala Lumpur

- BB Tower, office building
- Quarza Residences, residential buildings
- Agile Mont Kiara, residential buildings
- KP Mixed, commercial buildings
- UOB Tower 2, commercial building
- Champion Transform, industrial building
- Aira Residence, residential buildings

Pulau Pinang

- Sunshine City, commercial buildings
- Setia Sky Ville, residential building
- Factory WSH, commercial building

Melaka

- YTB Impression, mixed development

Myanmar

Mandalay

- Garden City, apartments

Yangon

- GMP Bundle developments, Kandawlay project, Aryu International Hospital, hotel, and shopping mall
- 68 Residence & Somerset, apartments

Namibia

Windhoek

- Hilton Garden Inn, hotel
- Standard Bank, office building
- Wernhil, shopping mall

New Zealand

Auckland

- Auckland Airport, Pier B extension

Christchurch

- Christchurch Airport

Wellington

- Charles Fergusson Building, office building

Philippines

Laguna

- Robinsons Place San Pedro, residential buildings

Manila

- Mandani Bay Towers 1 and 2, residential buildings
- Exquadra Office Tower
- UnionBank Plaza, office building
- ALHI, office building

Saudi-Arabia

Riyadh

- Burj Ramla, residential building
- King Abdullah Projects, phase 2, residential buildings
- Riyadh Rapid Bus Transit System, various bus stations

Singapore

- The Glory, office building
- National Cancer Centre Singapore, health care center

- Integrated Care Hub, health care center
- Century Square, commercial building
- 164 Kallang Way, commercial building
- JTC – Woodlands, commercial building

South Africa

Cape Town

- Yacht Club, shopping center, commercial and residential building

Johannesburg

- The Leonardo, commercial building
- 2 Pybus, office and commercial building
- Rosebank Link, commercial building
- Ten Sixty Six, commercial building
- FNB Towers, office building
- Kriel Power Station, office building

South Korea

Gunpo

- Emart Traders Gunpo Dang-dong, shopping mall

Jeju

- Jeju Dream Tower, multifunctional building

Sejong

- Urbantrium P5 Sejong Garosugil, shopping mall
- Mark One Avenue, shopping mall

Seongnam

- Shinheung Lotte Cinema Tower, shopping mall

Seoul

- Gangseo Deungchon-dong CGV, shopping mall
- **Yongsan**
- La Fiesta, shopping mall

Thailand

Bangkok

- The Metropolis, shopping mall
- Origin property developments, residential buildings, apartments
- Whizdom 101 office buildings
- Ministry of Finance, office building
- Ocean Tower II, commercial building
- Richmond Hotel
- Carlton Hotel
- Expressway Authority of Thailand, office buildings
- The Lofts Asoke & The Loft Silom, residential buildings
- SB Design Square, hotel

United Arab Emirates

Abu Dhabi

- Al Mariah Plaza, phase 1, residential building

Dubai

- Business Park at Dubai Hills, office and residential building
- Springs Village, shopping mall
- Kings College Hospital
- Marquise Square, commercial and residential building
- Cayan Cantara, commercial and residential building

Vietnam

Danang

- Cocobay, phase 5 and phase 7, residential buildings
- Sheraton Hotel

Hanoi

- City Plaza, phases 1–4, commercial buildings
- Emerald Center Park, residential buildings

Ho Chi Minh City

- Saigon South Residence, residential buildings
- A&B Central Square, shopping mall, commercial building
- Hoi An South Development, commercial buildings
- DQM Sadora and Sarine, residential building
- Landmark 81, commercial buildings

Nha Trang

- Nha Trang Centre 2, commercial building
- Vincom Condotel Nha Trang, residential buildings

Further significant orders in the Americas

Argentina

Buenos Aires

- The Link Towers, residential buildings
- Trinidad Juncal, hospital
- Edificio Bouchard, office building

Brazil

Curitiba

- Edificio New Zealand Empresarial, office building

Porto Alegre

- Caixa Econômica Federal, commercial building

Rio de Janeiro

- C.E. Candelária Corporate, commercial building

São Luis

- Hospital São Domingos

São Paulo

- One Sixty, residential building
- Cidade Matarazzo, hotel, office and commercial buildings

Chile

Arica

- Mall Plaza, shopping mall

Puerto Montt

- Ampliación Mall Paseo Costanera, shopping mall

Santiago

- Edificio Transoceánica II, office buildings

- Edificio Manquehue, office building
- Edificio Vista 360, office building
- Edificio Nueva El Golf, office and residential buildings
- Ciudad del Niño, residential buildings
- Factoría Italia, shopping mall

Viña del Mar

- Edificio Reitvi, phase 2, office building

Mexico

Cabo San Lucas

- Hard Rock Hotel

Nobu Hotel

Mexico City

- Mitikah, residential building, shopping mall
- W Mexico City, hotel
- Chedraui at Pedregal, shopping mall

Monterrey

- Centro Cuauhtémoc, office building, and shopping mall

USA

Bellevue, WA

- 929 Office Tower, office building, maintenance contract

Central

Massachusetts

- UMass Memorial Health Care, healthcare system, maintenance contract

Charlotte, NC

- 620 South Tryon, commercial building

Columbus, OH

- Huntington Center, office building

Denver, CO

- Monarch Casino & Resort

Fremont, CA

- Metro Crossing, residential building

Honolulu, HI

- Davies Pacific Center, office building

Lansing, MI

- State of Michigan, office buildings, maintenance contract

Los Angeles, CA

- Aven Tower, South Park site 1, residential building

Minneapolis, MN

- 33 South Six, office building, maintenance contract

New York, NY

- 225 Broadway, office building
- Mutual of America, office building

- The Helmsley Medical Tower, residential building

Norwalk, CT

- The SoNo Collection, shopping mall

Santa Clara, CA

- Levi's Stadium, sport and convention area, maintenance contract

Seattle, WA

- Sound Transit, E320 South Bellevue Station, E130 East Link Extension, N150 Roosevelt Station, N140 Sound Transit

Springfield, MA

- MGM Springfield, casino

Toledo, OH

- ProMedica Toledo Hospital

Washington D.C.

- 655 New York Avenue, commercial building

Wisconsin

- Various government buildings, maintenance contract

Nationwide

- Macerich, retail real estate, maintenance contract

Uruguay

Montevideo

- Edificio Plaza Alemania, office building

Further significant orders in Europe

Austria**Lech**

- Strolz Rent a Ski Lech Zentrum, commercial building

Liezen

- ELI Einkaufszentrum Liezen, shopping mall

Salzburg

- Cool Mama Hotel Salzburg, hotel

Vienna

- THE ICON VIENNA, multiuse building
- Post am Rochus, commercial building
- Metro Vienna, line 1, Altes Landgut station
- Metro Vienna, lines 1, 2, and 4, Karlsplatz station

Wolfsfurt

- Doppelmayr Doppelmayr GmbH, commercial building

Czech Republic**Prague**

- Churchill Square, residential building
- Křenova, Na Okraji, residential buildings

France**Île de France**

- Paris Charles-de-Gaulle Airport

Issy-les-Moulineaux

- Orange, headquarters, office building

Kourou

- Ariane 6, launch vehicle

Paris

- Le Monde, headquarters, office building
- TF1, headquarters, office building
- La Française des Jeux, headquarters, office building

Various cities

- UGAP – Union des Groupements d'Achats Publics, office buildings, maintenance contract
- Hennessy, LVMH, industrial buildings, maintenance contract

Germany**Cologne**

- MesseCity Köln, office buildings

Höchst

- Klinikum Frankfurt Höchst, hospital

Munich

- MK 8, office and commercial buildings

Italy**Milan**

- Four Points by Sheraton, hotel

Naples

- Naples Metro, line 7, Monte Sant'Angelo and Soccavo stations

Rome

- Eni, headquarters, office buildings

Various cities

- Grandi Stazioni Rail, various stations, maintenance contract
- Cruise ships for Saga Cruises, Viking Cruises, and Holland America Line

Lithuania**Vilnius**

- Saltoniskiu str. 7, office building
- Green Hall 2 office building
- Castle Apartament, residential buildings

Macedonia**Skopje**

- Hilton Hotel

Netherlands**Amsterdam**

- Maritim Hotel

Poland**Gdańsk**

- Main railway station

Janki

- CH Janki, shopping mall

Łódź

- SM Czerwony Rynek, residential buildings

Wrocław

- Business Garden Wrocław, office buildings

Olsztyn

- SM Pojezierze, residential buildings

Szczecin

- SM Śródmieście, residential buildings

Portugal**Almada**

- Santuário Nacional de Cristo Rei, monument

Lisboa

- Hospital da Luz, extension

- FPM41 Tower, office building

- Alegro Alfragide, shopping mall, maintenance contract

Madeira

- Savoy Palace Hotel, Funchal

Romania**Bucharest**

- The Mark, office buildings

- Bucharest Business Garden, office buildings

Timisoara

- Vox Technology Park, office building

Russia**Moscow**

- Iskra Park, residential and commercial buildings
- Sofiyskiy, residential building
- CitiMix, residential and commercial buildings

Serbia**Novi Sad**

- Promenada, shopping mall
- Belgrade Waterfront, plot 14, residential buildings

Slovakia**Bratislava**

- Bory Byvanie, phase 1, residential buildings
- Administratívna budova Panorama City III, commercial building

- Twin City A1, commercial building

Prešov

- Eperia, shopping mall

Slovenia**Ljubljana**

- Kostanjevi cvetovi, residential buildings

Spain**Barcelona**

- Finestrelles, shopping mall

- Torre BCN, commercial building

Madrid

- Príncipe de Vergara 112, commercial building

Melilla

- Parque Melilla, shopping mall

Salamanca

- University Hospital of Salamanca, maintenance contract

Various cities

- Iberdrola, office buildings, maintenance contract
- Testa Residencial, residential buildings, maintenance contract
- Gran Canaria Hotel Fariones

Switzerland**Crissier**

- Millennium, commercial building

Engelberg

- Hotel Titlis Palace

Geneva

- Espace Tourbillon, commercial building

Otelfingen

- Industriestrasse 19/20, commercial building

Volketswil

- Volkland, shopping mall

Zurich

- The Circle, multifunctional building complex

Turkey**Adana**

- Adana Adliye Sarayı, court buildings

Ankara

- Etlik Entegre Sağlık Kampüsü, hospital

Bursa

- Bursa Adalet Kampüsü, court buildings

Istanbul

- Küçük Çamlıca TV Radyo Kulesi, office building

- Ağaoğlu My Newwork, office building

- Büyükyal, residential buildings

- Tual Bahçekent, residential buildings

Innovation and technology

In 1874, Robert Schindler founded his family engineering firm. More than 140 years later, Schindler is a leader in the elevator and escalator industry.

Breakthrough innovations like machine room-less elevators, the destination dispatch system, and The PORT Technology have established the company as a market pioneer. The highly efficient drive systems and sophisticated elevator control systems that Schindler delivers form the backbone of the most advanced buildings in the world.

Schindler's dedication to fostering an innovative culture sustains the tradition of technological achievements, together with customers, suppliers, technology providers, and academic institutions. Building on its global presence, Schindler's innovation is led simultaneously in multiple development centers around the world.

Key areas of focus are new materials, simulation, transit management, software architectures, and advanced assembly technologies with quality and safety as overarching priorities. Schindler's newest elevator controller architectures make use of the latest software technologies designed within an agile development framework.

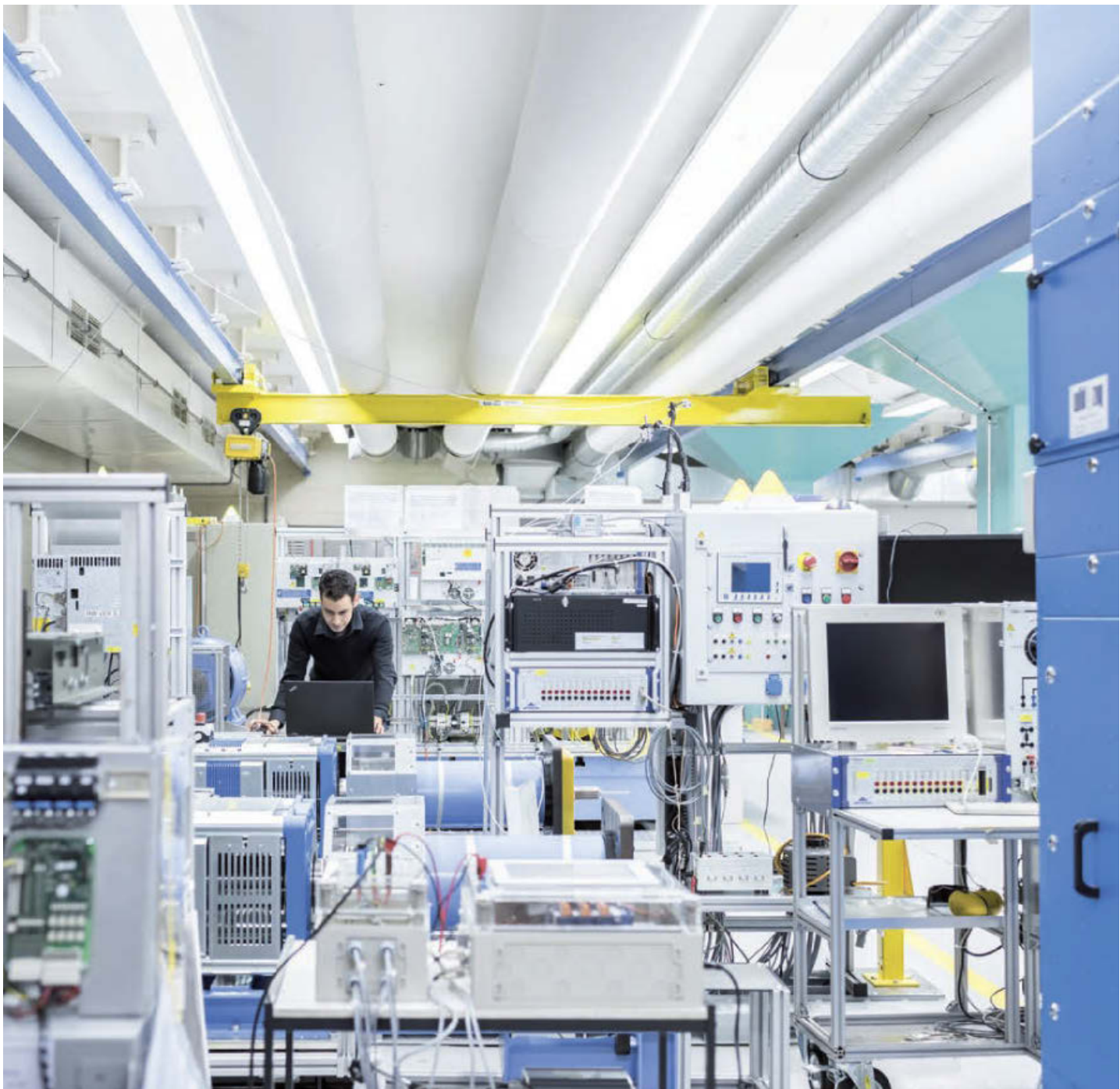
Attracting digital and technical talent and continuously upgrading technical capacity is one of Schindler's top priorities.

Research and Development (R&D), Schindler Digital Business (SDB) centers

Located in the markets









Digitization – on the leading edge of industry transformation

Entire industries are being reshaped by emerging technologies: digital transformation has irremediably changed the way people work, collaborate, innovate, and create new products.

Latest hardware-in-the-loop concepts enable Schindler to virtually test the system behavior of advanced components at the earliest stages of development. With virtual reality and 3D printing, Schindler uses state-of-the-art tools for rapid prototyping, resulting in agile and efficient development processes.

Within its digital journey, the company generates more and more data, extending from design through sales to maintenance. The latest big-data technologies and machine learning will enable Schindler to gain valuable advanced information, make digital processes more efficient, foster continuous product improvements, and open new innovative solutions.

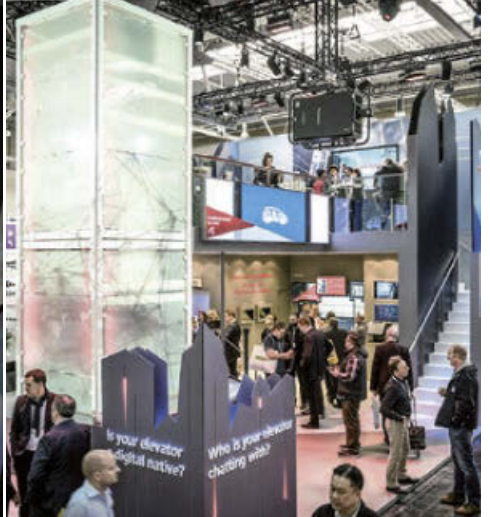
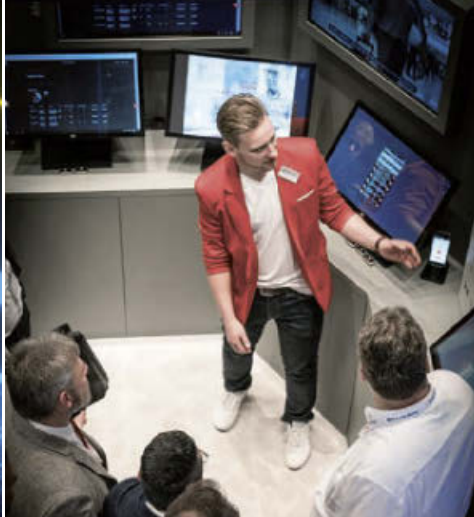
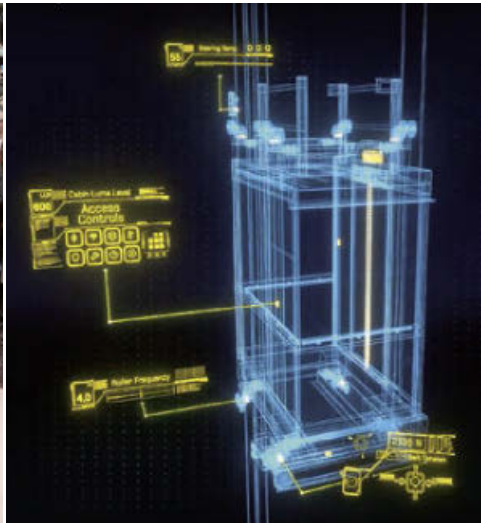
Already today, data detected by smart sensors in Schindler units varies from component dynamics to energy consumption or temperature fluctuations. The data is transmitted to an edge device where learning algorithms detect anomalies and send the information through the cloud to engineering personnel. Such edge computing architecture, developed in collaboration with leading technology providers, reduces downtime of installations, accelerates product development, and increases customer satisfaction.

This new addition complements the FieldLink platform whereby technicians rely on immediate access to repair history, maintenance routines, technical support data, trouble-shooting and repair routines as well as parts ordering to achieve field service excellence.

IoEE – ‘Internet of Elevators and Escalators’

Across the whole value chain, Schindler is investing in state-of-the-art technologies to pioneer digitization in the elevator and escalator market. This strategic effort is called the ‘Internet of Elevators and Escalators’ (IoEE) and includes a number of specific technology modules.

‘Schindler Ahead,’ the first product associated with the IoEE, was launched successfully at the 2017 Hannover Fair. It is the world’s first fully digital closed-loop maintenance, emergency, and information system for elevators and escalators. This powerful machine learning-supported system enables Schindler to deliver predictive services and real-time information to its customers, service technicians, and the customer contact center, as well as to provide a wide range of personalized solutions for passengers.



'Schindler Ahead' Launch

The Hannover Fair is considered the leading trade fair for capital goods. Its theme in 2017 was 'Integrated Industry.' In keeping with this theme, Schindler launched its new digital platform 'Schindler Ahead' – the world's first digital closed-loop maintenance, emergency, and information system for elevators and escalators.

In order to stay abreast of the latest technological developments, Schindler is partnering with leading industry players such as Huawei and General Electric (GE), including GE's Predix cloud software. The resulting architecture constitutes a unique cloud-based ecosystem connecting Schindler-installed units to call centers, technicians, and customers.

At its center is the 'Ahead Cube,' a smart communication gateway developed in cooperation with Huawei and installed on each connected unit. The 'Ahead Cube' runs analytics and transmits data. Over-the-air (OTA) functionality ensures that the product remains always up to date, with a growing portfolio of apps that will offer a continuous flow of new services instantly.

Modularity – harmonization for a seamless offering

Today, elevators are offered with enormous variation in car speed, travel height, size, decoration materials, and control functions. The modularity program undertaken by Schindler will result in a streamlined offering based on a flexible, modern, cost-competitive, and modular product portfolio.

Sustainability

With a long-term business strategy and safe and environmentally friendly products that meet the highest standards of quality, Schindler assumes its responsibilities without compromise.

Safety – a core value

Schindler's top priority is to ensure the safety of the more than one billion passengers that use Schindler products daily, as well as the safety of more than 61 000 company employees. Trained Schindler technicians regularly conduct inspections and checks of products that go beyond statutory requirements, ensuring that potential defects are identified before they can affect the availability or safety of the installation.

For years, Schindler has provided comprehensive behavior-based safety training for all employees worldwide. This proactive approach has succeeded in lowering the lost time injury frequency rate by more than 35% since 2012.

Employees – the basis of success

Schindler aims to attract and develop the best people to foster a high-performance culture. The company strives to create and sustain high employee engagement by promoting open dialogue and communication, fostering exemplary leadership, and operating a safe, diverse, and sustainable work environment dedicated to high standards of health and safety. Encouraging employees to achieve a work/life balance, the company supports those who wish to assume responsibilities in political, cultural, and charitable organizations.

Training – a constant investment

Schindler is determined to achieve further success through key staff development initiatives. Employees are offered a broad range of courses to build skills, knowledge, and experience in all areas of business. The company runs a Leadership Academy to prepare employees in senior positions to manage increasingly complex global organizations. The Schindler Career Development Program (SCDP), a long-term, on-the-job management training program, creates opportunities for select high-potential employees to rise to top positions and expand their horizons abroad.

Other measures include a best-practice recruitment policy as well as a global technical training and certification program. Schindler conducts periodic employee motivation surveys and creates action plans based on the survey results to constantly strengthen engagement and company culture.



Schindler has over 1 000 branch offices worldwide and employs people of many different nationalities, ethnic backgrounds, ages, and religions. The company stands for a diverse work environment, free from discrimination.

Finally, Schindler believes in competitive and fair compensation. The Group Compensation Policy takes account of profitability, fairness, individual performance, and relevant market practices. Schindler promotes the use of incentives and bonuses wherever justified.

Environment – a key duty

Sustainability at Schindler is not a one-off project. It is an evolving mind-set, a long-term mission. In an environment of rising energy needs and scarce non-renewable resources, reducing carbon footprint is an ongoing obligation that the company owes both stakeholders and future generations.

To this end, Schindler strives to continuously enhance the environmental performance of mobility solutions. The company operates production facilities and service centers in the most energy-efficient manner possible and incorporates environmental factors into supplier selection criteria. The most recent manufacturing centers – in the United States, Slovakia, China, and India – are certified according to the most demanding green building standards, including LEED, BREEAM, and IGBC.

Almost two-thirds of the company's overall environmental impact is attributable to the global fleet of around 22 000 service vehicles. Management and staff pay strict attention to minimizing pollution through tailored selection of automotive suppliers, and the company as a whole has invested in technology to optimize field service routing. In the past five years, Schindler has cut fleet CO₂ emissions by more than 20%, and efforts to further reduce emissions continue.

Eighty percent of an elevator's environmental impact results from the electricity needed for power over its lifetime. Schindler utilizes smart technologies to enable every elevator to run efficiently, including reducing stops and journey times to minimize energy consumption per passenger transported. Schindler's main elevator product lines have all achieved industry-leading energy-efficiency ratings from independent certification bodies. Schindler escalators employ adjustable speed, lightweight drive technology and LED lighting to consume up to one-third less energy than previous models.

Because elevators and escalators remain in operation on average for more than 30 years, the company works continuously to increase their energy-saving capabilities, which helps to keep aging buildings and equipment competitive. Modernizing parts and systems with Schindler's energy-recuperation technology can recover nearly 30% of unused elevator energy, enabling it to be brought back into a building's own electricity network. In addition, all Schindler models are constructed with components that are at least 80% recyclable. Whatever cannot be reused is disposed of in an ecologically sound manner.

Building ties with local communities

Around the world, Schindler and its employees support the communities in which they live and work. In Switzerland, for example, the company supports the Brändi Foundation, an institution which promotes employment for the disabled, and employs several people with disabilities in Ebikon on a permanent basis. In Germany, Schindler created a program to foster social integration by offering on-the-job training opportunities to migrants with industry skills.

In the USA, Schindler is a sponsor, with the Morris County, of the New Jersey chapter of Habitat for Humanity, where employees volunteer to help build homes that are given to local families. And in China, employees offer their free time to Schindler Cares, a program devoted to helping society's underprivileged.

In 2017, the Asian Customer Engagement Forum awarded Schindler India's Igniting Minds initiative the Gold Trophy for the Best Education Scholarship Program. The company launched the initiative in 2015 to promote technical and vocational education among young people by providing scholarships to deserving students from financially underprivileged backgrounds.

Continued investment in solving the challenges posed by urban spaces led to the creation of the Schindler Global Award (SGA). Awarded every two years to students of architecture, landscaping, and urban design, it consists of a contest for the most innovative project for new forms of urban mobility that consider global change. In 2016/17, the SGA was held in São Paulo, which with over 21 million inhabitants is Brazil's largest city.

Meeting shareholder expectations

Every year, Schindler publishes a Sustainability Report, produced in accordance with GRI G4 guidelines. The company is included in the SXI Switzerland Sustainability 25 Index of the SIX Swiss Exchange – made up of the 25 most sustainable companies in the SMI Expanded Index. In 2016, it was recognized as best Swiss newcomer in the Carbon Disclosure Project (CDP), and further raised its CDP rating in 2017.

Switzerland
Brändi Foundation

→



China
Schindler Cares

←

Germany
On-the-job training
opportunities for migrants

→



USA
Habitat for Humanity

←



India
Igniting Minds

← →



Overview of financial results

- 71 Summary financial statements Group
- 72 Key figures Group
- 75 Summary financial statements Schindler Holding Ltd.
- 76 Key figures registered share/participation certificate

Summary financial statements Group

Overview of
financial results

Consolidated income statement

In CHF million	2017	2016	2015	2014	2013
Revenue	10 179	9 683	9 391	9 246	8 813
Operating profit (EBIT)	1 187	1 133	1 002	1 138	896
in %	11.7	11.7	10.7	12.3	10.2
Financial result	-15	-67	-29	-35	-240
Income from associates	-6	31	9	46	44
Profit before taxes	1 166	1 097	982	1 149	700
Income taxes	282	274	235	247	237
Net profit	884	823	747	902	463

Consolidated balance sheet December 31

In CHF million	2017	2016	2015	2014	2013
Cash and cash equivalents	1 709	1 988	1 975	2 722	2 228
Other current assets	3 771	3 432	3 500	3 401	3 260
Total current assets	5 480	5 420	5 475	6 123	5 488
Property, plant, and equipment	1 041	924	848	802	655
Intangible assets	1 123	955	870	985	742
Other non-current assets	982	1 004	1 066	1 015	912
Total non-current assets	3 146	2 883	2 784	2 802	2 309
Total assets	8 626	8 303	8 259	8 925	7 797
Financial debts	160	254	813	409	594
Other current liabilities	4 219	4 036	3 872	3 917	3 380
Total current liabilities	4 379	4 290	4 685	4 326	3 974
Financial debts	20	55	100	540	413
Other non-current liabilities	959	1 111	1 117	1 088	885
Total non-current liabilities	979	1 166	1 217	1 628	1 298
Total liabilities	5 358	5 456	5 902	5 954	5 272
Equity	3 268	2 847	2 357	2 971	2 525
Total liabilities and equity	8 626	8 303	8 259	8 925	7 797

Cash flow statement

In CHF million	2017	2016	2015	2014	2013
Cash flow from operating activities	810	929	1 076	902	808
Cash flow from investing activities	-390	-5	-502	111	-164
Cash flow from financing activities	-676	-903	-1 298	-554	-584
Exchange differences	-23	-8	-23	35	-10
Change in cash and cash equivalents	-279	13	-747	494	50

Key figures Group

In CHF million	2017	2016	2015	2014	2013
Orders received	10 989	10 374	9 967	9 979	9 456
Δ %	5.9	4.1	-0.1	5.5	5.5
Δ % in local currencies	5.5	4.6	4.6	7.8	7.2
Revenue	10 179	9 683	9 391	9 246	8 813
Δ %	5.1	3.1	1.6	4.9	6.7
Δ % in local currencies	4.6	3.6	6.7	7.3	8.4
Operating profit (EBIT)	1 187¹⁰	1 133 ^{7,8}	1 002 ⁶	1 138 ^{3,4}	896 ¹
in %	11.7	11.7	10.7	12.3	10.2
Net profit	884	823	747	902	463
Net profit before exceptional items	884	766 ^{8,9}	747	740 ^{4,5}	682 ²
Cash flow from operating activities	810	929	1 076	902	808
Investments in property, plant, and equipment	227	189	183	183	252
Research & Development cost	151	141	138	134	127
Total equity	3 268	2 847	2 357	2 971	2 525
Equity ratio in %	37.9	34.3	28.5	33.3	32.4
Order backlog	10 707	10 004	9 364	9 263	7 722
Δ %	7.0	6.8	1.1	20.0	9.0
Δ % in local currencies	6.3	6.5	7.9	15.4	13.8
Number of employees	61 019	58 271	56 762	54 209	48 169

¹ Restructuring costs: CHF 25 million

² Hyundai Elevator Co. Ltd. impairment: CHF 219 million

³ Restructuring costs: CHF 40 million

⁴ XJ-Schindler (Xuchang) Elevator Co. Ltd. revaluation gain: CHF 145 million, gain on sale of Mall of Switzerland development project: CHF 82 million (CHF 75 million after taxes), impairment of intangible assets: CHF 21 million (CHF 18 million after taxes)

⁵ Hyundai Elevator Co. Ltd. impairment: CHF 40 million

⁶ Restructuring costs: CHF 29 million

⁷ Restructuring costs: CHF 27 million

⁸ Gain on sale of operations in Japan: CHF 50 million (CHF 31 million after taxes)

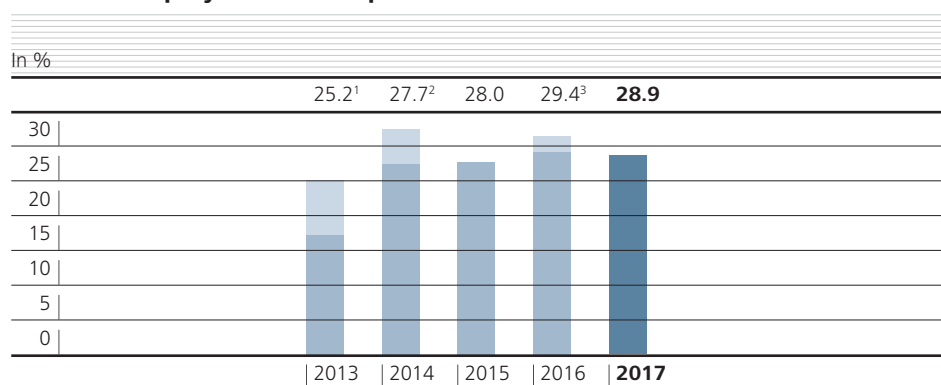
⁹ Revaluation gain ALSO participation: CHF 26 million

¹⁰ Restructuring costs: CHF 35 million

Revenue by market

	2017		2016		2015		2014		2013	
	In CHF million	In %	In CHF million	In %	In CHF million	In %	In CHF million	In %	In CHF million	In %
Asia-Pacific, Africa	3 163	31	3 147	33	3 101	33	2 693	29	2 336	27
The Americas	2 927	29	2 726	28	2 636	28	2 578	28	2 496	28
Europe	4 089	40	3 810	39	3 654	39	3 975	43	3 981	45
Total	10 179	100	9 683	100	9 391	100	9 246	100	8 813	100

Return on equity before exceptional items

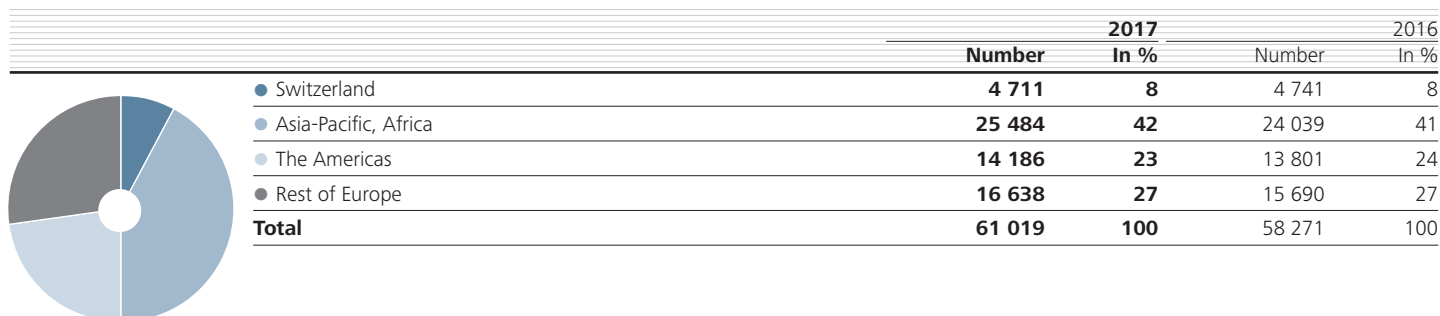


¹ After Hyundai Elevator Co. Ltd. impairment: 17.3%

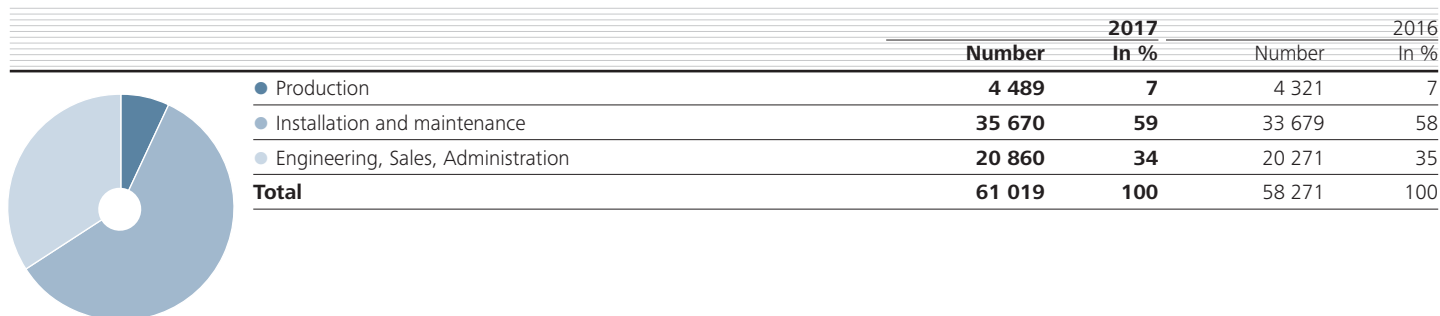
² After exceptional items: 32.8%

³ After exceptional items: 31.6%

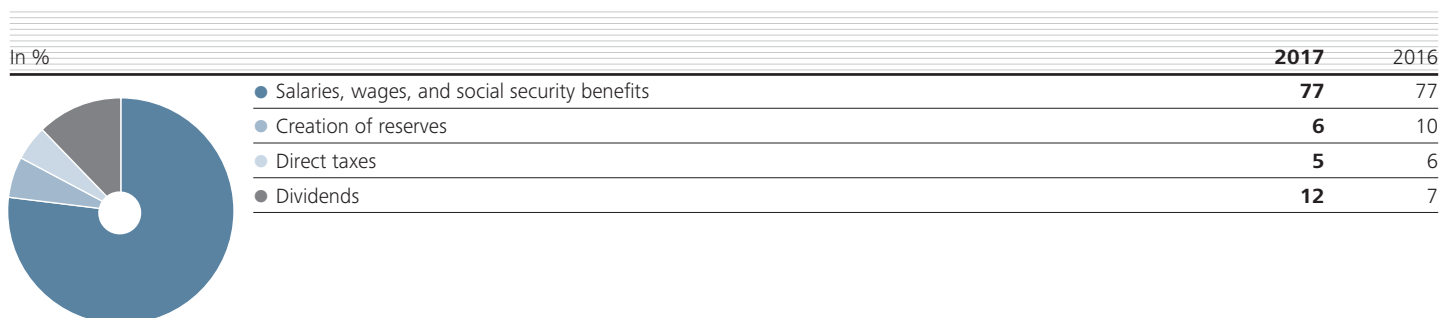
Headcount by market



Headcount by business area



Allocation of the Group's net value added



The Group's total value added is the increase in value achieved by the entire Group within a certain period of time. Net value added is calculated by subtracting the input value of goods and services sourced from other companies, as well as depreciation, amortization, and impairment from revenue. The distribution of the Group's net value added shows the extent to which employees, the state, creditors, the company itself, and its shareholders participate in this economically relevant amount.

Summary financial statements Schindler Holding Ltd.

Overview of
financial results

Income statement¹

In CHF million	2017	2016	2015	2014
Income from participations	576	536	521	751
Financial income	35	20	24	39
Total operating income	611	556	545	790
Personnel expenses	-14	-6	-	-
Other operating expenses	-7	-23	-29	-22
Financial expenses	-	-16	-21	-10
Total operating expenses	-21	-45	-50	-32
Extraordinary income	-	15	-	14
Profit before taxes	590	526	495	772
Taxes	-15	-7	-5	-11
Net profit	575	519	490	761

¹ Due to the first-time application of the new Swiss Law on Accounting and Financial Reporting in 2015, only four comparative periods are shown

Balance sheet December 31¹

In CHF million	2017	2016	2015	2014
Cash and cash equivalents	979	980	1 162	1 779
Other current assets	478	431	588	713
Long-term financial assets	337	428	480	449
Participations	1 658	1 599	1 525	1 484
Total assets	3 452	3 438	3 755	4 425
Interest-bearing liabilities	460	500	1 025	1 092
Other liabilities	88	81	95	92
Total liabilities	548	581	1 120	1 184
Share capital and participation capital	11	11	11	11
Other equity	2 893	2 846	2 624	3 230
Total equity	2 904	2 857	2 635	3 241
Total liabilities and equity	3 452	3 438	3 755	4 425

¹ Due to the first-time application of the new Swiss Law on Accounting and Financial Reporting in 2015, only four comparative periods are shown

Dividend

In CHF million	2017 ¹	2016	2015	2014	2013
Registered shares	268	333	180	216	149
Participation certificates	163	202	109	139	96
Total dividend	431	535	289	355	245
Gross dividend in CHF	4.00	5.00 ²	2.70	3.20 ³	2.20

¹ Proposal by the Board of Directors

² Ordinary CHF 3.00; extraordinary CHF 2.00

³ Ordinary CHF 2.20; extraordinary CHF 1.00

Dividend policy

The dividend policy approved and communicated by the Board of Directors is earnings-related and provides for a payout ratio of 35% to 65% of net profit attributable to shareholders of Schindler Holding Ltd. (previously: 35% to 45%).

Key figures registered share/ participation certificate

Registered share

In CHF	2017	2016	2015	2014	2013
Number of registered shares outstanding	67 077 452	67 077 452	68 061 802	68 180 352	70 887 645
thereof treasury shares	489 174	556 115	1 513 747	545 769	3 285 417
Nominal value	0.10	0.10	0.10	0.10	0.10
High	224.00	193.50	171.00	143.90	142.00
Low	176.90	147.80	125.10	119.80	120.20
Year-end rate	220.50	177.90	169.00	142.60	131.60
P/E ratio December 31 (before exceptional items)	28.9	27.1	27.5	23.0	23.7

Participation certificate

In CHF	2017	2016	2015	2014	2013
Number of participation certificates outstanding	40 716 831	40 716 831	44 236 311	44 618 533	46 171 909
thereof treasury shares	211 740	299 649	3 907 999	785 058	1 953 873
Nominal value	0.10	0.10	0.10	0.10	0.10
High	229.70	197.50	171.10	145.70	146.90
Low	177.30	147.10	124.90	120.50	121.40
Year-end rate	224.30	179.60	168.00	144.00	131.30
P/E ratio December 31 (before exceptional items)	29.4	27.4	27.4	23.2	23.6

Information per registered share and participation certificate

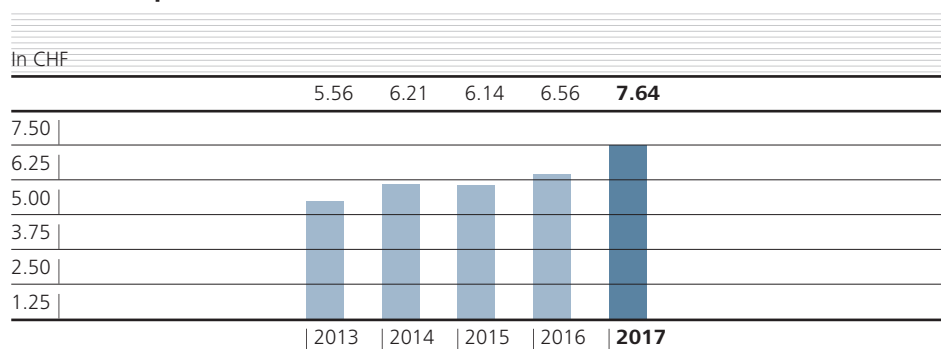
In CHF	2017	2016	2015	2014	2013
Net profit	7.64	7.09	6.14	7.64	3.69
Net profit before exceptional items	7.64	6.56	6.14	6.21	5.56
Cash flow from operating activities	7.51	8.62	9.58	8.00	6.90
Equity at year-end	29.52	25.76	21.30	25.70	22.13
Gross dividend	4.00¹	5.00 ²	2.70	3.20 ³	2.20
Pay-out ratio (in %)	52.3	70.5	44.0	41.9	59.6
Market capitalization (in CHF million)	23 923	19 246	18 934	16 148	15 391

¹ Proposal by the Board of Directors

² Ordinary CHF 3.00; extraordinary CHF 2.00

³ Ordinary CHF 2.20; extraordinary CHF 1.00

Net profit per registered share and participation certificate before exceptional items



Both the registered shares and the participation certificates are traded on the SIX Swiss Exchange. Holders of participation certificates have the same rights as holders of registered shares with the exception of attendance at the Annual General Meeting and voting rights.

Ticker and security number

	Registered share	Participation certificate
Bloomberg	SCHN SW	SCHP VX
Reuters	SCHN.S	SCHP.S
Valor	002463821	002463819
ISIN	CH0024638212	CH0024638196

Shareholders

At the end of 2017, registered shares of Schindler Holding Ltd. were held by 7 135 shareholders (previous year: 6 497).

On the same date, the Schindler and Bonnard families – within the scope of shareholder agreements – and parties related to these families held 47 661 559 registered shares (previous year: 47 655 782) of Schindler Holding Ltd., corresponding to 71.1% (previous year: 71.0%) of the voting rights of the share capital entered in the Commercial Register.

Financial calendar

	2018	2019
Annual results media conference	February 16	February
Ordinary General Meeting Schindler Holding Ltd.	March 20	March 26
First trading date ex-dividend	March 22 ¹	
Date of Schindler Holding Ltd. dividend payment	March 26 ¹	
Publication of selected key figures as of March 31	April 26	April
Publication of Interim Report as of June 30	August 17	August
Publication of selected key figures as of September 30	October 23	October

¹ Subject to approval of a dividend payment by the General Meeting of Schindler Holding Ltd.

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The Annual Report of the Schindler Group for 2017 consists of the Group Review and the Financial Statements.

The original German version is binding. English and Chinese translations of the Group Review are available. The Financial Statements are published in German and English.

**Overall responsibility,
concept, and text**

Schindler Management Ltd.
Corporate Communications
Ebikon, Switzerland

Concept and graphic design

Christoph Stalder,
Zurich, Switzerland

Premedia

Management Digital Data AG
Lenzburg, Switzerland

Printing

Multicolor Print AG
Baar, Switzerland

Photography

Manuel Rickenbacher
Zurich, Switzerland

Pages 59-61:

Remo Inderbitzin
Schwyz, Switzerland





Courage is the price that life extracts for granting peace.
The soul that knows it not knows no release from little things.
Knows not the livid loneliness of fear, nor mountain heights,
where bitter joy can hear the sound of wings.

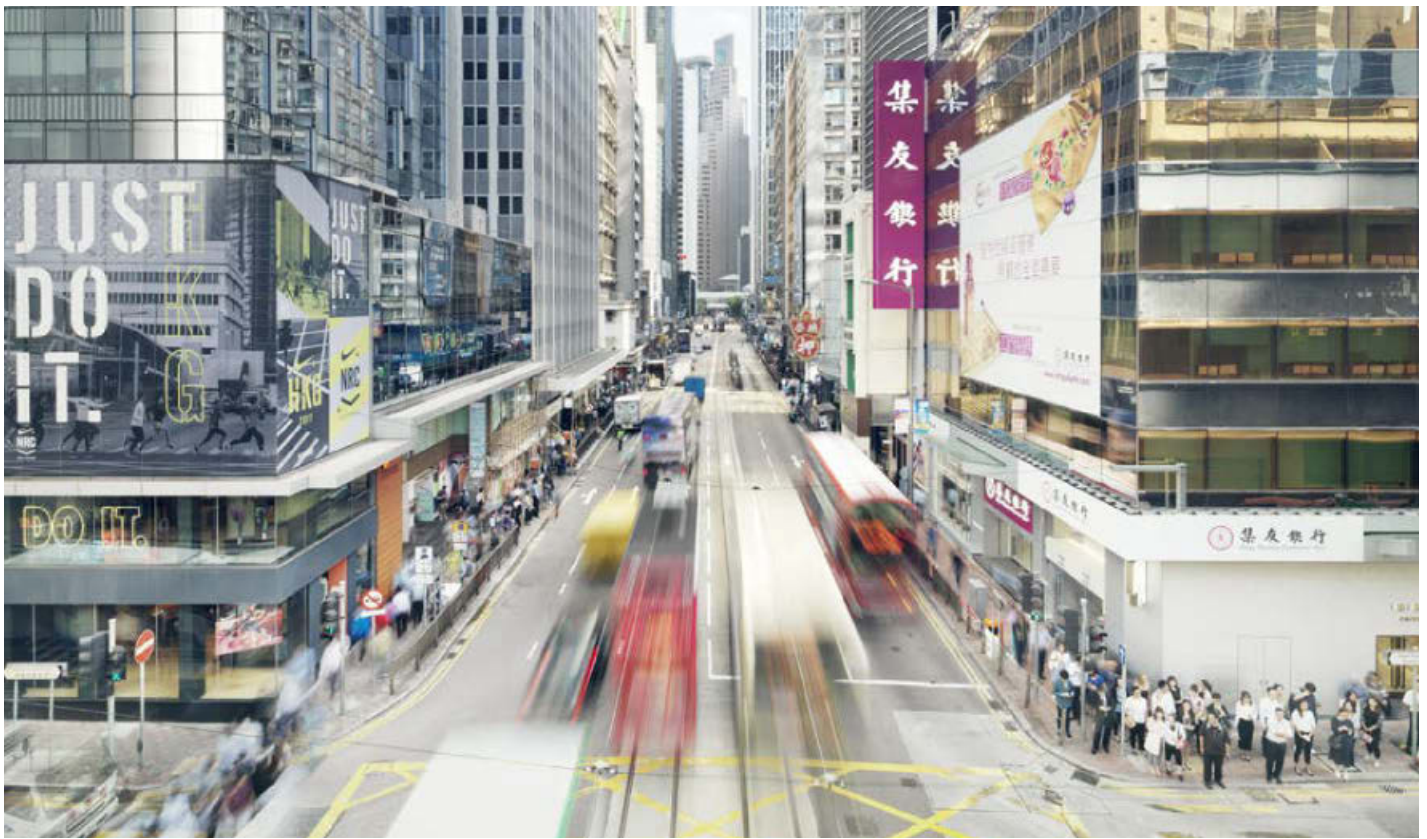
Amelia Earhart
'Courage', 1928

Rosemonde Krbec, 1920–2000
En vol (L'Ange), 1989
Oil on metal
200 cm x 200 cm
Signed
Dated

Provenienz:
Daniel Blaise Thorens
Fine Art Gallery AG



Front cover: New York, USA
Back cover: Munich, Germany



Shaping urbanization.
Investing in the future.
Financial Statements 2017



Schindler

Contents

3	Consolidated Financial Statements
66	Financial Statements of Schindler Holding Ltd.
80	Compensation Report
101	Corporate Governance

Consolidated Financial Statements

4	Consolidated income statement
5	Consolidated statement of comprehensive income
6	Consolidated balance sheet
8	Consolidated statement of changes in equity
9	Consolidated cash flow statement
10	Notes to the consolidated financial statements
62	Report of the statutory auditor

Consolidated income statement

In CHF million	Note	2017	%	2016	%
Revenue	4	10 179	100.0	9 683	100.0
Cost of materials		2 935	28.8	2 813	29.1
Personnel expenses	5	3 765	37.0	3 503	36.2
Other operating expenses	6	2 144	21.0	2 121	21.9
Depreciation, amortization, and impairment	16, 17	153	1.5	141	1.4
Change in provisions		-5	-	22	0.2
Total operating expenses		8 992	88.3	8 600	88.8
Other income	7	-	-	50	0.5
Operating profit		1 187	11.7	1 133	11.7
Financial income	8	44	0.4	35	0.4
Financial expenses	8	59	0.5	102	1.1
Result from associates	9	-6	-0.1	31	0.3
Profit before taxes		1 166	11.5	1 097	11.3
Income taxes	10	282	2.8	274	2.8
Net profit		884	8.7	823	8.5
Net profit attributable to					
Shareholders of Schindler Holding Ltd.		824	8.1	764	7.9
Non-controlling interests		60	0.6	59	0.6
Earnings per share and participation certificate in CHF					
Basic	11	7.70		7.14	
Diluted	11	7.67		7.12	

Consolidated statement of comprehensive income

Consolidated
Financial Statements

In CHF million	Note	2017	2016
Net profit		884	823
Other comprehensive income – may be reclassified to the income statement in future			
Exchange differences		6	34
Cash flow hedges		3	–15
Available-for-sale financial assets	32	–4	–3
Share of other comprehensive income of associates		–	3
Taxes		2	3
Total – may be reclassified to the income statement in future		7	22
Other comprehensive income – not to be reclassified to the income statement in future			
Remeasurements of employee benefits	26	141	–45
Taxes		–25	23
Total – not to be reclassified to the income statement in future		116	–22
Total other comprehensive income		123	–
Comprehensive income		1 007	823
Comprehensive income attributable to			
Shareholders of Schindler Holding Ltd.		943	765
Non-controlling interests		64	58

Consolidated balance sheet

Assets

In CHF million	Note	31.12.2017	%	31.12.2016	%
Current assets					
Cash and cash equivalents		1 709	19.8	1 988	23.9
Current financial assets	12	191	2.2	338	4.1
Accounts receivable	13	2 089	24.2	1 818	21.9
Taxes receivable		126	1.4	94	1.1
Net assets from construction contracts	14	695	8.1	617	7.4
Inventories	15	517	6.0	438	5.3
Prepaid expenses and accrued income		145	1.7	120	1.5
Assets held for sale		8	0.1	7	0.1
Total current assets		5 480	63.5	5 420	65.3
Non-current assets					
Property, plant, and equipment	16	1 041	12.1	924	11.1
Intangible assets	17	1 123	13.0	955	11.5
Associates	19	81	0.9	39	0.5
Non-current financial assets	20	638	7.4	641	7.7
Deferred taxes	21	263	3.1	324	3.9
Total non-current assets		3 146	36.5	2 883	34.7
Total assets		8 626	100.0	8 303	100.0

Liabilities and equity

In CHF million	Note	31.12.2017	%	31.12.2016	%
Liabilities					
Current liabilities					
Accounts payable	22	947	11.0	863	10.4
Financial debts	23	160	1.8	254	3.1
Taxes payable		78	0.9	85	1.0
Net liabilities from construction contracts	14	1 232	14.3	1 140	13.7
Accrued expenses and deferred income	24	1 782	20.7	1 775	21.4
Provisions	25	180	2.1	173	2.1
Total current liabilities		4 379	50.8	4 290	51.7
Non-current liabilities					
Financial debts	23	20	0.2	55	0.7
Provisions	25	344	4.0	343	4.1
Deferred taxes	21	116	1.3	115	1.4
Employee benefits	26	499	5.8	653	7.8
Total non-current liabilities		979	11.3	1 166	14.0
Total liabilities		5 358	62.1	5 456	65.7
Equity					
Share capital and participation capital	27	11	0.1	11	0.1
Share premium		311	3.6	311	3.8
Treasury shares	27	-107	-1.2	-114	-1.3
Exchange differences		-756	-8.8	-762	-9.2
Other reserves	27	110	1.3	111	1.3
Retained earnings		3 592	41.7	3 198	38.5
Shareholders of Schindler Holding Ltd.		3 161	36.7	2 755	33.2
Non-controlling interests		107	1.2	92	1.1
Total equity		3 268	37.9	2 847	34.3
Total liabilities and equity		8 626	100.0	8 303	100.0

Consolidated statement of changes in equity

In CHF million	Share and participation capital	Share premium	Treasury shares	Exchange differences	Other reserves	Retained earnings	Total	Non- controlling interests	Total Group
January 1, 2016	11	311	-819	-798	122	3 449	2 276	81	2 357
Net profit						764	764	59	823
Other comprehensive income				36	-11	-24	1	-1	-
Comprehensive income				36	-11	740	765	58	823
Dividends						-289	-289	-55	-344
Cancellation of treasury shares	-		713			-713	-		-
Change in treasury shares			-8			-24	-32		-32
Share-based payments						26	26		26
Change in non-controlling interests						-46	-46	6	-40
Change in liabilities towards non-controlling interests						55	55		55
Business combinations						-	-	2	2
December 31, 2016	11	311	-114	-762	111	3 198	2 755	92	2 847
Net profit						824	824	60	884
Other comprehensive income				6	-1	114	119	4	123
Comprehensive income				6	-1	938	943	64	1 007
Dividends						-535	-535	-50	-585
Change in treasury shares			7			-26	-19		-19
Share-based payments						23	23		23
Change in non-controlling interests						-47	-47	1	-46
Change in liabilities towards non-controlling interests						41	41		41
December 31, 2017	11	311	-107	-756	110	3 592	3 161	107	3 268

Consolidated cash flow statement

Consolidated
Financial Statements

In CHF million	Note	2017	2016
Profit before taxes		1 166	1 097
Financial result	8	15	67
Income from associates	9	6	-31
Operating profit		1 187	1 133
Depreciation, amortization, and impairment	16, 17	153	141
Change in provisions		-5	22
Additional contributions to pension plans	26	-44	-
Other non-cash items	29	42	-3
Dividends received		10	12
Interest received		20	25
Interest paid		-10	-14
Other financial result		-28	-61
Income taxes paid		-261	-292
Change in net working capital		-254	-34
Cash flow from operating activities		810	929
Additions			
Property, plant, and equipment	16	-227	-189
Intangible assets	17	-35	-33
Associates		-63	-10
Current and non-current financial assets		-258	-370
Disposals			
Property, plant, and equipment	16	8	11
Current and non-current financial assets		321	552
Disposal of Group companies		-	97
Business combinations	28	-136	-63
Cash flow from investing activities		-390	-5
Proceeds from increase in current and non-current financial debts	23	23	15
Repayments of current and non-current financial debts	23	-49	-502
Acquisition of non-controlling interests		-46	-40
Purchase of treasury shares	27	-37	-50
Disposal of treasury shares	27	18	18
Dividends paid to the shareholders of Schindler Holding Ltd.	39	-535	-289
Dividends paid to non-controlling interests		-50	-55
Cash flow from financing activities		-676	-903
Exchange differences		-23	-8
Change in cash and cash equivalents		-279	13
Cash and cash equivalents as at January 1		1 988	1 975
Cash and cash equivalents as at December 31		1 709	1 988

Notes to the consolidated financial statements

1 Business activities

The Schindler Group (referred to hereinafter as 'the Group') is one of the world's leading suppliers of elevators, escalators, and moving walks. It is active in the areas of production, installation, maintenance, and modernization in the most important markets around the globe.

The registered shares and participation certificates of Schindler Holding Ltd. are traded on the SIX Swiss Exchange.

2 Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are compliant with the Swiss Code of Obligations. The consolidated financial statements are prepared using the accrual basis of accounting and the historical cost approach with the exception of financial instruments, which are measured at fair value or at amortized cost. The reporting periods of all Group companies (directly or indirectly controlled by Schindler Holding Ltd.) end on December 31.

2.1 Changes in IFRS

The Group applied the amended accounting standards, interpretations, and annual improvement points that became effective on January 1, 2017. The Amendments to IAS 7 – Statement of cash flows were implemented by extending the Group's disclosures (see note 23).

The application of other changes did not have any material impact on accounting practices or on the Group's financial position, results of operations, and cash flows.

2.2 Published standards, interpretations, and amendments not yet applied

IFRS 9 – Financial Instruments introduces changes to the measurement, classification, and impairment of financial instruments as well as for hedge accounting. The Group expects no material impact due to the reclassification and the application of the new measurement principles. IFRS 9 will impact the calculation of bad debt allowances, changing from the incurred credit loss to the expected credit loss model. The Group expects a slight increase in bad debt allowances. The impact of the initial application of IFRS 9 will be recognized directly in equity at January 1, 2018, and comparatives will not be restated.

The Group will apply IFRS 15 – Revenue from Contracts with Customers with effect from January 1, 2018, using the modified retrospective approach. Under IFRS 15, revenue is recognized as the control of goods or services is transferred to the customer. This can occur at a point in time or over time. For maintenance, revenue is recognized over time as the service is provided, and for repairs, it is recognized at the point of customer acceptance. For new installations and modernizations, the Group will recognize revenue progressively over time beginning with the start of installation and based on the cost-to-cost method. This will result in a deferred recognition of revenue, as well as less work in progress and more inventory for customer contracts with a net

impact on equity of approximately CHF 130 million. The Group does not expect a material impact on annual revenue. However, quarterly seasonality could be affected. The impact of the initial application of IFRS 15 will be recognized directly in equity at January 1, 2018, and comparatives will not be restated.

The Group will apply IFRS 16 – Leases with effect from January 1, 2019. The new standard requires leasing contracts to be recognized in the balance sheet. A distinction is no longer made between operating leases and finance leases. The Group expects that this will result in an increase in assets and liabilities, as well as in a decrease in operating expenses and an increase in financial expenses. The analysis of the impacts on the Group's financial statements is currently ongoing.

There are no plans for the early adoption of other standards prior to the mandatory effective date. Other amendments to IFRS are not currently expected to have any material impact on accounting practices or on the Group's financial position, results of operations, and cash flows.

2.3 Significant assumptions and estimates

The consolidated financial statements prepared in accordance with IFRS contain certain assumptions and estimates that influence the figures presented in this report. They are based on analyses and judgments that are continuously reviewed and adapted if necessary. The actual results may differ from these assumptions and estimates.

Assumptions and estimates

Description	Assumptions and estimates	Notes
Taxes	<ul style="list-style-type: none"> – Estimation of risks resulting from final tax assessments that are only made several years after the end of the reporting year – Assumptions and estimates regarding the probability to offset unused tax loss carryforwards and deferred tax assets, based on forecasts and interpretations of existing tax laws and regulations 	3.16, 10, 21
Provisions	<ul style="list-style-type: none"> – Actuarial reports for product liability take account of all units under maintenance and the probability of occurrence, based on experience – Actuarial reports for self-insurance take account of all employees and the probability of occurrence, based on experience 	3.15, 25
Employee benefits	<ul style="list-style-type: none"> – Key assumptions such as discount rate and future increase in salaries and wages 	3.17, 26

3 Summary of main accounting principles

3.1 Consolidation

3.1.1 Scope of consolidation

The consolidated financial statements include the annual financial statements of Schindler Holding Ltd., Hergiswil, Switzerland, and of all companies controlled by Schindler Holding Ltd. (Group companies).

The Group acquired various smaller entities in the reporting year as well as in the previous year (see note 28). In the previous year, the Group completed the sale of its operations in Japan, which were deconsolidated from that date (see note 7).

An overview of material Group companies is provided in note 38.

3.1.2 Consolidation principles

The consolidated financial statements are based on the annual financial statements of the individual Group companies. These companies are controlled directly or indirectly by Schindler Holding Ltd. Control exists if the Group is exposed, or has rights, to variable returns and if it has the ability to affect the amount of those returns through its power over a company. When assessing whether the Group has power over a company, the voting rights held (normally a share of more than 50% of voting rights) and other contractual agreements, as well as operational responsibility, are taken into account.

Companies acquired in the reporting period are included in the consolidated financial statements from the date on which the Group obtained control. Companies sold by the Group are consolidated until the date on which control is transferred to the acquirer.

Companies in which the Group has significant influence but which are not controlled by it are classified as associates and accounted for using the equity method.

3.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Acquisition costs comprise the consideration paid, including the proportion of the deferred purchase consideration for contractual representations and warranties, and contingent consideration. The latter is recognized at fair value on the transaction date. Subsequent changes in the fair value of contingent consideration are recognized in the income statement. Transaction costs are recognized as operating expenses.

Net assets acquired comprise identifiable assets, liabilities, and contingent liabilities and are recognized at fair value. Identifiable intangible assets mainly consist of service portfolios. The difference between the acquisition costs and the fair value of the proportionate interest in the net assets acquired is recognized as goodwill.

Non-controlling interests are generally recognized in the balance sheet according to their proportionate share of the fair value of the net assets acquired.

Goodwill and changes in the fair value of the net assets are recognized in the assets and liabilities of the acquiree in its functional currency. Goodwill is allocated to those cash-generating units that are expected to benefit from the acquisition and/or to generate future cash flows.

If the Group gains control of an associate (business combination achieved in stages), the previously held interests are measured at fair value at the acquisition date. Any gain or loss resulting from the remeasurement is recognized in other income. Items previously recognized in other comprehensive income are reclassified to the income statement.

In the case of acquisitions, it is common practice for the Group to acquire call options and to write put options for the remaining interests that were not acquired. Shares of the profits continue to be allocated to the non-controlling interests. Liabilities from written put options are measured at the present value of the redemption amount. These financial liabilities are remeasured annually and the resulting differences are recorded in retained earnings without any impact on the income statement.

3.1.4 Change in interests held and disposals

Changes in the interests held in Group companies are recognized as equity transactions provided control is maintained. If control of a Group company is lost, the difference between the consideration received and the net assets disposed of, plus accumulated exchange differences, is reported as other income in the income statement.

3.1.5 Associates

The carrying amount of associates comprises goodwill and the proportionate fair value of the net assets. The Group's share of the associated profit or loss as well as amortization and impairments are recognized in the income statement as the result from associates. Exchange differences are recognized in other comprehensive income. In the event of a partial or complete sale of an associate, the difference between the consideration received and the carrying amount plus components of other comprehensive income, where required, are recognized in the income statement as the result from associates.

The carrying amount of associates is based on the most recent quarterly financial results for the reporting year. This means that the relevant result from associates is taken into account one quarter after it is reported. If there are any material differences compared to the accounting policies applied by the Group, the values of the local financial statements are adjusted.

3.2 Translation of foreign currency

The functional currency of Group companies is generally the currency used in the primary economic environment in which they operate. Transactions in foreign currencies are translated at the exchange rate that applied on the transaction date. Exchange rate gains and losses resulting from such transactions or from the revaluation of foreign currency assets and liabilities at the balance sheet date are recognized as financial income or expenses.

For consolidation purposes, the annual financial statements of Group companies that are reported in foreign currencies are translated into Swiss francs as follows: balance sheet at year-end rates, and the income statement, statement of comprehensive income, and cash flow statement at average rates or at the spot rate for significant transactions.

The change in accumulated exchange differences from the translation of foreign companies is reported in other comprehensive income. If a Group company is sold, or if part of it is sold and control is lost, the accumulated exchange differences are reclassified to the income statement.

The exchange rates for the most significant foreign currencies are as follows:

			2017		2016	
			Year-end rate	Average rate	Year-end rate	Average rate
Eurozone	EUR	1	1.17	1.11	1.07	1.09
USA	USD	1	0.98	0.99	1.02	0.99
Brazil	BRL	100	29.43	30.73	31.26	28.48
China	CNY	100	15.00	14.58	14.65	14.89

3.3 Segment reporting

The Group consists of one operating segment for which reports are submitted to the Supervisory and Strategy Committee (Chief Operating Decision Maker). These reports form the basis for the evaluation of performance and the allocation of resources.

3.4 Revenue recognition

Income from construction contracts is determined based on the stage of completion of the contract and recognized as revenue (see note 3.8). Anticipated losses on construction contracts are recognized as provisions.

Income from other customer contracts, particularly repairs, is recognized as revenue at the date when they are performed. Maintenance is generally provided periodically and revenue is therefore recognized on a straight-line basis. Discounts, sales taxes, and other sales-related reductions in income are deducted from revenue.

3.5 Cash and cash equivalents

Cash and cash equivalents include bank accounts and time deposits with an original maturity of a maximum of 3 months.

3.6 Current financial assets

Time deposits with a maturity of 3 to 12 months or a residual maturity of up to 12 months, as well as financial instruments that the Group intends to hold on a short-term basis, are recognized as current financial assets.

3.7 Accounts receivable

Trade accounts receivable and other receivables do not bear interest and are reported at nominal value less bad debt allowances.

Bad debt allowances are based on internal guidelines that require individual value adjustments to first be undertaken. Taking account of their age structure and based on experience, certain residual balances are subject to additional allowances of between 33% and 100%.

3.8 Construction contracts

Construction contracts are recognized using the percentage of completion (PoC) method. Construction contracts comprise orders for new installations and the modernization of existing installations. The percentage of work completed is determined by measuring the stage of completion of a contract according to the cost-to-cost method, under which the accumulated costs to date are expressed as a percentage of the expected total costs. After offsetting progress payments from customers, work in progress is recognized as net assets or net liabilities from construction contracts.

3.9 Inventories

Inventories are recognized at the lower of cost of purchase or production cost or the net realizable value. The cost of purchase or production cost is calculated using the weighted average cost method. The net realizable value corresponds to the estimated sales proceeds less the estimated cost of completion. Based on a range analysis, items with a slow rate of turnover are written down by 20% to 100%. Technically obsolete items are written off.

3.10 Property, plant, and equipment (PPE)

Property, plant, and equipment, as well as investment properties not used for operational purposes, are valued at cost less accumulated depreciation.

Property, plant, and equipment are depreciated on a straight-line basis over their useful life. Land is not depreciated systematically. An impairment test is performed whenever impairment indicators are identified. If the test reveals that the carrying amount exceeds the recoverable amount, the carrying amount is reduced accordingly. Impairment losses are recognized in the income statement and reported separately in the notes.

Costs are capitalized if they extend the useful life or expand the production capacity of an asset. The costs of non-value-adding maintenance and repairs are recognized immediately as expenses.

Gains and losses from the sale of property, plant, and equipment are recognized as other operating income or other operating expenses.

The estimated useful life of the major classes of property, plant, and equipment is as follows:

	Years
Buildings	20–40
Equipment, machinery	5–10
Furniture	10
IT equipment	3–5
Vehicles	5–10

3.11 Leasing

Property, plant, and equipment acquired through lease contracts where the benefits and risks are substantially transferred to the Group are classified as finance leases. These assets are recognized both in property, plant, and equipment and in financial liabilities at the lower of fair value or the present value of future minimum lease payments. Assets from finance leases are depreciated over the shorter of their expected useful life or the duration of the contract.

Operating leases are recognized as operating expenses.

3.12 Intangible assets

Goodwill, service portfolios acquired from third parties, licenses, patents and similar rights, as well as software, are recognized as intangible assets.

All intangible assets with finite useful lives are amortized using the straight-line method. An impairment test is performed whenever impairment indicators are identified. If the test reveals that the carrying amount exceeds the recoverable amount, the carrying amount is reduced accordingly. Goodwill is not amortized systematically but is, instead, tested for impairment annually or whenever there are indications that impairment may have occurred.

Impairment losses are recognized in the income statement and disclosed separately in the notes. Impairment expenses from earlier periods may be reversed in the case of intangible assets, with the exception of goodwill.

The estimated useful life of intangible assets is as follows:

	Years
Service portfolio	5–20
Software	3–5
Rights, patents, and licenses	3–10

3.13 Research and development

Order-related development costs are capitalized as work in progress; other research and development costs are charged to the income statement in the period in which they occur. Development costs for new products are not capitalized, since experience shows that future economic benefits can only be proven when the products are successfully launched in the market.

3.14 Financial instruments

3.14.1 Financial assets

Categorization and measurement

Financial assets comprise cash and cash equivalents, accounts receivable, and current and non-current financial assets.

Financial assets are divided into the following categories:

Category	Type of financial assets	Measurement at initial recognition	Subsequent measurement
At fair value through profit or loss	<ul style="list-style-type: none"> – Held for trading – Designated at initial recognition – Derivatives (unless designated for hedge accounting) 	– At fair value	<ul style="list-style-type: none"> – At fair value – All value changes are reported in the financial result
Loans and receivables	– Non-derivative assets with fixed or determinable payments not quoted in active markets	– At fair value including transaction cost	– At amortized cost using the effective interest method
Available for sale	– All other financial assets	– At fair value including transaction cost	<ul style="list-style-type: none"> – At fair value – Unrealized value changes are reported in other comprehensive income – Interest, foreign currency fluctuations, and dividends are recognized through the income statement – On sale, impairment, or other derecognition, the accumulated gains and losses recognized in other comprehensive income are reclassified to the financial result

All purchases and sales are recognized at trade date. Financial assets are derecognized when control of them is lost, i.e. when the related rights to the resulting cash flows are sold or expire.

Impairment

Whenever there is objective evidence of possible impairment (e.g. serious financial difficulties of the debtor, insolvency proceedings, etc.), the carrying amounts of financial assets not measured at fair value through profit or loss are tested to determine whether impairment has actually occurred. Impairment expenses are recognized in the income statement.

In the case of available-for-sale financial assets, evaluations are carried out to identify significant or prolonged declines in market prices below original cost. The evaluations take account of factors such as the duration and extent of the decrease in market prices below original cost, as well as historical price movements. If the requirements are met, an impairment is recognized. Further declines in market prices that occur after an impairment has been recorded are recognized in the income statement. However, reversals of impairment losses are recognized in other comprehensive income.

3.14.2 Financial liabilities

Financial liabilities comprise debt instruments issued, especially accounts payable, bank overdrafts and loans, finance lease liabilities, derivatives, liabilities towards non-controlling interests, and other financial debts.

Financial liabilities issued are divided into two categories:

Category	Type of financial liabilities	Measurement at initial recognition	Subsequent measurement
At fair value through profit or loss	<ul style="list-style-type: none"> – Held for trading – Designated at initial recognition – Derivatives (unless designated for hedge accounting) 	– At fair value	<ul style="list-style-type: none"> – At fair value – All value changes are reported in the financial result
Other financial liabilities	– All other financial liabilities	– At fair value including transaction cost	– At amortized cost using the effective interest method

3.14.3 Derivative financial instruments and hedge accounting

The Group hedges interest rate risks and foreign currency risks arising from its operating activities, financial transactions, and investments using derivative financial instruments. These instruments are measured at fair value. The initial measurement at fair value occurs on the date on which derivative contracts are entered into. They are subsequently recognized at fair value through profit or loss unless the derivative financial instrument was designated for hedge accounting.

For hedge accounting to be applied, various criteria must be fulfilled relating to documentation, probability of occurrence, effectiveness of the hedging instrument, and reliability of the valuation. The Group decides on an individual basis whether hedge accounting is applied.

Changes in value resulting from cash flow hedge accounting are recognized in other comprehensive income and reclassified to the income statement when the underlying transaction occurs. Ineffective changes in value are recognized immediately in the financial result.

3.14.4 Fair value hierarchy

All financial instruments are assigned to one of the following fair value levels according to the input data available:

Fair value level	Input data available
Level 1	– Quoted prices in active markets
Level 2	– Quoted prices in inactive markets – Other observable data (e.g. interest rates, counterparty risk, and other risk factors)
Level 3	– Unobservable input data

3.14.5 Treasury shares

Treasury shares (including registered shares and participation certificates) are reported as a deduction in equity. The cost of purchasing treasury shares, gains or losses realized on the sale, and other changes in the number or amount of treasury shares held, are recognized in equity.

3.15 Provisions

Provisions are only recorded if the Group has a probable obligation (legal or constructive) to third parties as a result of a past event and if the obligation can be reliably estimated. Existing provisions are reassessed at every balance sheet date.

Non-current provisions are discounted at a risk-adjusted interest rate. The increase in the present value of the provisions that arises from the passage of time is recognized as interest expense.

Restructuring provisions are calculated and recognized on the basis of the restructuring plans that have been announced. Provisions for product liability as well as self-insurance are based on external actuarial reports that are drawn up annually.

3.16 Taxes**3.16.1 Current income taxes**

Current income taxes are determined on the basis of the results for the reporting year, taking account of national tax laws in the relevant jurisdictions. Additional tax payments or tax refunds that are expected to be made or have been made for previous years are considered.

3.16.2 Deferred taxes

Deferred taxes are recognized in accordance with the liability method. The income tax effects of temporary differences between the balance sheet values that are relevant for the consolidated financial statements and the tax base are recognized accordingly.

Deferred tax assets from unused tax loss carryforwards, as well as deductible temporary differences, are recognized if it is probable that the corresponding tax benefits can be realized. Forecasts serve as the basis for this assessment. Deferred tax liabilities are calculated on all taxable temporary differences.

The change in deferred tax assets and liabilities is recognized as tax expense. If underlying factors leading to a change in deferred tax assets and liabilities are recognized directly in other comprehensive income, the change in deferred tax assets and liabilities is also recognized in other comprehensive income.

3.17 Employee benefits

The Group has both defined contribution plans and defined benefit plans. Its defined benefit plans are covered by funds from separate legal entities or are funded directly by the Group.

In the case of defined contribution plans, contributions are paid to publicly or privately administered pension plans on a statutory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses.

The aggregate of the present value of the defined benefit obligation and the fair value of plan assets for each plan is recognized in the balance sheet as a net defined benefit liability or a net defined benefit asset. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. Employee contributions are recognized in the period in which the related service is rendered. Plan assets are not available to the Group's creditors.

Pension costs consist of three elements: service costs, net interest, and remeasurements of employee benefits.

- Service costs are part of personnel expenses and consist of current service costs, past service costs (gains/losses from plan amendments or curtailments), and gains/losses from plan settlements.
- Net interest is recorded in the financial result and is determined by applying the discount rate to the net defined benefit liability or net defined benefit asset that exists at the beginning of the year.
- Gains and losses resulting from the actuarial valuation are recorded in other comprehensive income as remeasurements of employee benefits. The return on plan assets (excluding interest based on the discount rate) and any change in the effect of an asset ceiling are also recorded in this item.

Significant other non-current employee benefits (mainly jubilee benefits) are also measured using the projected unit credit method.

Termination benefits are recognized on the date on which the Group can no longer withdraw the offer of this type of benefit or on which restructuring provisions are recorded.

3.18 Share-based payments

Executive members of the Board of Directors of Schindler Holding Ltd. and members of the Group Executive Committee and other managers receive share-based payments.

Share-based payments are settled with treasury shares of Schindler Holding Ltd., of which the Group usually holds the required amount. As a result, no additional shares or participation certificates are issued. Issued options allow for the purchase of shares or participation certificates and are not settled with cash or cash equivalents. The same applies to Performance Share Units.

The fair value of share-based payments is determined at grant date. At the same date, or over the vesting period, the amount is charged to personnel expenses and recognized as an increase in equity.

4 Revenue

In CHF million	2017	2016
Billings	10 030	9 620
Change in work in progress (PoC)	113	25
Other operating revenue	34	34
Capitalized own production	2	4
Total revenue	10 179	9 683

Billings comprise all goods and services rendered and invoiced in the areas of production, installation, maintenance, and modernization, less any discounts granted. Changes in work in progress that have not yet been invoiced are recognized using the percentage of completion (PoC) method. CHF 5 573 million of total revenue was determined using the PoC method (previous year: CHF 5 393 million).

5 Personnel expenses

In CHF million	Note	2017	2016
Salaries and wages		3 296	3 053
Cost of defined benefit plans	26	72	48
Cost of defined contribution plans		98	90
Share-based payments		23	26
Other personnel expenses		276	286
Total personnel expenses		3 765	3 503

Other personnel expenses primarily consist of social and insurance benefits.

6 Other operating expenses

In CHF million	2017	2016
Production, installation, maintenance, transport, and subcontractors	917	890
Employee-related expenses	319	308
Rent and leasing	166	163
Maintenance and repairs	83	77
Energy supply and consumables	171	163
Insurance, fees, and capital taxes	76	85
Administration and marketing	251	282
Other operating expenses	163	158
Other operating income	-2	-5
Total other operating expenses	2 144	2 121

Employee-related expenses primarily consist of training costs, travel and other allowances, and work equipment.

Research and development costs of CHF 151 million were charged to the income statement (previous year: CHF 141 million).

7 Other income

In the previous year, the Group completed the sale of its operations in Japan, resulting in a gain before taxes of CHF 50 million. The position included realized negative cumulative exchange differences of CHF 10 million.

Assets and liabilities disposed of

In CHF million	2016
Cash and cash equivalents	8
Other current assets	24
Non-current assets	28
Total assets	60
Current liabilities	16
Non-current liabilities	2
Total liabilities	18

8 Financial result

In CHF million	Note	2017	2016
Interest		20	25
Net income from securities		18	10
Revaluation/exchange of 0.375% exchangeable bond 2013–2017	23	6	–
Total financial income		44	35
Interest		10	14
Net interest on employee benefits	26	11	13
Increase in the present value of provisions	25	9	8
Net losses on foreign exchange		6	32
Revaluation/exchange of 0.375% exchangeable bond 2013–2017	23	–	6
Impairment of available-for-sale financial instruments		–	6
Other financial expenses		23	23
Total financial expenses		59	102
Financial result		–15	–67

Other financial expenses mainly comprise bank charges and financial transaction costs.

9 Result from associates

In CHF million	2017	2016
Remeasurement of investment in ALSO Holding AG	–	26
Share of profit or loss of associates	–6	5
Total result from associates	–6	31

In the previous year, the Group's investment in ALSO Holding AG fell below 10% due to the exchange of the 0.375% exchangeable bond into shares of ALSO Holding AG (see note 23). Due to contractual agreements with the majority shareholder of ALSO Holding AG, the Group lost significant influence over the investment on that date and ceased to account for it using the equity method. The investment was reclassified as an available-for-sale financial asset and remeasured at fair value. The result of remeasurement included a revaluation gain at fair value of CHF 38 million as well as realized negative cumulative exchange differences and other comprehensive income of CHF 12 million.

10 Income taxes

In CHF million	2017	2016
Income taxes for the reporting period	246	251
Income taxes for previous periods	1	4
Deferred income taxes	35	19
Total income taxes	282	274

Reconciliation of income taxes

In CHF million	2017	%	2016	%
Profit before taxes	1 166		1 097	
Weighted average income tax rate as % of profit before taxes		23.2		23.7
Expected income tax expenses	271		260	
Effects of				
Recognition/utilization of unrecognized tax loss carryforwards	-3		-6	
Other non-taxable income / other non-deductible expenses	5		5	
Non-refundable withholding taxes	15		16	
Income tax from prior periods	1		4	
Other differences	-7		-5	
Total income taxes	282	24.2	274	25.0

The weighted average tax rate is calculated using the enacted tax rates for the individual Group companies in each jurisdiction. Due to the composition of the Group's taxable income, as well as changes in local tax rates, the average tax rate varies from year to year.

In December 2017, the USA enacted a new tax law, which reduces the corporate tax rate from 35% to 21%. The revised tax rate has been applied to the temporary differences reported as of December 31, 2017 by the Group's subsidiaries based in the USA. This resulted in an additional tax expense in 2017, which impacted the Group tax rate by 1,3%. This effect was substantially offset by intra-group transactions and by a reassessment of deferred tax assets in various countries.

11 Earnings per share and participation certificate

		2017	2016
Net profit (attributable to the shareholders of Schindler Holding Ltd.)	in CHF million	824	764
Shares and participation certificates	Number	107 794 283	107 794 283
Less treasury shares (weighted average)	Number	-728 822	-823 931
Outstanding shares and participation certificates (weighted average)	Number	107 065 461	106 970 352
Basic earnings per share and participation certificate	in CHF	7.70	7.14
Net profit (attributable to the shareholders of Schindler Holding Ltd.)	in CHF million	824	764
Diluted shares and participation certificates (weighted average)	Number	107 367 355	107 340 175
Diluted earnings per share and participation certificate	in CHF	7.67	7.12

Diluted earnings per share reflect the impact of the share-based payment plans at Schindler Holding Ltd.

12 Current financial assets

In CHF million	2017	2016
Time deposits	183	163
Investment in ALSO Holding AG	-	88
Other current financial assets	8	87
Total current financial assets	191	338

The exchange period for the 0.375% exchangeable bond ended on May 26, 2017 (see note 23). As a result, the Group's participation in ALSO Holding AG was reduced to almost zero (previous year: 7.6%).

Other current financial assets mainly comprise bonds and shares.

13 Accounts receivable

In CHF million	2017	2016
Trade accounts receivable	1 856	1 643
Associates	14	11
Other receivables	219	164
Total accounts receivable	2 089	1 818

13.1 Bad debt allowances

In CHF million	2017	2016
January 1	-164	-162
Setup	-25	-28
Utilization	20	23
Exchange differences	-5	3
December 31	-174	-164

13.2 Aging analysis of receivables

2017

In CHF million	Total carrying amounts	of which not overdue	of which overdue				
			< 30 days	30 to 90 days	91 to 180 days	181 to 360 days	> 360 days
Trade accounts receivable, gross	2 030	698	454	311	234	138	195
Allowances	-174	-1	-2	-3	-6	-29	-133
Associates	14	6	2	2	1	-	3
Other receivables	219	175	4	28	1	1	10
Total accounts receivable	2 089	878	458	338	230	110	75

2016

In CHF million	Total carrying amounts	of which not overdue	of which overdue				
			< 30 days	30 to 90 days	91 to 180 days	181 to 360 days	> 360 days
Trade accounts receivable, gross	1 807	582	376	340	200	122	187
Allowances	-164	-1	-2	-2	-10	-26	-123
Associates	11	5	-	-	1	2	3
Other receivables	164	132	6	9	3	2	12
Total accounts receivable	1 818	718	380	347	194	100	79

As at the balance sheet date, there were no indications that customers will not meet their payment obligations for trade accounts receivable that are overdue but not impaired.

14 Construction contracts

In CHF million	2017	2016
Work in progress (PoC)	1 716	1 502
Progress payments from customers	-1 021	-885
Net assets from construction contracts	695	617
Work in progress (PoC)	1 200	1 279
Progress payments from customers	-2 432	-2 419
Net liabilities from construction contracts	-1 232	-1 140

15 Inventories

In CHF million	2017	2016
Raw materials, semifinished and finished goods	479	411
Advance payments to suppliers	38	27
Total inventories	517	438

Inventories include write-downs and write-offs of CHF 96 million (previous year: CHF 92 million) related to items with a slow rate of turnover and technically obsolete items.

16 Property, plant, and equipment

2017

In CHF million	Land	Buildings	Equipment and machinery	Assets under construction	Other PPE	Total
Net book values						
January 1	72	477	185	61	129	924
Additions	4	49	35	94	39	221
Disposals	–	–1	–2	–	–3	–6
Depreciation	–	–27	–43	–	–46	–116
Business combinations	–	–	–	–	2	2
Reclassifications	1	10	3	–36	22	–
Exchange differences	–2	17	2	1	–2	16
December 31	75	525	180	120	141	1 041
of which finance leases	–	1	–	–	6	7
Cost	84	839	598	120	465	2 106
Accumulated depreciation and impairment	–9	–314	–418	–	–324	–1 065
December 31	75	525	180	120	141	1 041

In the reporting year, the sale of property, plant, and equipment resulted in gains of CHF 2 million (previous year: gains of CHF 5 million). The gains are recognized in other operating income.

Additions to property, plant, and equipment are reported net of non-cash government grants of CHF 8 million (previous year: CHF 0 million).

Contractual commitments for the acquisition of property, plant, and equipment amount to CHF 55 million (previous year: CHF 19 million).

Land and buildings include investment properties with a net book value of CHF 51 million (previous year: CHF 44 million). The fair value of investment properties is CHF 69 million (previous year: CHF 60 million). Of this sum, CHF 3 million was determined on the basis of external expert opinions (previous year: CHF 3 million). Rental income totaled CHF 4 million (previous year: CHF 4 million). This compares to operating expenses of CHF 2 million (previous year: CHF 2 million). The operating expenses relating to investment properties without rental income totaled CHF 1 million (previous year: CHF 1 million).

Investment properties are valued using the discounted cash flow method. Input factors such as the discount rate, rental income, and increases in rent are used, resulting in a level 3 fair value classification.

2016

In CHF million	Land	Buildings	Equipment and machinery	Assets under construction	Other PPE	Total
Net book values						
January 1	68	402	166	97	115	848
Additions	3	22	59	73	34	191
Disposals	–	–4	–3	–	–2	–9
Depreciation	–	–24	–40	–	–44	–108
Impairment	–	–	–2	–	–	–2
Business combinations and disposal of Group companies	1	5	2	–	1	9
Reclassifications	–	83	1	–107	23	–
Exchange differences	–	–7	2	–2	2	–5
December 31	72	477	185	61	129	924
of which finance leases	–	1	–	–	5	6
Cost	77	769	574	61	426	1 907
Accumulated depreciation and impairment	–5	–292	–389	–	–297	–983
December 31	72	477	185	61	129	924

17 Intangible assets

In CHF million	Goodwill	Service portfolio	Other intangible assets	Total
Net book values 2017				
January 1, 2017	716	158	81	955
Additions	–	–	35	35
Amortization	–	–23	–14	–37
Additions from business combinations	90	62	2	154
Exchange differences	13	–	3	16
December 31, 2017	819	197	107	1 123
Cost	836	518	221	1 575
Accumulated amortization and impairment	–17	–321	–114	–452
December 31, 2017	819	197	107	1 123
Net book values 2016				
January 1, 2016	678	132	60	870
Additions	–	–	33	33
Amortization	–	–19	–12	–31
Additions from business combinations	33	52	–	85
Disposal of Group companies	–16	–7	–	–23
Exchange differences	21	–	–	21
December 31, 2016	716	158	81	955
Cost	733	449	187	1 369
Accumulated amortization and impairment	–17	–291	–106	–414
December 31, 2016	716	158	81	955

Other intangible assets comprise licenses, patents, and similar rights, as well as software.

18 Impairment test

The value in use is determined annually in the third quarter using the discounted cash flow method. Future cash flows, discount rates, and other parameters relating to the respective cash-generating units are determined using various assumptions. The estimate for the reporting year and the forecast for the following two years form the basis for the test. Assumptions such as market conditions, sales volumes, revenue, cost of materials, personnel expenses, and operating expenses, as well as capital expenditure and other economic factors, are considered reasonable by management. An impairment is recognized if the carrying amount of the cash-generating unit exceeds the recoverable amount.

The calculations were based on the following assumptions:

In CHF million	Goodwill 31.12.2017	Assumptions used		
		Pre-tax discount rate	Growth rate	Inflation rate
China	254	11.4%	2.6%	2.6%
Brazil	163	24.7%	4.0%	4.0%
Germany	226	8.9%	2.5%	2.5%
Switzerland	51	7.0%	1.0%	1.0%
Saudi Arabia	34	12.3%	2.0%	2.0%
Others	91			
Total	819			

No impairment was necessary (previous year: no impairment). The item Others comprises eight (previous year: four) individually insignificant cash-generating units. A change in the assumptions used, e.g. in the event of a sustained deterioration in operating profit while the balance sheet and cost structure remain unchanged, would not result in an impairment of goodwill. Even if cash flow forecasts were based on zero growth, the carrying amount would not exceed the recoverable amount. An increase of 1 percentage point in the assumed discount rate would not alter the results of the impairment test.

In CHF million	Goodwill 31.12.2016	Assumptions used		
		Pre-tax discount rate	Growth rate	Inflation rate
China	248	11.2%	3.0%	3.0%
Brazil	173	26.5%	4.5%	4.5%
Germany	149	8.4%	2.0%	2.0%
Switzerland	51	6.9%	1.0%	1.0%
Saudi Arabia	35	12.0%	2.0%	2.0%
Others	60			
Total	716			

19 Associates

In the previous year, the remaining investment in ALSO Holding AG was reclassified to current financial assets and remeasured at fair value (see also note 12). Until the loss of significant influence, the Group applied equity accounting to its investment in ALSO Holding AG and recognized a share of profit of CHF 16 million and other comprehensive income of CHF –2 million, as well as losses from exchanges of the 0.375% exchangeable bond of CHF 4 million.

Group's share of other associates

In CHF million	2017	2016
Loss from continuing operations	-6	-7
Comprehensive income	-6	-7
Carrying amount	81	39

In the reporting year the Group acquired a 25% stake in Volkslift Elevator (China) Co. Ltd. with options to purchase the remaining shares.

20 Non-current financial assets

In CHF million	2017	2016
Loans to associates	5	23
Marketable securities	114	70
Investment in Hyundai Elevator Co. Ltd.	211	203
Other non-current financial assets	308	345
Total non-current financial assets	638	641

The investment in Hyundai Elevator Co. Ltd. is treated as a non-current available-for-sale financial asset. The Group's interest of 17.1% remained unchanged in the reporting year.

Other non-current financial assets mainly comprise loans and time deposits.

21 Deferred taxes

21.1 Deferred taxes by category

In CHF million	2017			2016		
	Assets	Liabilities	Net book value	Assets	Liabilities	Net book value
Current assets	93	-26	67	86	-24	62
Property, plant, and equipment	2	-20	-18	2	-19	-17
Intangible assets	27	-111	-84	11	-110	-99
Other non-current assets	1	-10	-9	-	-8	-8
Current liabilities	117	-71	46	122	-60	62
Provisions	67	-23	44	97	-14	83
Employee benefits	91	-	91	117	-	117
Other non-current liabilities	1	-	1	1	-1	-
Tax loss carryforwards	9	-	9	9	-	9
Total deferred tax assets / deferred tax liabilities			147			209
of which deferred tax assets			263			324
of which deferred tax liabilities			-116			-115

The Group does not expect material additional tax liabilities due to dividend payments from Group companies.

21.2 Changes in deferred taxes

In CHF million	2017	2016
January 1	209	210
Setup and reversal of temporary differences		
through the income statement	-35	-19
through other comprehensive income	-23	26
Additions from business combinations	-5	-
Exchange differences	1	-8
December 31	147	209

21.3 Unrecognized deferred tax assets

In CHF million	2017	2016
Temporary differences	24	67
Tax loss carryforwards	180	196
Total basis	204	263
Unrecognized deferred tax assets	43	63
Average tax rate in %	21.1	24.0

Deferred tax assets, including assets for unused tax loss carryforwards, are only recognized if it is probable that future profits will be available against which these assets can be offset for tax purposes. Unrecognized deferred tax assets mainly apply to Group companies with a history of tax losses and for which no or only a small taxable profit is expected in the future.

Reassessments of unrecognized deferred tax assets resulted in a recognition of deferred tax assets.

21.4 Tax loss carryforwards

	2017		2016	
In CHF million	Loss carry-forwards	Tax effects	Loss carry-forwards	Tax effects
Total	213	48	227	53
Recognized as deferred tax assets	-33	-9	-31	-9
Total unrecognized	180	39	196	44
of which expiring				
< 1 year	5	1	4	1
1–5 years	36	5	16	3
> 5 years	139	33	176	40

22 Accounts payable

In CHF million	2017	2016
Trade accounts payable	648	605
Associates	10	7
Social security	51	46
Indirect taxes and capital taxes	139	119
Other payables	99	86
Total accounts payable	947	863

23 Financial debts

23.1 Current financial debts

In CHF million	2017	2016
Bank overdrafts	43	33
Liabilities to related parties	93	119
Current portion of non-current financial debts		
of bank loans	3	6
of finance leases	2	2
0.375% exchangeable bond 2013–2017	–	87
Other current financial debts	19	7
Total current financial debts	160	254

In June 2013, Schindler Holding Ltd. issued a 0.375% exchangeable bond that could be exchanged for registered shares of ALSO Holding AG with an initial nominal amount of CHF 218 million. As at December 31, 2016, it was valued at fair value CHF 87 million (nominal amount: CHF 59 million). The exchange period ended on May 26, 2017. During the term of four years, 99.99% of the 0.375% exchangeable bond were exchanged and Schindler's participation in ALSO Holding AG was subsequently reduced to almost zero.

The revaluation and exchange of the 0.375% exchangeable bond as well as the available-for-sale financial asset had a positive net impact of CHF 6 million on the financial result (previous year: CHF –6 million from revaluation and exchange of the 0.375% exchangeable bond as well as CHF 26 million from results from associates).

23.2 Non-current financial debts

In CHF million	2017	2016
Liabilities towards non-controlling interests	–	41
Finance leases	5	4
Other non-current financial debts	15	10
Total non-current financial debts	20	55

Liabilities towards non-controlling interests relate to the acquisition of XJ-Schindler (Xuchang) Elevator Co. Ltd. In 2014, the Group obtained further rights to acquire 5% of shares in the company in each of the following three years (2015–2017). The last acquisition right was exercised in the reporting year. If the acquisition right had not been exercised, the vendor would have had the right in the following year to sell the 5% interest in the company to the Group.

23.3 Changes in financial debts

In CHF million	Current financial debts	Non-current financial debts	Total
January 1, 2017	254	55	309
Proceeds from increase in financial debts	23	–	23
Repayments in financial debts	–44	–5	–49
Acquisition of non-controlling interests	–	–45	–45
Other cash flows	–25	–17	–42
Non-cash items			
Revaluation/exchange 0.375% exchangeable bond 2013–2017	–87	–	–87
Reclassifications	4	–4	–
Exchange differences	–	1	1
Others	35	35	70
December 31, 2017	160	20	180

Other cash flows and other non-cash items mainly comprise payments and changes in deferred purchase consideration.

23.4 Maturity and average interest rate on financial debts

In CHF million	2017		2016	
	Book values	Effective interest rate in %	Book values	Effective interest rate in %
< 1 year	160	1.5	254	1.4
1–5 years	20	2.8	55	1.5
Total financial debts	180	1.7	309	1.4

24 Accrued expenses and deferred income

In CHF million	2017	2016
Personnel expenses	471	446
Follow-up work from construction contracts	408	421
Invoiced service contracts	434	411
Cost of materials and services	218	202
Other accrued expenses and deferred income	251	295
Total accrued expenses and deferred income	1 782	1 775

25 Provisions

In CHF million	Loss-making contracts	Restructuring costs	Product liabilities and warranties	Self-insurance	Others	Total
Current provisions	35	28	86	11	20	180
Non-current provisions	–	4	204	51	85	344
Total provisions	35	32	290	62	105	524
Statement of changes						
January 1, 2017	35	26	295	65	95	516
Setup	42	31	59	8	12	152
Increase in present value	–	–	4	5	–	9
Utilization	–43	–25	–51	–13	–4	–136
Reversal	–	–	–12	–	–2	–14
Exchange differences	1	–	–5	–3	4	–3
December 31, 2017	35	32	290	62	105	524

Provisions for loss-making contracts are recorded to cover losses contained in the order backlog. The provisions are calculated on the basis of pre-calculations and experience. Orders are usually completed within 9 to 24 months. The provisions are reversed as each order progresses.

Provisions for product liability are based on actuarial calculations by independent experts for cases that are expected to occur or have already occurred but are not yet resolved. The provisions are used as the payments are made, which may be over a period of up to 10 years following the occurrence of damages. Warranty provisions cover the risk of expenses that are expected to occur before the warranty period expires. These provisions are calculated on the basis of experience.

The provisions for self-insurance mainly cover risks that are not, or not sufficiently, covered by local or state insurance in individual countries. These provisions are based on actuarial reports. The provisions are used as the payments are made, which may be over a period of up to 10 years following the occurrence of damages.

Other provisions cover further risks relating to individual Group companies, such as litigation, as well as direct and indirect taxation. Other provisions are normally used within 5 years.

26 Employee benefits

			2017			2016
In CHF million	Funded	Unfunded	Total	Funded	Unfunded	Total
Switzerland						
Fair value of plan assets	2 096		2 096	1 937		1 937
Present value of defined benefit obligation	-2 152		-2 152	-2 180		-2 180
Plan deficit – Switzerland	-56		-56	-243		-243
USA						
Fair value of plan assets	261		261	226		226
Present value of defined benefit obligation	-271	-43	-314	-258	-44	-302
Plan deficit – USA	-10	-43	-53	-32	-44	-76
Other plans						
Fair value of plan assets	113		113	126		126
Present value of defined benefit obligation	-130	-346	-476	-163	-272	-435
Plan deficit – other plans	-17	-346	-363	-37	-272	-309
Total						
Fair value of plan assets	2 470		2 470	2 289		2 289
Present value of defined benefit obligation	-2 553	-389	-2 942	-2 601	-316	-2 917
Total plan deficit	-83	-389	-472	-312	-316	-628
Present value of other employee benefits		-27	-27		-25	-25
Total net book value of employee benefits	-83	-416	-499	-312	-341	-653

The Group has a number of funded defined benefit plans. Certain plans are managed by separate legal entities. The governing bodies of these entities have an obligation to act in the interests of the plan participants and are also responsible for the investment strategy. The largest plans are in Switzerland and the USA. Together, they account for 84% (previous year: 85%) of the Group's total defined benefit obligation and 95% (previous year: 94%) of its plan assets. Unfunded defined benefit plans mainly consist of pension plans in Germany, France, and Austria.

Pension plans in Switzerland

These pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which states that pension plans are to be managed by independent, separate legal entities. It also stipulates that a pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability, and death. The insurance benefits are subject to regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. If a plan is underfunded, various measures can be taken, such as a reduction in benefits by altering the conversion rates or increasing current contributions. The BVG states how the employer and employees have to jointly fund potential restructurings.

The Schindler Pension Fund has the legal structure of a foundation. All actuarial risks are borne by the foundation. They consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries/wages, and the return on plan assets) and are regularly assessed by the Board of Trustees. In addition, an actuarial report is drawn up annually in accordance with BVG requirements. The definitive funded status according to the BVG is determined in the first quarter of the following year. According to estimates, the funded status as at December 31, 2017, is 116% (previous year: 113%, definitive).

The Board of Trustees defines the investment strategy as often as necessary and at least once annually. When defining the investment strategy, it takes account of the foundation's objectives, benefit obligations, and risk capacity. The investment strategy is defined on the basis of a long-term target asset structure. The aim is to ensure that plan assets and liabilities are aligned in the medium and long term.

The funded plans also include the Schindler Foundation (an extramandatory, semi-autonomous management pension plan). This plan for employees in management functions extends the insurance cover provided by the pension plan. All of the Schindler Foundation's actuarial risks are reinsured.

Pension plan in the USA

The Schindler Elevator Corporation Retirement Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), which defines minimum standards such as the plan's statutory minimum funded status. An actuarial report on the plan is prepared annually in accordance with ERISA requirements. The definitive funded status is determined in the second quarter of the following year. According to estimates, the funded status as at December 31, 2017, is 117% (previous year: 118%, definitive).

Plan participants are insured against the financial consequences of old age, disability, and death. Contributions to the pension plan are paid entirely by Schindler Elevator Corporation. Pension entitlements are, to a large extent, insured with the government's Pension Benefit Guaranty Corporation.

The Benefit Administration Committee (BAC) is responsible for the internal structure and supervision of the plan. The BAC consists of employees of Schindler Elevator Corporation, the majority of whom are members of the Executive Board. The assets are held in a separate legal entity. The Benefits Investment Committee defines the investment strategy, taking the plan's objectives, benefit obligations, and risk capacity into account.

No new plan participants have been accepted since 2002. Since 2003, the pension entitlements of employees who were more than 25 years from reaching the normal retirement age at that time were frozen. Instead of this defined benefit plan, a defined contribution plan pursuant to Internal Revenue Code 401(k) is now in place.

26.1 Cost of defined benefit plans

In CHF million	2017	2016
Service costs		
Current service costs	65	62
Past service costs	–	–12
Gains/losses from settlements	7	–2
Total service costs	72	48
Net interest on employee benefits	11	13
Total pension expenses recorded in income statement	83	61
of which arising from		
Funded pension plans	65	44
Unfunded pension plans	18	17

Service costs for the reporting year totaled CHF 47 million (previous year: CHF 36 million) for pension plans in Switzerland and CHF 5 million (previous year: CHF 2 million) for the pension plan in the USA. Net interest expenses for the reporting year totaled CHF 1 million (previous year: CHF 2 million) for pension plans in Switzerland and CHF 3 million (previous year: CHF 4 million) for the pension plan in the USA. In the previous year, plan amendments (mainly from changes in conversion rates) were made in various countries in order to reduce actuarial risks.

26.2 Remeasurements of employee benefits

In CHF million	2017	2016
Actuarial gains/losses		
Changes in demographic assumptions	–5	32
Changes in financial assumptions	–22	–124
Experience adjustments	–17	–30
Return on plan assets (excluding interest based on discount rate)	185	77
Total remeasurements recorded in other comprehensive income	141	–45
of which arising from		
Funded pension plans	196	–31
Unfunded pension plans	–55	–14

Remeasurements recorded in other comprehensive income for the reporting year totaled CHF 191 million (previous year: CHF –12 million) for pension plans in Switzerland and CHF –9 million (previous year: CHF –3 million) for the pension plan in the USA. In the previous year, the changes in demographic assumptions were mainly related to amendments to the mortality tables in various countries.

26.3 Change in fair value of plan assets

In CHF million	2017	2016
January 1	2 289	2 258
Interest income (based on discount rate)	23	29
Return on plan assets (excluding interest based on discount rate)	185	77
Employee contributions	41	41
Ordinary employer contributions	55	97
Additional employer contributions	44	–
Benefits paid	–121	–122
Settlements	–37	–82
Exchange differences	–9	–9
December 31	2 470	2 289

Additional employer contributions consist of voluntary payments in excess to contributions required by pension plan regulations.

26.4 Change in present value of defined benefit obligation

In CHF million	2017			2016		
	Funded	Unfunded	Total	Funded	Unfunded	Total
January 1	–2 601	–316	–2 917	–2 596	–313	–2 909
Service costs	–62	–10	–72	–38	–10	–48
Interest costs	–27	–7	–34	–34	–8	–42
Actuarial gains/losses	11	–55	–44	–108	–14	–122
Employee contributions	–41	–	–41	–41	–	–41
Benefits paid	121	20	141	122	17	139
Business combinations and disposal of Group companies	–	–2	–2	–	2	2
Settlements	37	2	39	82	5	87
Exchange differences	9	–21	–12	12	5	17
December 31	–2 553	–389	–2 942	–2 601	–316	–2 917

26.5 Asset allocation of investments as at December 31

In %	2017				2016			
	CH	USA	Others	Total	CH	USA	Others	Total
Equity instruments	29.4	15.3	41.4	28.4	27.8	17.1	45.9	27.8
Bonds	22.5	57.6	20.8	26.1	22.7	53.0	11.0	25.0
Real estate	31.0	9.2	–	27.3	32.6	13.8	–	29.0
Hedge funds / Private equity	6.4	3.7	37.8	7.6	6.8	15.4	34.6	9.2
Cash and cash equivalents	4.3	14.2	–	4.9	3.1	0.7	3.4	2.9
Others	6.4	–	–	5.7	7.0	–	5.1	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The outflow of funds due to pension payments and other obligations can be forecast reliably. Contributions are paid regularly to funded pension plans. Furthermore, the various investment strategies take account of the need to guarantee the liquidity of the plans at all times. The Group does not make use of any assets held by pension plans.

Equity instruments represent investments in equity funds and direct investments. They generally have quoted market prices in an active market (level 1 fair value classification). The pension plan assets do not include any registered shares or participation certificates of Schindler Holding Ltd.

Bonds generally have a credit rating that is no lower than A and have quoted market prices in an active market (level 1). They comprise investments in funds and direct investments.

Real estate is divided into residential and commercial properties and comprises direct and indirect investments (level 2 or 3). Real estate that is held directly is valued annually by an independent expert.

Investments in hedge funds and private equity investments serve as alternative asset classes. They are used mainly for risk management purposes. No quoted market prices in an active market are usually available (level 2 or 3).

Cash and cash equivalents are invested with financial institutions that have an investment grade rating.

The item Others includes commodities, insurance-linked securities, and derivatives, among others (levels 1 to 3). The latter are acquired primarily for the purpose of hedging interest rate risks and foreign currency risks. The use of derivatives is only permitted if appropriate liquidity or underlying investments are available. Leveraging and short selling are not permitted.

The actual return on plan assets for 2017 was:

- Switzerland: 9% (previous year: 5%)
- USA: 12% (previous year: 5%)

26.6 Plan participants

	Active		Deferred		Retired		Total
	2017	2016	2017	2016	2017	2016	2017
Number	23 079	21 172	1 593	1 904	6 631	6 496	31 303
Present value of defined benefit obligation in CHF million	1 701	1 631	104	133	1 137	1 153	2 942
Share in %	57.8	55.9	3.5	4.6	38.7	39.5	100.0
Weighted average duration in years	15.2	15.0	18.9	17.1	10.4	10.5	13.5

The following employer contributions are expected for the reporting year 2018:

- Switzerland: CHF 45 million
- USA: CHF 0 million
- Other plans: CHF 9 million

26.7 Significant actuarial assumptions

The present value of the defined benefit obligation is determined annually by independent actuaries using the projected unit credit method.

In %	Switzerland		USA	
	2017	2016	2017	2016
Discount rate	0.70	0.60	3.61	4.33
Increase in salaries/wages	1.00	1.00	2.50	2.50

Sensitivities of significant actuarial assumptions

The discount rate and the future increase in salaries/wages were identified as significant assumptions. The following impacts on the defined benefit obligation would result from changes in actuarial assumptions:

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3% (previous year: 3%) in the defined benefit obligation.
- A 1% increase/decrease in the expected increase in salaries/wages would lead to an increase/decrease of 2% (previous year: 2%) in the defined benefit obligation.

The sensitivity analysis is based on reasonable possible changes as at the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

27 Equity

27.1 Share capital

	31.12.2017	31.12.2016
Number of registered shares	67 077 452	67 077 452
Nominal value in CHF	0.10	0.10
Share capital in CHF	6 707 745	6 707 745

27.2 Participation capital

	31.12.2017	31.12.2016
Number of participation certificates	40 716 831	40 716 831
Nominal value in CHF	0.10	0.10
Participation capital in CHF	4 071 683	4 071 683

The share capital and the participation capital were reduced in 2016.

27.3 Treasury shares

	Registered shares			Participation certificates		
	Number	Average share price in CHF	Value in CHF million	Number	Average share price in CHF	Value in CHF million
January 1, 2016	1 513 747		221	3 907 999		598
Cancellation	-984 350	158.48	-156	-3 519 480	158.26	-557
Purchases	280 250	178.41	50	-	-	-
Disposals	-677	-	-	-6 334	157.88	-1
Share-based payments						
Allocation	-95 957	177.16	-17	-	-	-
Exercising of options and Performance Share Units	-156 898	95.60	-15	-82 536	96.93	-8
Difference in value due to allocation and exercise			-			-1
December 31, 2016	556 115		83	299 649		31
Purchases	180 000	205.27	37	-	-	-
Disposals	-2 819	205.75	-1	-	-	-
Share-based payments						
Allocation	-85 302	197.60	-17	-	-	-
Exercising of options and Performance Share Units	-158 820	97.32	-15	-87 909	94.28	-8
Difference in value due to allocation and exercise			-1			-2
December 31, 2017	489 174		86	211 740		21
Reserved for share-based payment plans	489 174			211 740		

See note 11 of the financial statements of Schindler Holding Ltd. for further details.

27.4 Other reserves

In CHF million	Cash flow hedges	Available-for-sale financial assets	Share of other comprehensive income of associates	Total
January 1, 2016	10	116	-4	122
Unrealized changes in fair value	-18	-5	3	-20
Taxes on unrealized changes in fair value	-	1	-	1
Realized/reclassified changes in fair value	4	2	-	6
Taxes on realized/reclassified changes in fair value	2	-	-	2
December 31, 2016	-2	114	-1	111
Unrealized changes in fair value	3	34	-	37
Taxes on unrealized changes in fair value	-	-	-	-
Realized/reclassified changes in fair value	-2	-38	-	-40
Taxes on realized/reclassified changes in fair value	2	-	-	2
December 31, 2017	1	110	-1	110

28 Business combinations

The Group acquired the business activities or the shares of various smaller companies that sell, install, modernize, and maintain elevators and escalators. Viewed individually, the acquisitions are not significant. However, these acquisitions enable the Group to strengthen its market position and regional coverage. The Group assumes that CHF 48 million of goodwill is tax-deductible. Gross trade accounts receivable total

CHF 21 million and the related provisions for bad debts total CHF 3 million. The impact on the Group's revenue as well as operating profit resulting from the acquisitions is not material nor would it be material if all acquisitions would have occurred at January 1, 2017. Net cash outflows comprise cash and cash equivalents paid, less cash and cash equivalents acquired, as well as deferred purchase consideration paid related to business combinations of previous years.

In CHF million	Cumulative fair values at acquisition date
Assets	
Cash and cash equivalents	6
Accounts receivable	18
Other current assets	7
Service portfolio	62
Intangible assets	2
Deferred tax assets	1
Other non-current assets	2
Liabilities	
Current liabilities	26
Deferred tax liabilities	6
Other non-current liabilities	2
Net assets acquired	64
Non-controlling interests	–
Goodwill	90
Total acquisition costs	154
Cash and cash equivalents paid	142
Deferred purchase consideration	12
Total acquisition costs	154
Net cash outflow	136

In the previous year, the Group acquired the business activities or the shares of various smaller companies. Viewed individually and collectively, these acquisitions were not significant. A total of CHF 63 million was paid in 2016 for business combinations and deferred purchase consideration related to business combinations of previous years.

29 Other non-cash items

In CHF million	2017	2016
Gain on the sale of operations in Japan	–	–50
Share-based payments	23	26
Others	19	21
Total other non-cash items	42	–3

In the previous year, cash flows related to the sale of the Group's operations in Japan were disclosed in cash flow from investing activities.

30 Off-balance sheet transactions

30.1 Contingent liabilities

In CHF million	2017	2016
Guarantees in favor of third parties	54	71

Guarantees are reported as contingent liabilities and are only recognized as a provision if it is probable that an outflow of resources embodying economic benefits will occur.

The Group is exposed to a variety of legal risks. In particular, they may include risks associated with employment law, product liability, patent law, tax law, and competition law. Several Group companies are involved in legal proceedings. The results of pending or future proceedings cannot be accurately forecast. Consequently, decisions by courts or other authorities can give rise to expenses that are not covered either partly or fully by insurance policies. This may have a significant impact on the business and future results.

The decision by the European Commission on February 21, 2007, regarding fines under competition law, as well as the decision by the Higher Regional Court in Vienna on December 14, 2007, to impose fines, resulted in civil damage claims against Group companies and other elevator companies being lodged with courts in Belgium, the Netherlands, and Austria. The total capital amount claimed jointly and severally from all the defendants involved in the proceedings – in which Group companies are involved as defendants – was EUR 175 million at the end of 2017. The Group companies in question consider the claims to be without merit.

30.2 Other unrecognized obligations

In CHF million	2017	2016
Non-cancellable capital commitments for the purchase of PPE and material	112	92

30.3 Maturity of non-cancellable lease payments

In CHF million	2017		2016	
	Real estate	Other operating leases	Real estate	Other operating leases
< 1 year	72	58	62	49
1–5 years	129	87	129	79
> 5 years	25	8	23	11
Total lease payments	226	153	214	139

Other operating leases mainly comprise vehicles, as well as equipment and machinery.

31 Financial risk management

31.1 Principles for risk management

The Group is exposed to a variety of general and industry-specific risks. The most significant financial risks to which it is exposed are market risks (including interest rate risks, foreign currency risks, and price risks), liquidity risks, and credit risks. These risks can have a material impact on the Group's financial position, results of operations, and cash flows.

Corporate Treasury manages these risks based on principles and guidelines determined annually by the Board of Directors, the Supervisory and Strategy Committee, and the Group Executive Committee. The risk policy is intended to promote sustainable growth, increase the value of the business, and minimize potential adverse effects on the Group's financial performance.

Various risk management and control systems are used to anticipate, measure, monitor, and address risks. The Group Executive Committee and the Audit Committee review the appropriateness of the risk management and internal control systems at regular intervals – or immediately if unexpected risks arise.

31.2 Market risks

In the course of its normal business activities, the Group is exposed to market risks arising mainly from changes in interest rates, foreign currency exchange rates, and prices of equity instruments.

The Group's assets and liabilities associated with pension plans are not included in the following quantitative and qualitative information.

31.2.1 Risk measurement and management

The Group-wide management of market risks is one of the main responsibilities of Corporate Treasury and is monitored by the Supervisory and Strategy Committee and the Finance Committee. The Finance Committee is composed of internal experts who are not members of the Board of Directors. If necessary, risks are managed using derivatives such as foreign currency contracts or interest rate swaps.

Sensitivity analyses are performed to assess the effects of different market conditions. These analyses enable risk positions to be evaluated on a Group-wide basis. They provide an approximate measurement of the risk that can arise based on specific assumptions in the event of isolated changes to individual parameters of a defined amount. The actual impacts on the statement of comprehensive income may differ, depending on how the market develops.

31.2.2 Interest rate risks

Interest rate risks result from changes in interest rates that can negatively affect the Group's financial position, results of operations, and cash flows. Fluctuations in interest rates lead to changes in the interest costs and interest income of variable interest-bearing assets and liabilities.

The Group is exposed to interest rate risks primarily on the income side due to the large positive net cash position. A significant portion of financial assets is held in Swiss francs and the Group is therefore exposed to negative interest rates. The risk arising from financial liabilities is limited since the relevant interest rates are mainly fixed. The principal currencies in which the Group is exposed to interest rate risks are the Swiss franc, the euro, the US dollar, the Brazilian real, the Indian rupee, and the Chinese renminbi.

The Supervisory and Strategy Committee defines the target structure of fixed and variable interest-bearing financial liabilities. Local short-term interest rate risks are not usually hedged by Group companies.

Risks from changes in interest rates are modelled using sensitivity analyses that demonstrate the effects of changes in market interest rates on interest expense and interest income. If market interest rates had been 100 basis points higher/lower during the reporting year, net interest income would have been CHF 21 million higher/lower (previous year: CHF 24 million higher/lower).

31.2.3 Foreign currency risks

The Group uses the Swiss franc as its reporting currency. It is exposed to foreign currency exchange movements, primarily in euros, US dollars, Chinese renminbi, Brazilian reals and Indian rupees. This risk is categorized as transaction risk due to income and expenses in currencies other than the local reporting currency, or as translation risk arising from the consolidation of the financial statements of Group companies in Swiss francs.

The majority of income and expenses from operating activities are incurred in local currencies. Where transactions in foreign currencies occur, these are managed either through matching the invoicing currency to the source currency of the cost of materials, or by hedging through currency derivative transactions with counterparties with high-quality credit ratings.

Each Group company is required to determine its net transaction-related foreign currency exposure and to hedge it either centrally through Corporate Treasury, if possible, or directly with external counterparties. Corporate Treasury combines the transaction risks by currency and creates natural hedging relationships. The remaining transaction risks are hedged by Corporate Treasury externally. Through this process the Group is able to reduce its transaction-related foreign currency risks to a minimum.

Hedge accounting is applied in some Group companies where there is significant transaction risk. As a result, any gains or losses arising from marking to market these derivative hedge transactions are recognized in other comprehensive income and reclassified to the income statement once the underlying hedged transaction is recognized.

Foreign currency positions may be taken for the purpose of optimizing the Group's financial result. Such transactions are subject to limits defined by the Board of Directors. The Supervisory and Strategy Committee receives quarterly updates detailing the foreign currency risk exposures of the Group.

Group companies are not permitted to speculatively obtain or invest in foreign currency cash. The Group's internal financing is, in the majority of cases, executed in the relevant local currency.

The following tables show the net positions of significant currency hedges and the impact on the net financial result in the event of a movement of +/- 5% in the respective currency.

2017

In CHF million	EUR	USD	GBP	AUD	CAD	CNY
Total¹	212	-45	-40	-53	-16	155

¹ – short positions / + long positions

In CHF million	EUR	USD	GBP	AUD	CAD	CNY
					Changes in value of +/-5%	
Impact on net financial result (+5%)	11	-2	-2	-3	-1	8
Impact on net financial result (-5%)	-11	2	2	3	1	-8

2016

In CHF million	EUR	USD	GBP	AUD	CAD	CNY
Total¹	46	-127	-35	-82	-20	111

¹ – short positions / + long positions

In CHF million	EUR	USD	GBP	AUD	CAD	CNY
					Changes in value of +/-5%	
Impact on net financial result (+5%)	2	-6	-2	-4	-1	6
Impact on net financial result (-5%)	-2	6	2	4	1	-6

Unhedged net positions amount to less than CHF 10 million (previous year: less than CHF 10 million) and the resulting foreign currency risks to the Group are insignificant.

Translation risks are only hedged in exceptional cases.

31.2.4 Price risks

The Group is exposed to price risks related to the equity instruments that are classified either as available for sale or at fair value through profit or loss. Investments in equity instruments are made on an individual basis upon the instruction of the Supervisory and Strategy Committee, the Finance Committee, or Corporate Treasury.

The Group has investments in equity instruments totaling CHF 288 million (previous year: CHF 375 million). The investment in Hyundai Elevator Co. Ltd. (CHF 211 million, previous year: CHF 203 million) accounts for the major proportion of these investments. In the previous year, these investments also included the participation in ALSO Holding AG (CHF 88 million). The corresponding price risks relate to price changes, which can negatively impact the Group's financial position, results of operations, and cash flows.

If the prices of the various equity instruments as at December 31, 2017, had been 10% higher/lower, net financial income would have been CHF 3 million higher or lower (previous year: CHF 2 million higher or lower). Other comprehensive income would have been CHF 26 million higher or lower (previous year: CHF 35 million higher or lower).

31.3 Liquidity risks

Liquidity risk is defined as the risk that the Group encounters difficulties in meeting its obligations on time or at a reasonable price.

The Group maintains a substantial liquidity reserve in the form of cash and cash equivalents in order to ensure its solvency and financial flexibility at all times. The Group's creditworthiness also allows it to make efficient use of international financial markets for financing purposes, if necessary.

Financial liabilities: carrying amounts and cash outflows

2017

In CHF million	Carrying amounts	Total	Cash outflows		
			< 1 year	1–5 years	> 5 years
Accounts payable	-757	-757	-757	–	–
Financial debts	-173	-173	-158	-15	–
Finance lease liabilities	-7	-7	-2	-5	–
Other financial liabilities	-919	-919	-919	–	–
Derivatives					
Cash inflows		2 148	2 080	68	–
Cash outflows		-2 145	-2 077	-68	–
Net	3	3	3	–	–
Total	-1 853	-1 853	-1 833	-20	–

2016

In CHF million	Carrying amounts	Total	Cash outflows		
			< 1 year	1–5 years	> 5 years
Accounts payable	-698	-698	-698	–	–
Financial debts	-175	-177	-167	-10	–
Liabilities towards non-controlling interests	-41	-41	–	-41	–
Finance lease liabilities	-6	-6	-2	-4	–
0.375% exchangeable bond 2013–2017	-87	-59	-59	–	–
Other financial liabilities	-906	-906	-906	–	–
Derivatives					
Cash inflows		2 437	2 295	142	–
Cash outflows		-2 457	-2 315	-142	–
Net	-20	-20	-20	–	–
Total	-1 933	-1 907	-1 852	-55	–

This information is based on contractually agreed, i.e. undiscounted, interest and principal payments.

The 0.375% exchangeable bond was almost fully exchanged for ALSO Holding AG shares. The exchange period ended on May 26, 2017, and the remaining bond was redeemed without material cash outflows (see note 23). The coupon payments amounted to less than CHF 1 million per year.

31.4 Credit risks

Credit risk is the risk that a financial loss may arise if a counterparty is unable or unwilling to fulfill its contractual payment obligations. Credit risk not only comprises the immediate risk of default but also the risk of a credit rating downgrade, together with the potential occurrence of cluster risks.

Credit risks related to commercial business activities are managed by Group companies, while counterparty risks related to financial institutions are centrally managed by Corporate Treasury.

31.4.1 Cash and cash equivalents, current and non-current financial assets

The Group's risk policy stipulates that a major proportion of cash and cash equivalents must be invested in broadly diversified counterparties with a low default risk. Consequently, cash and cash equivalents are invested mainly in time deposits and in high-quality, low-risk, liquid securities issued by financial institutions that fulfill certain minimum requirements in terms of their credit ratings.

The Group makes various other investments that are classified either as current or non-current financial assets. Current financial assets mainly comprise shares and secure investments in the form of bonds and time deposits. Non-current financial assets mainly comprise shares, other investment-grade securities and time deposits.

To actively manage its credit risk, the Group has defined limits for the value of assets that may be held at any one financial institution. The limits are regularly assessed and determined based upon credit ratings and credit default swaps.

Creditworthiness is categorized using the following ratings:

- AAA Default risk practically zero
- AA Secure investment but minor risk of default
- A Secure investment provided no unforeseen circumstances impair overall economy or industry
- < A Mainly investments for which no public rating exists

2017

								Rating	
	AAA		AA		A		< A		
In CHF million	%		%		%		%		Total
Cash and cash equivalents	20	1	369	22	684	40	636	37	1 709
Current financial assets ¹	50	27	10	6	70	38	53	29	183
Non-current financial assets ¹	197	55	20	6	15	4	127	35	359
Total	267	12	399	18	769	34	816	36	2 251

¹ Excluding equity instruments

2016

								Rating	
	AAA		AA		A		< A		
In CHF million	%		%		%		%	Total	
Cash and cash equivalents	20	1	623	31	645	33	700	35	1 988
Current financial assets ¹	–	–	9	5	57	30	126	65	192
Non-current financial assets ¹	136	33	20	5	46	11	210	51	412
Total	156	6	652	25	748	29	1 036	40	2 592

¹ Excluding equity instruments**31.4.2 Trade accounts receivable**

In view of the Group's large customer base and global presence, the concentration of credit risk in trade receivables is limited (see note 13). The payment terms and outstanding receivables are regularly monitored by Group companies. Progress payments from customers provide additional security.

31.5 Capital management

The Group's capital management activities aim to maintain its strong credit rating and robust key performance indicators in order to support its operating activities. Measures that can be taken include changes to dividend payments, the repayment of capital to shareholders through a repurchase program, or the issuing of new shares.

The Group manages capital by monitoring net liquidity and the equity ratio. Net liquidity is defined as cash and cash equivalents, current financial assets, and non-current financial assets less financial liabilities.

In CHF million	2017	2016
Net liquidity	2 147	2 455
Equity ratio in %	37.9	34.3

32 Financial instruments

2017

	Financial assets			Financial liabilities		Total	Total fair values
	at fair value through profit or loss			at fair value through profit or loss	Other financial liabilities		
In CHF million	Held for trading	Loans and receivables	Available for sale	Held for trading			
Cash and cash equivalents		1 709				1 709	1 709
Current financial assets	8	183	–			191	191
Accounts receivable		1 913				1 913	1 913
Prepaid expenses and accrued income	24	121				145	145
Non-current financial assets	52	313	273			638	638
Accounts payable					757	757	757
Financial debts				–	180	180	180
Accrued expenses and deferred income				21	919	940	940
Total	84	4 239	273	21	1 856		
Changes recognized in the income statement							
Interest income/expenses	–	20	–	–	–10	10	
Net income from current financial assets	6	1	11	6		24	
Bad debt allowances		–25				–25	
Total	6	–4	11	6	–10	9	
Changes recognized in other comprehensive income							
Changes in fair value			34			34	
realized through / reclassified to the income statement			–38			–38	
Total			–4			–4	
Total recorded in comprehensive income	6	–4	7	6	–10	5	

2016

	Financial assets			Financial liabilities		Total	Total fair values
	at fair value through profit or loss			at fair value through profit or loss	Other financial liabilities		
In CHF million	Held for trading	Loans and receivables	Available for sale	Held for trading			
Cash and cash equivalents		1 988				1 988	1 988
Current financial assets	7	163	168			338	338
Accounts receivable		1 696				1 696	1 696
Prepaid expenses and accrued income	17	103				120	120
Non-current financial assets	52	368	221			641	641
Accounts payable					698	698	698
Financial debts				87	222	309	309
Accrued expenses and deferred income				37	906	943	943
Total	76	4 318	389	124	1 826		
Changes recognized in the income statement							
Interest income/expenses	–	25	–	–	–14	11	
Net income from current financial assets	7	1	–4	–6		–2	
Bad debt allowances		–28				–28	
Total	7	–2	–4	–6	–14	–19	
Changes recognized in other comprehensive income							
Changes in fair value			–5			–5	
realized through / reclassified to the income statement			2			2	
Total			–3			–3	
Total recorded in comprehensive income	7	–2	–7	–6	–14	–22	

32.1 Fair value hierarchy

				2017 Total fair values				2016 Total fair values
In CHF million	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial assets								
at fair value through profit or loss								
Current financial assets	8	–	–	8	7	–	–	7
Derivatives	–	24	–	24	–	17	–	17
Non-current financial assets	52	–	–	52	52	–	–	52
available for sale								
Current financial assets	–	–	–	–	168	–	–	168
Non-current financial assets	256	8	9	273	211	–	10	221
Financial liabilities								
at fair value through profit or loss								
Financial debts	–	–	–	–	87	–	–	87
Derivatives	–	21	–	21	–	37	–	37
Other disclosed fair values								
Financial assets								
Current financial assets	–	183	–	183	–	163	–	163
Non-current financial assets	–	313	–	313	–	368	–	368
Financial liabilities								
Financial debts	–	180	–	180	–	181	41	222

The fair values for cash and cash equivalents, accounts receivable, prepaid expenses and accrued income, accrued expenses and deferred income, and accounts payable are expected to approximate their carrying amounts given the short-term nature of these financial instruments. Derivatives are reported within the positions prepaid expenses and accrued income or accrued expenses and deferred income.

There was no transfer between level 1 fair value and level 2 and no transfer into or out of level 3 during the reporting year (previous year: no transfer between the different levels).

32.2 Valuation methods

Balance sheet position	Type of financial instruments	Valuation methods
Current financial assets	– Equity instruments and bonds traded in active markets – Time deposits	– Quoted prices from active markets – Discounted cash flow method based on observable data
Prepaid expenses and accrued income	– Derivatives	– Discounted cash flow method based on observable data
Non-current financial assets	– Equity instruments and bonds traded in active markets – Private equity investments – Time deposits	– Quoted prices from active markets – External valuations – Discounted cash flow method based on observable data
Financial debts	– Bond traded in an active market – Liabilities towards non-controlling interest	– Quoted prices from an active market – Discounted cash flow method based on unobservable data
Accrued expenses and deferred income	– Derivatives	– Discounted cash flow method based on observable data

32.3 Reconciliation of level 3 fair values

In CHF million	2017	2016
Non-current financial assets		
January 1	10	12
Changes in value recognized in other comprehensive income	-1	-1
Disposals	-	-1
December 31	9	10

32.4 Derivatives

In CHF million	2017			2016		
	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount
Held for trading						
Currency instruments	19	17	1 756	14	25	2 012
Total held for trading	19	17	1 756	14	25	2 012
Fair value hedges						
Currency instruments	-	-	19	-	-	27
Total fair value hedges	-	-	19	-	-	27
Cash flow hedges						
Currency instruments	5	4	349	3	12	381
Total cash flow hedges	5	4	349	3	12	381
Total derivatives	24	21	2 124	17	37	2 420

33 Pledged assets

In CHF million	2017	2016
Cash and cash equivalents / current financial assets	13	25
Accounts receivable	-	26
Inventories	-	5
Property, plant, and equipment	-	7
Non-current financial assets	20	21
Total pledged assets	33	84

Pledged assets serve as security for the Group's own liabilities.

34 Segment reporting

The Elevators & Escalators segment comprises an integrated business that specializes in the production and installation of new elevators and escalators, as well as the modernization, maintenance, and repair of existing installations. The segment is managed as a global unit.

The column Finance comprises the expenses of Schindler Holding Ltd., as well as centrally managed financial assets and financial liabilities that have been entered into for Group investing and financing purposes.

Since internal and external reporting is based on the same accounting principles, there is no need to reconcile the management reporting figures to the financial reporting figures.

34.1 Segment information

In CHF million	2017			2016		
	Group	Finance	Elevators & Escalators	Group	Finance	Elevators & Escalators
Revenue from third parties	10 179	–	10 179	9 683	–	9 683
Operating profit	1 187	–25	1 212	1 133	–29	1 162
Additions to property, plant, and equipment, and intangible assets	256	–	256	224	–	224
Total depreciation and amortization	153	–	153	141	–	141
of which impairment	–	–	–	2	–	2
Result from associates	–6	–	–6	31	38	–7
Assets	8 626	1 536	7 090	8 303	1 662	6 641
Associates	81	–	81	39	–	39
Liabilities	5 358	143	5 215	5 456	253	5 203

34.2 Geographical information

In CHF million	2017		2016	
	Revenue from third parties	Non-current assets ¹	Revenue from third parties	Non-current assets ¹
Switzerland	967	317	928	278
Europe (excluding Switzerland)	3 122	671	2 882	466
Americas	2 927	421	2 726	430
Asia-Pacific, Africa	3 163	836	3 147	744
Group	10 179	2 245	9 683	1 918

¹ Excluding non-current financial assets and deferred taxes

35 Share-based payments

The Group has several share-based payment plans in place. Current plans comprise those plans for which instruments were granted during the reporting year. Instruments listed under previous plans are still disclosed if they are subject to exercise periods that only end in the reporting year or future years.

	Current plans			Previous plans	
	Performance Share Plan (PSP)	Bonus Share Plan (BSP)	Deferred Share Plan (DSP) 2015	Capital Participation Plans 2000/2003	Long-Term Incentive Plan
Year of implementation	2013	2013	2015	in 2013 replaced by BSP and PSP	in 2012 replaced by DSP 2012, subsequently replaced by DSP 2015
Instruments used	Registered shares or participation certificates	Registered shares or participation certificates	Performance Share Units	Options and registered shares or participation certificates	Options and Performance Share Units
Beneficiaries	Members of the Supervisory and Strategy Committee	Group management (approximately 500 employees)	Group Executive Committee	Group management (approximately 500 employees)	Group Executive Committee and the executive member of the Board of Directors who was not a member of the Supervisory and Strategy Committee

35.1 Current plans

35.1.1 Performance and Bonus Share Plans

Each year, the Board of Directors determines the specific conditions of each plan (including the number of shares and the applicable terms of vesting) and its beneficiaries and defines whether registered shares or participation certificates of Schindler Holding Ltd. are to be allocated under the plans.

The allocated registered shares or participation certificates are transferred to the ownership of employees once the vesting conditions have been met and include all associated rights. However, the shares and participation certificates are blocked for a period of three years, during which they may not be disposed of.

In the reporting year, a provisional number of 92 000 registered shares was granted in connection with these plans. The final number of registered shares will be allocated in April 2018 based on the extent to which targets are achieved.

Personnel expenses are calculated on the basis of the provisional number of registered shares and the fair value on the date of grant (fair value per registered share: CHF 178.00). For the registered shares granted in the previous year, personnel expenses were adjusted based on the final number of registered shares allocated in April 2017, which totaled 83 068 (fair value per registered share: CHF 161.30).

35.1.2 Deferred Share Plan 2015

Under the Deferred Share Plan 2015, a number of Performance Share Units are granted based on a contractual target amount. Each Performance Share Unit gives the beneficiary the right to a still-to-be-determined number of registered shares or participation certificates of Schindler Holding Ltd.

At the start of the reporting year, a combination of growth and profitability targets that applies to all members of the Group Executive Committee is set for the next three business years. The achievement of those targets is determined after the end of this three-year service period. Depending on the extent to which the targets are achieved, the Performance Share Units will be converted into registered shares or participation certificates at a conversion rate of between 0% and 300%. The maximum value of the converted registered shares or participation certificates that a participant may receive is three times the contractual target amount.

The Performance Share Units are converted three years after they are granted, always in the month of April, and transferred to the ownership of the beneficiaries. From that date, the registered shares or participation certificates include all of the associated rights. In the event of any qualified breaches of the Schindler Code of Conduct, the beneficiary forfeits the right to have their Performance Share Units converted.

In the reporting year, 31 138 (previous year: 33 053) Performance Share Units were granted under the Deferred Share Plan 2015, based on the contractual target amount. The resulting personnel expenses are recognized over the 40-month vesting period (assuming a 100% achievement factor). The fair value of CHF 167.38 (previous year: CHF 152.08) corresponds to the price of the registered share at grant date less the present value of the expected dividends over the vesting period.

35.2 Previous plans

35.2.1 Capital Participation Plans 2000/2003

In April 2013, options were allocated for the last time. After three years, they were transferred to the unrestricted ownership of the beneficiaries, provided they had remained with the company throughout this period. An exercise period of six years subsequently applies.

35.2.2 Long Term Incentive Plan

In April 2011, options were allocated for the last time. After three years, they were transferred to the unrestricted ownership of the beneficiaries, provided they had remained with the company throughout that period. An exercise period of six years subsequently applies.

35.2.3 Options on registered shares and participation certificates of Schindler Holding Ltd.

Capital Participation Plans 2000/2003

	2013	2012	2011	2010	2009	2008
Options allocated	138 012	162 002	222 621	207 896	464 175	357 092
Exercised/expired in the previous years	-41 930	-86 332	-150 189	-155 455	-394 098	-324 009
Outstanding as at January 1, 2017	96 082	75 670	72 432	52 441	70 077	33 083
Options exercised/expired	-24 344	-13 606	-10 623	-6 840	-24 031	-33 083
Balance as at December 31, 2017	71 738	62 064	61 809	45 601	46 046	—
Exercisable	71 738	62 064	61 809	45 601	46 046	—
Entitles holder to purchase	Shares	PC	PC	PC	Shares	Shares
Exercise price	137.84	108.20	85.10	53.60	56.40	80.90
Vesting period ends	30.4.2016	30.4.2015	30.4.2014	30.4.2013	30.4.2012	30.4.2011
Exercise period ends	30.4.2022	30.4.2021	30.4.2020	30.4.2019	30.4.2018	30.4.2017
Allocation ratio	1:1	1:1	1:1	1:1	1:1	1:1
Weighted average share price on exercise in 2016	177.51	173.19	176.84	177.06	178.23	170.63
Weighted average share price on exercise in 2017	198.56	205.07	209.62	206.20	201.25	191.55

Long Term Incentive Plan

	2011	2010	2009	2008
Options allocated	104 854	107 739	314 783	155 311
Exercised/expired in the previous years	-52 005	-61 482	-296 618	-145 077
Outstanding as at January 1, 2017	52 849	46 257	18 165	10 234
Options exercised/expired	-17 829	-39 011	-18 165	-10 234
Balance as at December 31, 2017	35 020	7 246	-	-
Entitles holder to purchase	PC	PC	Shares	Shares
Exercise price	124.80	85.10	56.40	78.90
Vesting period ends	30.4.2014	30.4.2013	30.4.2012	30.4.2011
Exercise period ends	30.4.2020	30.4.2019	30.4.2018	30.4.2017
Allocation ratio	1:1	1:1	1:1	1:1
Weighted average share price on exercise in 2016	177.41	168.35	168.42	160.00
Weighted average share price on exercise in 2017	214.25	207.25	205.83	192.84

36 Related parties

Schindler Holding Ltd., Hergiswil, Switzerland, is the ultimate holding company and is not controlled by any other company.

As at December 31, 2017, the Schindler and Bonnard families – within the scope of shareholder agreements – and parties related to these families held 47 661 559 registered shares (previous year: 47 655 782) of Schindler Holding Ltd. This corresponds to 71.1% (previous year: 71.0%) of the voting rights of the share capital entered in the Commercial Register.

All business transactions with related parties were conducted at arm's length. Goods and services transactions are based on prices that apply to third parties. General terms and conditions also apply. The fees charged for management and other central services are charged on the basis of costs plus a margin that is in line with market rates. No unusual transactions were executed involving major shareholders or any other related parties.

The transactions with associates and other related parties consist of the following:

Associates

In CHF million	2017	2016
Billings	48	43
Material and operating expenses	15	15
Accounts receivable and loans	19	34
Liabilities	10	7

Other related parties

In CHF million	2017	2016
Liabilities towards shareholders	93	119
Interest expenses	–	–

37 Compensation paid to key management

The aggregate fees and expenses paid to members of the Board of Directors of Schindler Holding Ltd. for their activities as Board members totaled CHF 2.6 million (previous year: CHF 2.8 million).

In addition, the executive members of the Board of Directors and the members of the Group Executive Committee receive fixed compensation as well as performance-related variable compensation.

In CHF million	2017	2016
Salary payments (incl. cash bonuses and lump-sum expenses), fees	22	23
Contributions to pension plans and social benefits	5	5
Share-based payments	8	9
Total	35	37

The disclosure of compensation and participation, as well as option rights in accordance with statutory requirements is provided in the Compensation Report.

38 Material Group companies

Country	Head office	Name of company	Participation in %		Nominal capital (in thousands of local currency)		
			2017	2016			
Argentina	Buenos Aires	Ascensores Schindler S.A.	100.0	100.0	3 094	ARS	●
Australia	Sydney	Schindler Lifts Australia Pty. Ltd.	100.0	100.0	8 500	AUD	●
Austria	Vienna	Schinac Verwaltungs AG	100.0	100.0	70	EUR	○
		Schindler Aufzüge und Fahrtreppen GmbH	100.0	100.0	2 000	EUR	●
		Schindler Fahrtreppen International GmbH	100.0	100.0	2 000	EUR	●
Belgium	Brussels	S.A. Schindler N.V.	100.0	100.0	22 000	EUR	●
Brazil	São Paulo	Elevadores Atlas Schindler S.A.	100.0	100.0	70 479	BRL	● ●
British Virgin Islands	Tortola	Jardine Schindler Holdings Ltd.	50.0	50.0	1	USD	○
Canada	Toronto	Schindler Elevator Corporation	100.0	100.0	25 100	CAD	●
Chile	Santiago de Chile	Ascensores Schindler (Chile) S.A.	100.0	100.0	59 200	CLP	●
China	Henan	XJ-Schindler (Xuchang) Elevator Co. Ltd.	66.0	61.0	351 000	CNY	● ●
	Hong Kong SAR	Schindler Lifts (Hong Kong) Ltd. ¹	100.0	100.0	25 000	HKD	●
	Macau SAR	Jardine Schindler Lifts (Macao) Ltd. ¹	100.0	100.0	25	MOP	●
	Shanghai	Schindler (China) Elevator Co. Ltd.	100.0	100.0	941 400	CNY	● ●
	Suzhou	Suzhou Esca Step Co. Ltd.	100.0	100.0	38 914	CNY	●
Colombia	Medellin	Ascensores Schindler de Colombia S.A.S.	100.0	100.0	10 199 551	COP	●
Czech Republic	Prague	Schindler CZ a.s.	100.0	100.0	101 000	CZK	●
Denmark	Ballerup	Schindler Elevatorer A/S	100.0	100.0	3 000	DKK	●
Egypt	Cairo	Schindler Ltd.	100.0	100.0	24 250	EGP	●
Finland	Helsinki	Schindler Oy	100.0	100.0	100	EUR	●
France	Vélizy-Villacoublay	Schindler S.A.	100.0	100.0	8 594	EUR	●
Germany	Berlin	Schindler Aufzüge und Fahrtreppen GmbH	100.0	100.0	9 715	EUR	●
	Stuttgart	C. Haushahn GmbH & Co. KG	100.0	100.0	8 997	EUR	●
Greece	Athens	Schindler Hellas S.A.	100.0	100.0	3 638	EUR	●
Hungary	Budapest	Schindler Hungária Lift és Mozgólépcső KFT	100.0	100.0	460 000	HUF	●
India	Mumbai	Schindler India PVT Ltd.	100.0	100.0	1 217 879	INR	● ●
Indonesia	Jakarta	PT Berca Schindler Lifts ¹	64.0	64.0	6 745 000	IDR	●
Israel	Petah Tikva	Schindler Nechushtan Elevators Ltd.	100.0	100.0	7 045	ILS	●
Italy	Concorezzo	Schindler S.p.A.	100.0	100.0	8 400	EUR	●
Kenya	Nairobi	Schindler Ltd.	100.0	100.0	5 000	KES	●
Liechtenstein	Vaduz	Reassur AG	100.0	100.0	20 000	CHF	○
Malaysia	Kuala Lumpur	Antah Schindler Sdn. Bhd. ¹	70.0	70.0	5 000	MYR	●
Mexico	Mexico City	Elevadores Schindler S.A. de C.V.	100.0	100.0	32 073	MXN	●
Morocco	Casablanca	Schindler Maroc S.A.	100.0	100.0	10 000	MAD	●
Netherlands	The Hague	Schindler Liften B.V.	100.0	100.0	567	EUR	●
New Zealand	Auckland	Schindler Lifts NZ Ltd.	100.0	100.0	1 000	NZD	●

● Production ● Sales, installation, maintenance ○ Other services

¹ Participations of Jardine Schindler Holdings Ltd., BVI

Country	Head office	Name of company	Participation in %		Nominal capital (in thousands of local currency)	
			2017	2016		
Norway	Bergen	Schindler Stahl Heiser A/S	–	100.0	5 000 NOK	●
	Vennesla	Reber-Schindler Heis A/S	100.0	100.0	8 000 NOK	●
Peru	Lima	Ascensores Schindler del Perú S.A.	100.0	100.0	6 718 PEN	●
Philippines	Manila	Jardine Schindler Elevator Corp. ¹	100.0	100.0	277 000 PHP	●
Poland	Warsaw	Schindler Polska Sp. z o.o.	100.0	100.0	5 000 PLN	●
Portugal	Carnaxide	Schindler – Ascensores e escadas rolantes, S.A.	100.0	100.0	4 000 EUR	●
Romania	Bucharest	Schindler Romania S.R.L.	100.0	100.0	125 RON	●
Russia	Moscow	ZAO Schindler	100.0	100.0	21 RUB	●
Saudi Arabia	Jeddah	Schindler Olayan Elevator Company Ltd.	90.0	90.0	30 000 SAR	●
Singapore	Singapore	Schindler Lifts (Singapore) Pte. Ltd. ¹	100.0	100.0	8 500 SGD	●
Slovakia	Dunajská	Schindler Dunajská Streda a.s.	100.0	100.0	5 950 EUR	●
		Schindler Eskalátory s.r.o.	100.0	100.0	1 236 EUR	●
South Africa	Johannesburg	Schindler Lifts (SA) (PTY) Ltd.	90.0	90.0	0,09 ZAR	●
South Korea	Seoul	Schindler Elevator Company Ltd.	100.0	100.0	6 155 000 KRW	●
Spain	Madrid	Schindler S.A.	99.8	99.8	27 801 EUR	● ● ○
	Saragossa	Schindler Ibérica Management S.A.	–	100.0	4 420 EUR	○
Sweden	Danderyd	Schindler Hiss AB	100.0	100.0	9 440 SEK	●
Switzerland	Ebikon	Schindler Aufzüge AG	100.0	100.0	25 000 CHF	● ●
		Schindler Digital Business AG	100.0	100.0	1 000 CHF	○
		Schindler Management AG	100.0	100.0	1 000 CHF	○
	Hergiswil	Inventio AG	100.0	100.0	11 000 CHF	○
		Schindler Pars International Ltd.	100.0	100.0	5 000 CHF	● ○
	Locarno	Schindler Supply Chain Europe AG	100.0	–	100 CHF	○
		Schindler Elettronica S.A.	100.0	100.0	2 000 CHF	●
Taiwan	Küssnacht a.R.	AS Aufzüge AG	100.0	100.0	7 000 CHF	●
		Jardine Schindler Lifts Ltd. ¹	100.0	100.0	100 000 TWD	●
Thailand	Bangkok	Jardine Schindler (Thai) Ltd. ¹	100.0	100.0	90 268 THB	●
Turkey	Istanbul	Schindler Türkeli Asansör Sanayi A.Ş.	100.0	100.0	50 000 TRY	●
UK	Sunbury	Schindler Ltd.	100.0	100.0	2 005 GBP	●
United Arab Emirates	Dubai	Schindler Pars International Ltd. (Dubai and Abu Dhabi branches)	100.0	100.0	– –	●
USA	Gantano	Schindler Corp. of Puerto Rico	100.0	100.0	1 USD	●
	Morristown	Schindler Elevator Corporation	100.0	100.0	1 USD	● ●
	Mountainside	Slade Industries, Inc.	100.0	100.0	1 USD	●
Vietnam	Ho Chi Minh City	Schindler Vietnam Ltd. ¹	100.0	100.0	20 818 485 VND	● ●

● Production ● Sales, installation, maintenance ○ Other services

¹ Participations of Jardine Schindler Holdings Ltd., BVI

39 Dividends paid and proposal by the Board of Directors

In 2017, CHF 535 million was paid in dividends (previous year: CHF 289 million). This corresponds to an ordinary dividend of CHF 3.00 (previous year: CHF 2.70) and an extraordinary dividend of CHF 2.00 per registered share and per participation certificate.

The Board of Directors proposes to the General Meeting of Shareholders the payment of an ordinary dividend of CHF 4.00 per registered share and participation certificate for the reporting year 2017. This represents a total gross dividend payment of CHF 431 million. The proposed dividends are not included in this financial report because they will be charged to equity in the period in which the distribution is approved by the General Meeting of Shareholders.

40 Approval of the consolidated financial statements for publication

The consolidated financial statements were approved for publication by the Board of Directors of Schindler Holding Ltd. on February 14, 2018, and will be presented to the General Meeting of Shareholders for approval on March 20, 2018.

Report of the statutory auditor



To the General Meeting of
Schindler Holding Ltd., Hergiswil

Basle, 14 February 2018

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Schindler Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 4 to 61) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial



statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Long-term construction contracts: Revenue recognition and provisions for loss-making contracts

Area of focus Net assets (and liabilities) from construction contracts represent 8% of the Group's total assets and 14% of the Group's total liabilities as at 31 December 2017, respectively. They include revenue from work performed to date based on the application of the percentage of completion method less progress payments received by customers.

Revenue recognition using the percentage of completion method is affected by estimates, such as total forecasted and remaining project costs and the identification and recognition of provisions for loss-making contracts. Due to the significance of these transactions and related estimates and the potential impact on the financial statements, this matter was considered significant in our audit. Refer to note 14 to the consolidated financial statements for further information.

Our audit response

We assessed the Group's process of entering into New Installation and Modernization contracts as well as the pre-calculation of such long-term construction projects by walking through a selection of new and existing contracts. We further tested the design and operating effectiveness of internal controls over the Group's accounting for construction contracts including the development of the key assumptions applied. We evaluated the Group's methodology to determine the progress of projects including the identification and determination of provisions for loss-making contracts. We further evaluated the Group's analyses of forecasted and actual cost on a project by project basis and periodic review of loss-making contracts and their development compared to prior periods. We further assessed the historical accuracy of the Group's pre-calculation process and its use of estimates. Where material, we evaluated the sensitivity of the key assumptions applied and compared these to other internal information.

Current and deferred income tax position

Area of focus Significant judgment is involved in determining deferred and current income tax amounts. The assessment is complex, since the Group operates in multiple tax jurisdictions. Furthermore, the Group is required to record both deferred tax assets and liabilities and estimates the recoverability of its deferred tax asset position related to temporary differences and the amount of tax loss carryforwards that can be applied to future taxable income.

Key assumptions applied by the Group regarding recoverability of deferred tax assets relate to managements budgets and forecasts including applicable tax rates whether enacted or substantially enacted. Due to the significance of the income tax balances and the judgment involved in determining these, this matter was considered significant to



our audit. Refer to notes 10 and 21 to the consolidated financial statements for further information.

Our audit response

We assessed the Group's overall risk exposure regarding taxation considering, among others, the inherent complexities due to the multiple tax jurisdictions the Group is operating in. We assessed the Group's policies and procedures in place to mitigate such risks including related internal controls. We corroborated our observations and our understanding of tax matters with management. We considered the Group's correspondence with tax authorities where warranted and inquired regarding ongoing tax audits and potential disputes. We further evaluated the consistency of the Group's budgets and forecasts including the assessment of applicable tax rates. We also considered developments in tax legislation and whether these were reflected in the Group's assumptions. We involved tax specialists across the Group to assist in examining the Group's tax methodologies and analyzing the underlying assumptions.



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Lorenz Malär
Licensed audit expert

Financial Statements of Schindler Holding Ltd.

- 67 Income statement
- 68 Balance sheet
- 69 Notes to the financial statements
- 77 Appropriation of available earnings
- 78 Report of the statutory auditor

Income statement

In CHF 1'000	Note	2017	2016
Income from participations	1	576 149	536 397
Financial income		34 590	19 510
Total operating income		610 739	555 907
Personnel expenses		-13 603	-5 841
Other operating expenses		-6 968	-23 207
Financial expenses		-42	-15 872
Total operating expenses		-20 613	-44 920
Extraordinary income	2	-	15 000
Profit before taxes		590 126	525 987
Taxes		-15 008	-6 904
Net profit		575 118	519 083

Balance sheet

Assets

In CHF 1 000	Note	31.12.2017	%	31.12.2016	%
Current assets					
Cash and cash equivalents	3	978 650		979 929	
Current financial assets	4	6 926		83 863	
Other receivables	5	471 236		346 923	
Prepaid expenses and accrued income		172		154	
Total current assets		1 456 984	42.2	1 410 869	41.0
Non-current assets					
Non-current financial assets	6	337 109		427 684	
Participations	7	1 658 356		1 599 605	
Total non-current assets		1 995 465	57.8	2 027 289	59.0
Total assets		3 452 449	100.0	3 438 158	100.0

Liabilities and equity

In CHF 1 000	Note	31.12.2017	%	31.12.2016	%
Liabilities					
Trade accounts payable		1 136		977	
Interest-bearing liabilities	8	460 439		500 224	
Other payables	9	6 103		3 165	
Accrued expenses and deferred income		11 499		4 905	
Provisions	10	1 793		515	
Total current liabilities		480 970	13.9	509 786	14.8
Provisions	10	67 459		71 221	
Total non-current liabilities		67 459	2.0	71 221	2.1
Total liabilities		548 429	15.9	581 007	16.9
Equity					
Share capital	11	6 708		6 708	
Participation capital	11	4 072		4 072	
Legal reserves	11	317 121		317 121	
Free reserves					
Profit brought forward		23 052		39 006	
Net profit		575 118		519 083	
Other free reserves	11	2 085 341		2 085 341	
Treasury shares	11	-107 392		-114 180	
Total equity		2 904 020	84.1	2 857 151	83.1
Total liabilities and equity		3 452 449	100.0	3 438 158	100.0

Notes to the financial statements

Business activities

Schindler Holding Ltd. has its registered office in Hergiswil (Canton of Nidwalden, Switzerland). The purpose of the company is the management and financing of participations in Switzerland and abroad. Schindler Holding Ltd. had less than 50 employees in the reporting year (previous year: less than ten).

Basis of preparation

The financial statements of Schindler Holding Ltd. were prepared in accordance with the principles set out in the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). The main accounting principles applied are described below.

Current financial assets

Current financial assets consist solely of securities with market prices and are reported at the lower of cost or market price. Changes in value that exceed the acquisition costs are recognized in a valuation reserve. If the value of marketable securities falls below the acquisition costs, the change in value is recognized in financial expenses. Marketable securities are disclosed net of the valuation reserve.

Participations

Participations are disclosed at cost less appropriate write-downs. The valuation of the participations is tested on an annual basis using the discounted cash flow (DCF) method.

Treasury shares

Own registered shares and participation certificates (treasury shares) are initially recognized at acquisition costs and deducted from equity. No subsequent valuation is made. If the treasury shares are later disposed of, the resulting gain or loss is recognized in the income statement.

Share-based payments

The Schindler Group has several share-based payment plans in place. Schindler Holding Ltd. charges the costs of share-based payments to the respective Group companies that employ the recipients.

Gains or losses are recognized in the income statement as other operating expenses or other operating income when share-based payment plans are charged to Group companies. The gains or losses result from the difference between the acquisition costs of the treasury shares and their fair value at the grant date. For treasury shares that have not yet been acquired, a provision is recorded if the current market price exceeds the fair value at grant date.

1 Income from participations

Income from participations comprises dividends from Group companies, contractually agreed payments for services rendered, and gains on the sales of participations.

2 Extraordinary income

Extraordinary income in the previous year consisted of a reversal of an allowance on a loan to a Group company.

3 Cash and cash equivalents

Cash and cash equivalents include bank accounts and time deposits with an original maturity of a maximum of 3 months. The reported amount consists mainly of cash and cash equivalents in Swiss francs.

4 Current financial assets

The valuation reserve totaled CHF 1.4 million as at the balance sheet date (previous year: CHF 3.5 million).

5 Other receivables

In CHF 1 000	2017	2016
From third parties	140 701	116 999
From Group companies	330 535	229 924
Total other receivables	471 236	346 923

Other receivables from third parties mainly comprise time deposits with a maturity of 3 to 12 months totaling CHF 140.0 million (previous year: CHF 111.0 million).

6 Non-current financial assets

In CHF 1 000	2017	2016
Loans to Group companies	284 833	278 108
Other financial assets	52 276	149 576
Total non-current financial assets	337 109	427 684

Other financial assets mainly comprise time deposits with a maturity of more than 12 months totaling CHF 48.7 million (previous year: CHF 146.0 million).

7 Participations

In CHF 1 000	2017	2016
January 1	1 599 605	1 525 039
Capital increases	13 200	30 189
Additions	45 551	44 377
December 31	1 658 356	1 599 605

An overview of the companies that are directly or indirectly controlled by Schindler Holding Ltd. is provided in note 38 to the consolidated financial statements.

8 Interest-bearing liabilities

In CHF 1 000	2017	2016
To third parties (bonds)	–	58 730
To Group companies	367 320	322 136
To shareholders	93 119	119 358
Total interest-bearing liabilities	460 439	500 224

Bonds

In CHF 1 000	2017	2016
0.375% exchangeable bond 2013–2017, due June 5, 2017	–	58 730

The 0.375% exchangeable bond could be exchanged for shares of ALSO Holding AG at a price of CHF 60.24 per share at any time during the term of the instrument. A total of CHF 58.7 million was exchanged during the reporting year (previous year: CHF 157.5 million).

9 Other payables

In CHF 1 000	2017	2016
To third parties	1 058	758
To pension plans	4 511	2 138
To Group companies	375	19
To shareholders and governing bodies	159	250
Total other payables	6 103	3 165

10 Provisions

The provisions to cover financial risks amount to CHF 69.3 million (previous year: CHF 71.7 million). They consist mainly of provisions for guarantees and provisions to cover obligations arising from share-based payments.

11 Equity

In CHF 1 000	Share capital	Participation capital	Legal reserves	Other free reserves	Available earnings	Treasury shares	Total equity
January 1, 2016	6 806	4 424	317 121	2 597 511	527 808	-818 654	2 635 016
Dividend					-288 802		-288 802
Allocation to other free reserves				200 000	-200 000		-
Reduction as of June 3, 2016	-98	-352		-712 170		712 620	-
Change in treasury shares						-8 146	-8 146
Net profit					519 083		519 083
December 31, 2016	6 708	4 072	317 121	2 085 341	558 089	-114 180	2 857 151
Dividend					-535 037		-535 037
Change in treasury shares						6 788	6 788
Net profit					575 118		575 118
December 31, 2017	6 708	4 072	317 121	2 085 341	598 170	-107 392	2 904 020
of which share premiums (unchanged)			311 321				

11.1 Share capital

	Number	Nominal value	Share capital
			in CHF
December 31, 2014	68 180 352	0.10	6 818 035
Reduction as of May 27, 2015	-118 550		-11 855
December 31, 2015	68 061 802	0.10	6 806 180
Reduction as of June 3, 2016	-984 350		-98 435
December 31, 2016	67 077 452	0.10	6 707 745
December 31, 2017	67 077 452	0.10	6 707 745

11.2 Participation capital

	Number	Nominal value	Participation capital
			in CHF
December 31, 2014	44 618 533	0.10	4 461 853
Reduction as of May 27, 2015	-382 222		-38 222
December 31, 2015	44 236 311	0.10	4 423 631
Reduction as of June 3, 2016	-3 519 480		-351 948
December 31, 2016	40 716 831	0.10	4 071 683
December 31, 2017	40 716 831	0.10	4 071 683

11.3 Treasury shares

	Registered shares			Participation certificates		
	Number	Average share price in CHF	Value in CHF million	Number	Average share price in CHF	Value in CHF million
January 1, 2016	1 513 747		221	3 907 999		598
Cancellation	-984 350	158.48	-156	-3 519 480	158.26	-557
Purchases	280 250	178.41	50	–	–	–
Disposals	-677	–	–	-6 334	157.88	-1
Share-based payments						
Allocation	-95 957	177.16	-17	–	–	–
Exercising of options and Performance Share Units	-156 898	95.60	-15	-82 536	96.93	-8
Difference in value due to allocation and exercise			–			-1
December 31, 2016	556 115		83	299 649		31
Purchases	180 000	205.27	37	–	–	–
Disposals	-2 819	205.75	-1	–	–	–
Share-based payments						
Allocation	-85 302	197.60	-17	–	–	–
Exercising of options and Performance Share Units	-158 820	97.32	-15	-87 909	94.28	-8
Difference in value due to allocation and exercise			-1			-2
December 31, 2017	489 174		86	211 740		21
Reserved for share-based payment plans	489 174			211 740		

11.4 Repurchase program

In September 2012, the Board of Directors of Schindler Holding Ltd. decided to launch a repurchase program that was to run for a maximum of three years (2013–2015) at market prices.

In the context of the repurchase program, 984 350 registered shares and 3 519 480 participation certificates were cancelled by means of a capital reduction on June 3, 2016, in accordance with the decision of the General Meeting of Shareholders of March 22, 2016.

12 Contingent liabilities

The contingent liabilities of Schindler Holding Ltd. total CHF 1 109.7 million (previous year: CHF 902.2 million). They mainly comprise guarantees, letters of comfort, and guarantee bonds in favor of Group companies.

Schindler Holding Ltd. is part of the Swiss value-added tax group of the Schindler Group and is therefore jointly liable for existing and future VAT claims from the Swiss Federal Tax Administration.

13 Significant shareholders

See note 36 to the consolidated financial statements for information about shareholders agreements.

14 Equity instruments and Performance Share Units allocated

Share-based payments in	Number	2017	Number	2016
		Value in CHF 1 000		Value in CHF 1 000
Executive members of the Board of Directors Registered shares/Performance Share Units	11 477	2 260	21 494	3 673
Other employees of Schindler Holding Ltd. Registered shares/Performance Share Units	5 708	1 032	–	–

The number of shares disclosed in the reporting year is a provisional figure. The final number is reported in the following year.

15 Levels of participation

The participations and option rights of the members of the Board of Directors of Schindler Holding Ltd. and of the Group Executive Committee, and of related parties, are as follows (there are no outstanding conversion rights):

15.1 Board of Directors

2017

As of 31.12.	Number		
	Registered shares	Participation certificates	Options
Silvio Napoli, Chairman ¹	33 905	5 631	–
Alfred N. Schindler, Chairman emeritus ²	⁴	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–	–
Prof. Dr. Karl Hofstetter ¹	91 868	6 431	13 712 ⁵
Luc Bonnard ²	⁴	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	20 091	–	3 171 ⁶
Anthony Nightingale ²	3 000	–	–
Tobias B. Staehelin ³	^{4, 7}	–	–
Carole Vischer ²	⁴	–	–

¹ Member of the Supervisory and Strategy Committee

² Non-executive member

³ Executive member at Group company level

⁴ Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 661 559 shares as at December 31, 2017, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.

⁵ Fully vested options on participation certificates granted under the Long Term Incentive Plan 2011

⁶ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁷ In addition, a related party of Tobias B. Staehelin (not a member of the shareholder agreement) holds 10 registered shares

2016

	Number		
As of 31.12.	Registered shares	Participation certificates	Options
Alfred N. Schindler, Chairman ¹	³	43 330	–
Luc Bonnard, Vice Chairman ²	³	–	3 171 ⁴
Prof. Dr. Karl Hofstetter ¹	78 775	21 159	28 204 ⁵
Silvio Napoli ¹	16 687	9 981	–
Prof. Dr. Pius Baschera ²	3 000	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	27 645	–	3 171 ⁴
Anthony Nightingale ²	3 000	–	–
Rolf Schweiger ²	3 375	–	–
Carole Vischer ²	³	–	–
Prof. Dr. Klaus W. Wellershoff ²	3 000	–	–

¹ Member of the Supervisory and Nomination Committee

² Non-executive member

³ Alfred N. Schindler, Luc Bonnard, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 655 782 shares as at December 31, 2016, corresponding to 71.0% of the voting rights of the share capital entered in the Commercial Register.

⁴ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁵ Fully vested options on participation certificates granted:

– under the Long Term Incentive Plan 2010: 14 492

– under the Long Term Incentive Plan 2011: 13 712

15.2 Group Executive Committee

2017

	Number		Number of vested options on			
	Registered shares	Participation certificates	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.						
Thomas Oetterli, CEO	19 263	7 307	4 529 ²	5 142 ³	–	–
Erich Ammann	20 000	–	–	–	–	–
Julio Arce	1 555	385	–	419 ¹	277	189
Karl-Heinz Bauer	–	–	–	–	–	–
David Clymo	8 813	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–
Carlos Guembe	551	–	–	2 168 ³	–	1 026
Andre Inserra	3 505	–	–	–	–	–
Michael Nilles	4 916	–	291 ¹	2 145 ¹	1 859	1 533
Christian Schulz	4 927	–	577 ¹	617 ¹	371	252
Robert Seakins	347	–	–	418 ¹	277	210
Egbert Weisshaar	4 114	–	–	–	–	–
Daryoush Ziai	356	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2010

³ Options from Long Term Incentive Plan 2011

2016

	Number		Number of vested options on						
	Registered shares	Participation certificates	Registered shares granted 2008 ¹	Registered shares granted 2008 ²	Registered shares granted 2009	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.									
Thomas Oetterli, CEO	12 995	7 307	–	–	2 000 ³	4 529 ⁴	5 142 ⁵	–	–
Miguel A. Rodríguez	26 844	–	4 279	10 234	–	6 340 ⁴	5 999 ⁵	–	–
Erich Ammann	18 931	–	–	–	–	–	–	–	–
Karl-Heinz Bauer	–	–	–	–	–	–	–	–	–
David Clymo	5 703	454	–	–	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–	–	–	–
Carlos Guembe	3 994	1 989	–	–	7 246 ³	2 355 ⁴	2 228 ⁵	–	–
Albert Haffert	9 308	3 000	–	–	–	4 982 ⁴	6 856 ⁵	–	–
Andre Inserra	3 289	–	–	–	–	–	–	–	–
Michael Nilles	4 704	–	–	–	–	291 ¹	2 145 ¹	1 859	1 533
Oswald Schmid	2 767	4 358	–	–	–	2 944 ⁴	3 000 ⁵	–	2 776
Christian Schulz	4 771	–	–	–	1 104 ¹	577 ¹	617 ¹	371	252
Daryoush Ziai	168	–	–	–	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2008

³ Options from Long Term Incentive Plan 2009

⁴ Options from Long Term Incentive Plan 2010

⁵ Options from Long Term Incentive Plan 2011

See note 35 to the consolidated financial statements for information on option conditions.

Appropriation of available earnings

	Proposal of the Board of Directors 31.12.2017	Resolution of the General Meeting of Shareholders 31.12.2016²
In CHF 1 000		
Available earnings		
Net profit	575 118	519 083
Profit brought forward	23 052	39 006
Total available earnings	598 170	558 089
Appropriation of available earnings		
Ordinary dividend (gross)		
per registered share	CHF 4.00 (previous year: CHF 3.00)	
	268 310¹	199 696
per participation certificate	CHF 4.00 (previous year: CHF 3.00)	
	162 867¹	121 327
Extraordinary dividend (gross)		
per registered share	CHF 0.00 (previous year: CHF 2.00)	
	–	133 130
per participation certificate	CHF 0.00 (previous year: CHF 2.00)	
	–	80 884
Total dividend	431 177	535 037
Allocation to other free reserves	120 000	–
Total appropriation of available earnings	551 177	535 037
Profit brought forward	46 993	23 052

¹ The total dividend amount covers all outstanding registered shares and participation certificates (including treasury shares).

² Resolution of the General Meeting of Shareholders as of March 16, 2017; payment excludes dividends on treasury shares.

Report of the statutory auditor



To the General Meeting of
Schindler Holding Ltd., Hergiswil

Basle, 14 February 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Schindler Holding Ltd., which comprise the income statement, balance sheet and notes (pages 67 to 77), for the year ended 31 December 2017.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd.

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Lorenz Malär
Licensed audit expert

Compensation Report

81	Foreword
82	Compensation principles
82	Compensation system
88	Responsibilities and determination process
89	Compensation for the reporting year
93	Compensation for the previous year
94	Benefits for former members of governing bodies
94	Loans and credits
95	Proposals to the General Meeting of Shareholders 2018
96	Levels of participation
100	Report of the statutory auditor

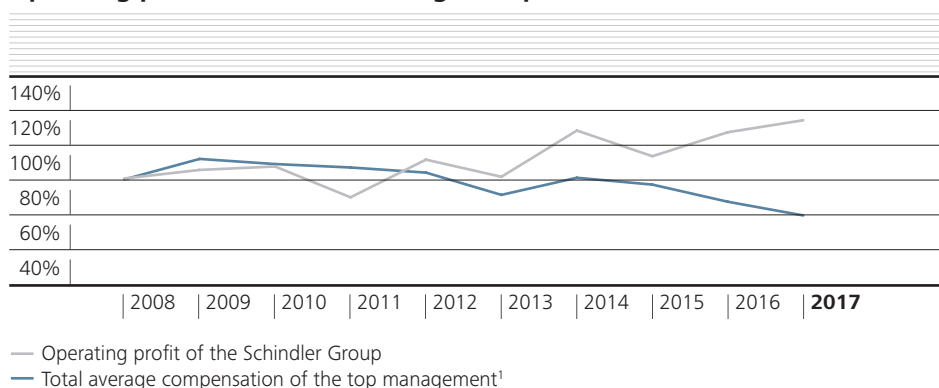
Foreword

Schindler pursues a growth strategy with a long-term focus. The company is therefore committed to looking beyond short-term financial results in order to create sustained value. Since 2000, revenue in the elevators and escalators business has grown from CHF 6 669 million to CHF 10 179 million and operating profit has risen from CHF 422 million to CHF 1 187 million. Over the same period, the company's market capitalization has increased more than seven times.

As of December 31, 2017, market capitalization reached CHF 23.9 billion, corresponding to an increase of CHF 4.7 billion or 24% over the last 12 months, for a return on equity of 28.9%. The Swiss Market Index (SMI) rose by 14% over the same period.

The following chart shows the evolution of the operating profit of the Schindler Group over the last ten years, in comparison with the total average compensation of the top management¹.

Operating profit versus total average compensation



While the operating profit has increased by an average of more than 3% annually since 2008, the total average compensation awarded to the top management¹ has decreased over the same period.

To continue generating growth as well as returns for shareholders, it is necessary for Schindler Holding Ltd. to rely on a management team with the highest qualifications. Competitive compensation is a key requirement to attract and retain the right talent for top positions and to engage experienced managers over the long-term.

In spite of the marginal impact of executive compensation on the overall results, the company treats the matter with the professional sensitivity it deserves. In accordance with legal requirements and state-of-the-art governance practice, compensation of the members of the Board of Directors and of the Group Executive Committee is driven by the Compensation Committee.

¹ Members of the Supervisory and Strategy Committee as well as members of the Group Executive Committee

The present Compensation Report contains information about the compensation of the members of the Board of Directors and of the Group Executive Committee, about their shareholdings in Schindler Holding Ltd., and about loans granted to these individuals, if any. The disclosures are made in accordance with the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV). The information relates to the reporting year 2017 unless otherwise stated.

1 Compensation principles

The Schindler Group's success depends to a large extent on the quality and commitment of its management. Its compensation policy is designed to attract, motivate, and retain well-qualified professionals. In addition, the awarding of performance-related and, in particular, share-based components of variable compensation is intended to promote an entrepreneurial mind-set and approach.

Performance-related compensation in line with market	Participation in the company's success
Schindler compensation policy	
Fair and transparent compensation decisions	Balanced proportion of short-term and long-term compensation components

2 Compensation system

2.1 Overview

Article 33 of the Articles of Association of Schindler Holding Ltd. states that fixed and variable compensation can be paid to members of the Board of Directors and the Group Executive Committee. Compensation can be paid in the form of cash, shares, other equity instruments, options, comparable instruments, or units. In addition, non-cash benefits or services can be provided. For further details, refer to Article 33 of the Articles of Association (www.schindler.com/com/internet/en/investor-relations/articles-of-association.html).

In accordance with the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV) and Article 32 of the Articles of Association of Schindler Holding Ltd., the General Meeting of Shareholders votes annually on the total compensation of the Board of Directors and the Group Executive Committee to approve:

- The maximum permissible total fixed compensation of the members of the Board of Directors and the Group Executive Committee for the current financial year (prospective approval)
- The total variable compensation of the members of the Board of Directors and the Group Executive Committee for the reporting year (retrospective approval)

Article 32 of the Articles of Association of Schindler Holding Ltd. states that the maximum permissible fixed compensation may be increased by 20% if, following the approval of the fixed compensation, additional members or replacement members are appointed to the Group Executive Committee.

Overview of compensation components of the Board of Directors and Group Executive Committee:

	Board of Directors		
	Executive members ¹	Non-executive members ²	Group Executive Committee
Fixed compensation – prospective approval			
Cash (gross)			
Annual salary	●		●
Fixed Board of Directors' fee	●	●	
Flat-rate expense allowances			
Flat-rate allowance	●	●	
Representation allowance	●		●
Car allowance	●		●
Pension, social, and other benefits			
Pension benefits			
Pension fund	●		●
Schindler Foundation	●		●
Social contributions	●	●	●
Other benefits	●		●
Variable compensation – retrospective approval			
Short-term – cash bonus			
	●		●
Long-term – equity instruments			
Performance Share Plan (PSP)	●		
Deferred Share Plan (DSP)			●
Social and other benefits			
Social contributions	●		●
Other benefits			●

¹ Members of the Supervisory and Strategy Committee

² Including Tobias B. Staehelin

2.2 Disclosure principles

The disclosed compensation of the Board of Directors and the Group Executive Committee comprises the compensation for the full reporting year, irrespective of which Schindler company paid it, subject to the following additions and limitations:

- The compensation paid to new members of the Board of Directors or the Group Executive Committee is included from the date on which the member takes over the relevant function.
- If a member transfers from the Group Executive Committee to the Board of Directors, or vice versa, the full compensation is taken into account and reported under the new function.
- If a member resigns from office and/or steps down from the Board of Directors or the Group Executive Committee, the compensation paid up to the date on which the member stepped down, plus any compensation paid in the reporting year in connection with his/her former activities, is included. Statutory compensation paid in the following year is reported separately under benefits for former members of governing bodies.
- Compensation is reported according to the accrual principle, based on estimates. The actual amounts paid may differ from these estimates, especially in the case of social and other benefits.
- Three members of the Board of Directors are executive members, although none is serving concurrently as a member of the Group Executive Committee.
 - > Silvio Napoli and Karl Hofstetter form the Supervisory and Strategy Committee and receive fixed and variable compensation as described under 2.3 and 2.4.1.
 - > Tobias B. Staehelin holds an executive position at a Group company and receives fixed and variable compensation according to the compensation system of the Group company. At Group level, he receives compensation as a non-executive member of the Board of Directors.
- The employment contracts of the executive members of the Board of Directors and the members of the Group Executive Committee are aligned with the provisions of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegÜV). In particular none of these employment contracts has a term or notice period exceeding 12 months or contains any entitlements to severance payments.

2.3 Fixed compensation

The fixed compensation of the members of the Supervisory and Strategy Committee and members of the Group Executive Committee comprises an annual salary, a representation allowance and a car allowance, as well as pension (pension fund, Schindler Foundation), social, and other benefits. In individual cases – depending on the country in which a member of the Group Executive Committee is employed – a company car may be provided. Benefits may also be paid in the case of international assignments. Such benefits related to fixed compensation are reported under pension, social, and other benefits. Fringe benefits are included in fixed compensation and are reported as benefits if any single benefit exceeds CHF 500 or if total benefits exceed CHF 20 000 in the reporting year. Other benefits also comprise health insurance contributions and premiums for management insurance plans.

All members of the Board of Directors receive a fixed Board of Directors' fee, as well as a flat-rate allowance.

2.4 Variable compensation

2.4.1 Members of the Supervisory and Strategy Committee

The members of the Supervisory and Strategy Committee receive performance-related variable compensation, which is partially paid in cash and partially in shares.

The amount of the variable compensation awarded is based on the Group's consolidated cash flow from operating activities (before changes in net working capital) and is determined as a rate per thousand of the cash flow. The rate per thousand is set by the Board of Directors for each individual member of the Supervisory and Strategy Committee and may amount to a maximum of three per thousand. When determining the rate per thousand, the achievement of strategic as well as individual targets is also taken into account.

Cash flow from operating activities is used as a parameter to measure performance in order to promote a long-term increase in the value of the Group rather than short-term profit maximization. This compensation system ensures, among other things, that restructuring projects are initiated as early as possible and that the associated depreciation and amortization and the corresponding provisions are recognized.

50% of variable compensation is paid in cash and 50% is paid in shares in April of the following year (grant year) according to the rules of the Performance Share Plan.

Performance Share Plan

The Board of Directors decides each year whether registered shares or participation certificates will be granted under the Performance Share Plan. The granted shares include all of the associated rights but they are blocked for a period of three years, during which they may not be disposed of.

The final number of shares granted is calculated on the basis of the volume-weighted average price in March of the following year, less a discount. The Board of Directors decides at its sole discretion on the discount.

The number of shares disclosed in the reporting year is a provisional figure based on the volume-weighted average price in December of the reporting year, with the discount determined by the Board of Directors. The final number is disclosed in the following year's Compensation Report.

In order to include them in the total compensation for the reporting year, the shares that are to be granted are valued at the volume-weighted average price in December less a discount of 10%. The discount reflects the fact that once they have been allocated, the shares are then blocked for a period of three years.

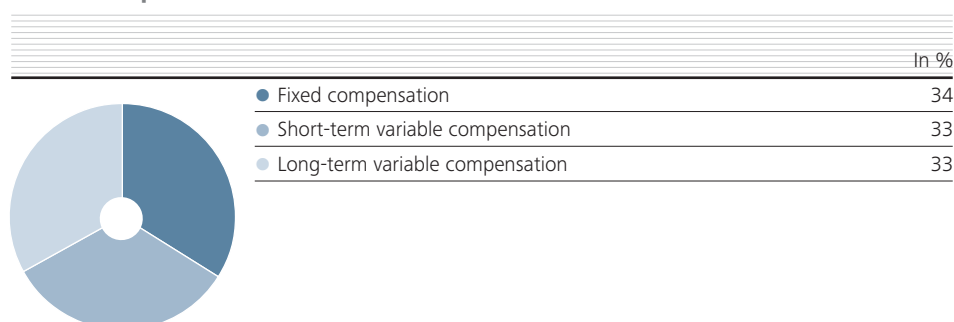
Provisional number of shares	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in December of the reporting year (less discount)
Value disclosed in Compensation Report	=	Volume-weighted average share price in December of the reporting year (less 10%)	×	Provisional number of shares
Number of shares granted	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in March of the following year (less discount)
Value disclosed in Compensation Report +1	=	Volume-weighted average share price in March of the grant year (less 10%)	×	Number of shares granted

2.4.2 Members of the Group Executive Committee

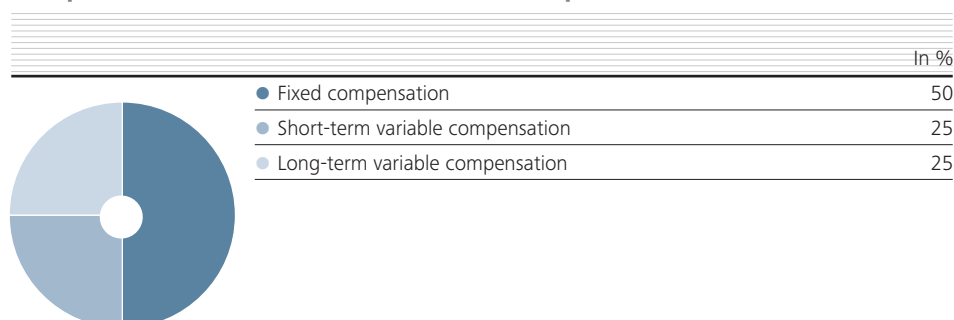
The members of the Group Executive Committee receive an annual performance-related cash bonus (short-term compensation component) and an annual grant of Performance Share Units (long-term compensation component) in accordance with the rules of the Deferred Share Plan 2015.

The targeted split of compensation into fixed compensation, short-term variable compensation and long-term variable compensation is as follows (assuming 100% target achievement):

CEO's compensation



Compensation of other members of the Group Executive Committee



Annual performance-related cash bonus

The annual performance-related cash bonus is calculated on the basis of the achievement of personal strategic and operational as well as financial targets. The targets that need to be achieved, as well as the target bonus, are set at the start of the reporting year. The performance targets for the cash bonus constitute market-sensitive and commercially sensitive information and are therefore confidential, which is why they are not published. Depending on the extent to which the targets are achieved, the cash bonus awarded may amount to between 0% and 150% of the target bonus and is paid in April of the following year. The target achievement rate and the weighting of the targets will be disclosed ex post (see note 4.2).

Deferred Share Plan 2015

Under the Deferred Share Plan 2015, a number of Performance Share Units (PSU) are granted for the reporting year based on a contractual target amount. The Board of Directors decides each year whether the Performance Share Units will be converted into registered shares or participation certificates.

The number of Performance Share Units granted is calculated on the basis of the volume-weighted average price of the shares in March of the reporting year, less a discount. The Board of Directors decides at its sole discretion on the discount. At the start of the reporting year, a combination of growth and profitability targets that applies to all members of the Group Executive Committee is set for the next three business years. The achievement of those targets is determined after the end of the three-year period. Depending on the extent to which the targets are achieved, the Performance Share Units will be converted into shares at a conversion rate of between 0% and 300%. The maximum value of the converted shares that a participant may receive is three times the contractual target amount.

The Performance Share Units are converted into shares three years after they were granted and then transferred to the ownership of the beneficiaries. From that date, the shares include all of the associated rights. In the event of any qualified breaches of the Code of Conduct, beneficiaries forfeit the right to have their Performance Share Units converted into shares.

In order to include them in total compensation, the Performance Share Units that are granted are valued at the volume-weighted average price in March of the reporting year (grant), less a discount of 10%. This discount reflects the fact that the Performance Share Units are only converted into shares three years after they were granted.

Number of PSU granted	=	Contractual target amount	÷	Volume-weighted average share price in March of the reporting year (less discount)
Value disclosed in Compensation Report	=	PSU granted (estimated performance)	×	Volume-weighted average share price in March of the reporting year (less 10%)
Number of shares granted (after 3 years)	=	PSU granted	×	Performance evaluation between 0% and 300%

2.4.3 Social and other benefits

Benefits related to variable compensation such as social contributions and taxes for international assignments are reported as social and other benefits.

3 Responsibilities and determination process

The compensation system and the capital participation plans are defined by Corporate Human Resources and are reviewed by the CEO, the Supervisory and Strategy Committee, and the Compensation Committee before being submitted to the Board of Directors for approval. The members of the Supervisory and Strategy Committee may not participate when decisions are made regarding their compensation. No external consultants were involved in this process in the reporting year.

The Compensation Committee holds at least two meetings per year. In the reporting year it met six times. For details of the composition of the Compensation Committee, refer to the Corporate Governance Report, note 3.5.2.

The responsibilities related to compensation matters at the level of the Board of Directors and the Group Executive Committee are defined in the Articles of Association and the Organizational Regulations. The most important functions and responsibilities in this context are summarized in the following table:

	Chairman of the Board of Directors		Executive members of the Board of Directors		Non- executive members of the Board of Directors	Fixed compensation and target		CEO	Members of the Group Executive Committee (excl. CEO)	
	Fixed compensation and target	Variable compensation	Fixed compensation and target	Variable compensation	Fixed compensation	Fixed compensation and target	Variable compensation	Fixed compensation and target	Variable compensation	Variable compensation
Compensation Committee	●	●	●	●	●	●	●	●	●	●
Chairman of the Board of Directors			●	●	●	●	●	●	●	●
CEO									●	●
Board of Directors	●	●	●	●	●	●	●	●	●	

● Proposal
● Decision

4 Compensation for the reporting year

4.1 Board of Directors

In CHF 1 000	Fixed compensation		Cash bonus (gross)	Registered shares	Variable compensation		Total for 2017
	Cash (gross)	Pension, social, and other benefits			Other	Social and other benefits	
Silvio Napoli, Chairman ¹	1 279	329	1 035	1 165	–	124	3 932
Alfred N. Schindler, Chairman emeritus ²	712	74	132	149	651 ¹¹	47	1 765
Prof. Dr. Pius Baschera, Vice Chairman ³	279	13	–	–	–	–	292
Prof. Dr. Karl Hofstetter ⁴	952	318	827	930	–	99	3 126
Luc Bonnard ⁵	221	10	–	–	227 ¹²	15	473
Patrice Bula ⁵	200	12	–	–	–	–	212
Prof. Dr. Monika Bütler ⁵	232 ⁸	13	–	–	–	–	245
Dr. Rudolf W. Fischer ⁵	200	9	–	–	–	–	209
Anthony Nightingale ⁵	200	9	–	–	–	–	209
Rolf Schweiger ⁶	42	2	–	–	–	–	44
Tobias B. Staehelin ⁷	324	121	64	16	–	45	570 ¹³
Carole Vischer ⁵	244 ⁹	14	–	–	–	–	258
Prof. Dr. Klaus W. Wellershoff ⁶	51 ¹⁰	3	–	–	–	–	54
Total compensation	4 936	927	2 058	2 260	878	330	11 389

¹ Member of the Supervisory and Strategy Committee (Chairman from the General Meeting of Shareholders 2017)

² Chairman and member of the Supervisory and Strategy Committee until General Meeting of Shareholders 2017, thereafter non-executive member

³ Non-executive member (Vice Chairman from the General Meeting of Shareholders 2017)

⁴ Member of the Supervisory and Strategy Committee, including function as Group General Counsel, 80% basis

⁵ Non-executive member

⁶ Non-executive member (until General Meeting of Shareholders 2017)

⁷ From the General Meeting of Shareholders 2017 executive member at Group company level

⁸ Including fee for work as a member of the Audit Committee (from the General Meeting of Shareholders 2017)

⁹ Including fee for work as a member of the Audit Committee as well as fee as a member of the Board of Directors of a Group company

¹⁰ Including fee for work as a member of the Audit Committee (until the General Meeting of Shareholders 2017)

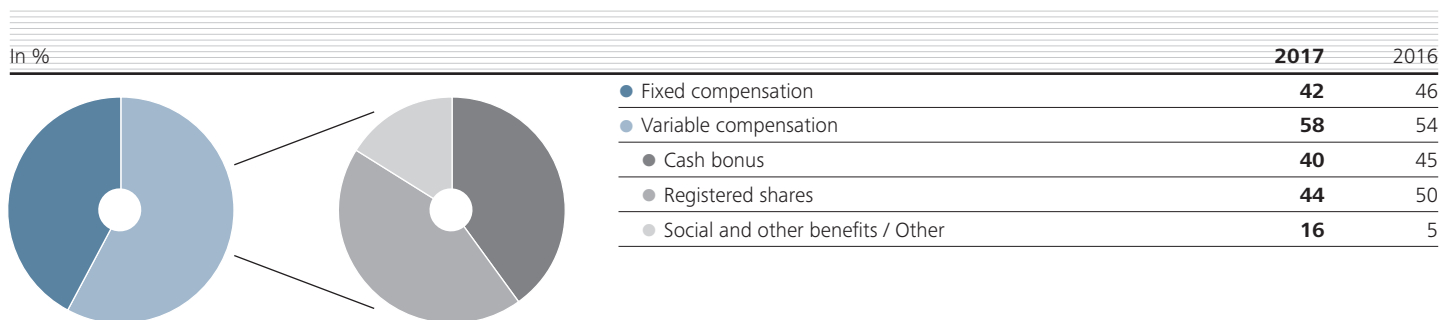
¹¹ Fee for consulting services (CHF 119 000, based on fixed daily fee and number of days actually worked) as well as compensation for unused vacation days during past years as member of the Supervisory and Strategy Committee (CHF 532 000)

¹² Fee for consulting services (based on fixed daily fee and number of days actually worked)

¹³ Includes compensation for operational function as Regional Director at Schindler Aufzüge und Fahrtreppen GmbH as well as fee as a member of the Board of Directors of a Group company

For the reporting year, the variable component of the compensation awarded to the members of the Supervisory and Strategy Committee averaged 58% of total compensation and comprised the following:

Compensation of members of the Supervisory and Strategy Committee



Board of Directors' fees (including a flat-rate expense allowance) remain unchanged:

CHF	
Chairman	400 000
Vice Chairman	300 000
Other members	200 000
Audit Committee members	
	40 000

The Board of Directors has decided to grant registered shares under the Performance Share Plan for the reporting year and to apply a discount of 20%.

The variable compensation reported is subject to the approval of the General Meeting of Shareholders.

In the reporting year, no collateral or guarantees were granted to members of the Board of Directors. Neither Schindler Holding Ltd. nor any other Group company waived any claims against members of the Board of Directors.

Registered shares granted

	Number
Silvio Napoli, Chairman	5 916
Alfred N. Schindler, Chairman emeritus	756
Prof. Dr. Karl Hofstetter	4 723
Tobias B. Staehelin	82

The number of shares disclosed is a provisional figure based on the volume-weighted average price in December 2017, with a discount of 20%. The final number is reported in the following year's Compensation Report.

In CHF	
Participation right	Registered share
Volume-weighted average price in December 2017	218.72
Value for inclusion in variable compensation	196.85

4.2 Group Executive Committee

For details of the composition of the Group Executive Committee, which was taken into account when determining total compensation, refer to the Corporate Governance Report, note 4.1.

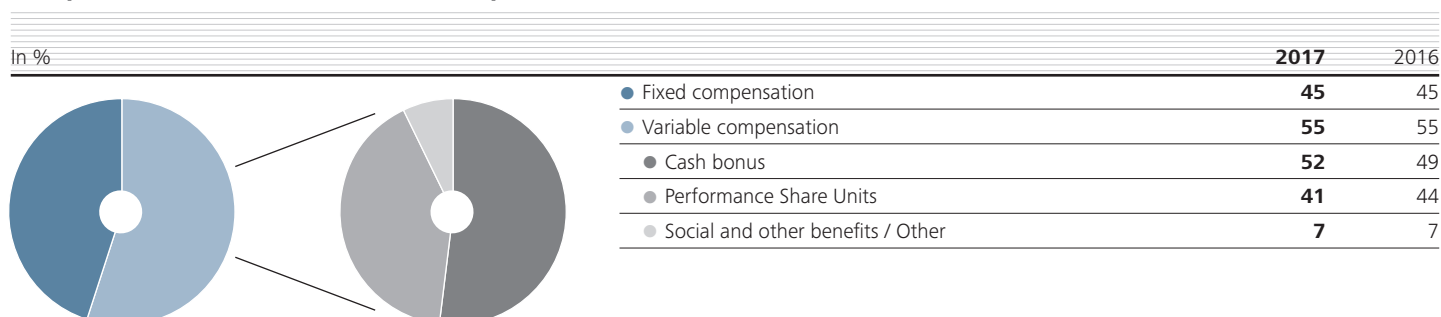
In CHF 1 000	Fixed compensation			Variable compensation			Total for 2017
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Other	Social and other benefits	
Total compensation	7 697	3 149	6 877	5 362	55	930	24 070 ¹
Highest individual compensation: Thomas Oetterli, CEO	903	207	1 570 ²	1 125	–	152	3 957

¹ Includes contractual payments to members who stepped down from the Group Executive Committee in 2017

² Including special bonus of CHF 170 000 for exceptional progress on strategic projects

50% of the cash bonus was based on financial targets (growth and profitability) and 50% on personal strategic and operational targets. Schindler continued to achieve growth in the financial year 2017 while improving its profitability. Orders received increased by 5.9% and revenue rose by 5.1%. Operating profit grew by 4.8%. Accordingly, the variable component of the compensation awarded to the members of the Group Executive Committee for 2017 averaged 55% of total compensation and comprised the following:

Compensation of members of the Group Executive Committee



The variable compensation reached at maximum 256% of the fixed compensation. The cash bonus awarded reflects an average achievement factor of 125% based on the targets set for 2017.

The Board of Directors decided to grant Performance Share Units convertible into registered shares in accordance with the rules of the Deferred Share Plan 2015 for the reporting year and to apply a discount of 20%.

The Board of Directors has defined Group growth and EBIT targets for 2019. The number of Performance Share Units disclosed represents the number of registered shares that would be granted if these targets are achieved (i.e. 100% achievement rate). This estimate is based on the most recent interim assessment of the achievement of targets. In order to include them in total compensation, the Performance Share Units are valued at the volume-weighted average price in March of the reporting year less a discount of 10%.

The variable compensation of the Group Executive Committee reported is always subject to the approval of the General Meeting of Shareholders.

In the reporting year, no collateral or guarantees were granted to members of the Group Executive Committee. Neither Schindler Holding Ltd. nor any other Group company waived any claims against the members of the Group Executive Committee.

Performance Share Units granted

	Number
Total Group Executive Committee	31 138
Thomas Oetterli, CEO	6 533

Value per Performance Share Unit

	Deferred Share Plan
In CHF	
Participation right	PSU on registered shares
Volume-weighted average price in March 2017	191.35
Value for inclusion in variable compensation	172.22

4.3 Approved fixed compensation

	Board of Directors	Group Executive Committee
In CHF 1 000		
Approved by the General Meeting of Shareholders 2017	5 900	11 700
Actual fixed compensation 2017	5 863	10 846

5 Compensation for the previous year

5.1 Board of Directors

In CHF 1 000	Fixed compensation			Variable compensation		Total for 2016
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)/other	Registered shares	Social and other benefits	
Alfred N. Schindler, Chairman ¹	2 125	263	529	595	58	3 570 ¹⁰
Luc Bonnard, Vice Chairman ²	300	14	485 ⁸	–	59	858
Prof. Dr. Karl Hofstetter ³	839	311	827	930	99	3 006
Silvio Napoli ⁴	1 127	295	1 194	1 260 ⁹	145	4 021 ¹¹
Jürgen Tinggren ⁵	634	178	336 ⁸	378	40	1 566
Prof. Dr. Pius Baschera ²	200	9	–	–	–	209
Patrice Bula ²	200	12	–	–	–	212
Prof. Dr. Monika Bütler ²	200	12	–	–	–	212
Dr. Rudolf W. Fischer ⁶	605	220	454	510	54	1 843
Anthony Nightingale ²	200	9	–	–	–	209
Rolf Schweiger ²	200	9	–	–	–	209
Carole Vischer ²	240 ⁷	14	–	–	–	254
Prof. Dr. Klaus W. Wellershoff ²	240 ⁷	14	–	–	–	254
Total compensation	7 110	1 360	3 825	3 673	455	16 423

¹ Member of the Supervisory and Nomination Committee

² Non-executive member

³ Member of the Supervisory and Nomination Committee (from the General Meeting of Shareholders 2016), including function as Group General Counsel, 80% basis

⁴ Member of the Supervisory and Nomination Committee from the General Meeting of Shareholders 2016

⁵ Until the General Meeting of Shareholders, 80% basis

⁶ Until August 31, 2016, member of the Supervisory and Nomination Committee, thereafter non-executive member; 80% basis until March 2016, and 60% thereafter

⁷ Including fee for work as a member of the Audit Committee of CHF 40 000

⁸ Including fee for consulting services

⁹ Including 1 800 Performance Share Units for position as CEO

¹⁰ Alfred N. Schindler donated over CHF 1 million of this sum to a charitable foundation under Swiss law

¹¹ Including compensation as CEO until March 2016

Board of Directors' fees (including a flat-rate expense allowance) amounted to: Full-time Chairman CHF 400 000, Vice Chairman CHF 300 000, other members CHF 200 000.

The Board of Directors decided to grant registered shares under the capital participation plans.

Registered shares and Performance Share Units granted

	Registered shares	Performance Share Units
Alfred N. Schindler, Chairman	3 457	–
Dr. Rudolf W. Fischer	2 963	–
Prof. Dr. Karl Hofstetter	5 400	–
Silvio Napoli	5 679	1 800
Jürgen Tinggren	2 195	–

The final number of registered shares was calculated using a grant value of CHF 153.08, which corresponds to the volume-weighted average share price in March 2017, less 20%. The number disclosed in the previous year was based on a provisional value (volume-weighted average share price of registered shares in December 2016, less 20%, resulting in a provisional grant value of CHF 140.69).

5.2 Group Executive Committee

	Fixed compensation			Variable compensation			Total for 2016
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Other benefits	Social contributions	
In CHF 1 000							
Total compensation	6 387	2 507	5 367	4 883	223	556	19 923
Highest individual compensation: Thomas Oetterli, CEO	925	235	1 168	946	58	122	3 454

The total cash bonus awarded to the Group Executive Committee reflected an average achievement factor of 125% based on the targets set for 2016.

Performance Share Units granted

	Number
Total Group Executive Committee	31 253
Thomas Oetterli, CEO	6 053

6 Benefits for former members of governing bodies

No compensation as defined in Article 14, para. 1, section 4 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV) was paid to former members of a governing body.

7 Loans and credits

Article 34 of the Articles of Association of Schindler Holding Ltd. states that the Board of Directors may grant loans or credits to members of the Board of Directors or the Group Executive Committee. The total amount of these loans and credits must not exceed CHF 10 million and they may only be granted at market rates and subject to the applicable abstention rules.

7.1 Present and former members of governing bodies

No loans or credits were granted by Schindler Holding Ltd. or any other Group company to present or former members of governing bodies, and no such loans were outstanding as of December 31, 2017.

7.2 Related parties

No loans or credits were granted by Schindler Holding Ltd. or any other Group company to related parties of present or former members of governing bodies, and no such loans were outstanding as of December 31, 2017.

8 Proposals to the General Meeting of Shareholders 2018

The aggregate amount of fixed compensation for the Board of Directors and the Group Executive Committee for the financial year 2018 and the aggregate amount of variable compensation for the reporting year 2017 will be proposed separately to the General Meeting of Shareholders in March 2018 for approval.

8.1 Fixed compensation for 2018

The aggregate amount of fixed compensation for the Board of Directors to be approved is CHF 8.7 million (amount proposed in 2017: CHF 5.9 million). The increase compared to the previous year is based on the following changes:

- 1) Increase in the number of members of the Supervisory and Strategy Committee from two to three
- 2) Inclusion of fees for consulting services paid to Alfred N. Schindler and Luc Bonnard (reported as variable compensation until 2017)
- 3) Full-year inclusion of compensation paid to Tobias B. Staehelin for his operational function at a Group company

The aggregate amount of fixed compensation for the Group Executive Committee to be approved is CHF 10.1 million (amount proposed in 2017: CHF 11.7 million).

The reduction compared to the previous year is based on the following changes:

- 1) Reduction in the number of members of the Group Executive Committee from 13 to 12 due to the nomination of Michael Nilles as a member of the Board of Directors and a member of the Supervisory and Strategy Committee
- 2) Continuing contractual payments made in 2017 to members who stepped down from the Group Executive Committee will cease in 2018

8.2 Variable compensation for 2017

The aggregate amount of variable compensation for the Board of Directors to be approved is CHF 5 526 000 (amount proposed in 2017: CHF 7 953 000). This includes performance-related variable compensation for executive members of the Board of Directors as well as fees for consulting services paid to non-executive members of the Board of Directors. The reduction compared to the previous year is based on the following changes:

- 1) Alfred N. Schindler stepped down from the Supervisory and Strategy Committee in March 2017. For the remainder of the year, the Supervisory und Strategy Committee consisted of only two members
- 2) The amount of fees paid for consulting services was lower in 2017

The aggregate amount of variable compensation for the Group Executive Committee to be approved is CHF 13 224 000 (amount proposed in 2017: CHF 11 029 000).

The increase compared to the previous year is based on the following changes:

- 1) Inclusion of variable compensation paid to members who stepped down from the Group Executive Committee for the period after they left the Group Executive Committee
- 2) Full-year bonuses paid to members of the Group Executive Committee who have been in office since April 2016

The aggregate amount of variable compensation to be approved for the Group Executive Committee also includes CHF 5 362 000, representing the value of the Performance Share Units that would be converted into registered shares if Group growth and profitability targets are achieved (i.e. 100% achievement rate). This is based upon the most recent interim assessment of the achievement of targets. The conversion rate (i.e. the final value paid in shares at the end of the performance period) may differ as the conversion rate is between 0% and 300%. The final value will depend on the company's performance in relation to previously defined targets as well as the share price development over the three-year period but may be a maximum of CHF 14 300 000.

9 Levels of participation

The participations and option rights of members of the Board of Directors of Schindler Holding Ltd. and the Group Executive Committee, as well as related parties, are as follows (there are no conversion rights outstanding):

9.1 Board of Directors

2017

	Participation		Number
As of 31.12.	Registered shares	certificates	Options
Silvio Napoli, Chairman ¹	33 905	5 631	–
Alfred N. Schindler, Chairman emeritus ²	⁴	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–	–
Prof. Dr. Karl Hofstetter ¹	91 868	6 431	13 712 ⁵
Luc Bonnard ²	⁴	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	20 091	–	3 171 ⁶
Anthony Nightingale ²	3 000	–	–
Tobias B. Staehelin ³	^{4, 7}	–	–
Carole Vischer ²	⁴	–	–

¹ Member of the Supervisory and Strategy Committee

² Non-executive member

³ Executive member at Group company level

⁴ Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 661 559 shares as at December 31, 2017, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.

⁵ Fully vested options on participation certificates granted under the Long Term Incentive Plan 2011

⁶ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁷ In addition, a related party of Tobias B. Staehelin (not a member of the shareholder agreement) holds 10 registered shares

2016

	Number		
As of 31.12.	Registered shares	Participation certificates	Options
Alfred N. Schindler, Chairman ¹	³	43 330	–
Luc Bonnard, Vice Chairman ²	³	–	3 171 ⁴
Prof. Dr. Karl Hofstetter ¹	78 775	21 159	28 204 ⁵
Silvio Napoli ¹	16 687	9 981	–
Prof. Dr. Pius Baschera ²	3 000	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	27 645	–	3 171 ⁴
Anthony Nightingale ²	3 000	–	–
Rolf Schweiger ²	3 375	–	–
Carole Vischer ²	³	–	–
Prof. Dr. Klaus W. Wellershoff ²	3 000	–	–

¹ Member of the Supervisory and Nomination Committee

² Non-executive member

³ Alfred N. Schindler, Luc Bonnard, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 655 782 shares as at December 31, 2016, corresponding to 71.0% of the voting rights of the share capital entered in the Commercial Register.

⁴ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁵ Fully vested options on participation certificates granted:

– under the Long Term Incentive Plan 2010: 14 492

– under the Long Term Incentive Plan 2011: 13 712

9.2 Group Executive Committee

2017

	Number		Number of vested options on			
	Registered shares	Participation certificates	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.						
Thomas Oetterli, CEO	19 263	7 307	4 529 ²	5 142 ³	–	–
Erich Ammann	20 000	–	–	–	–	–
Julio Arce	1 555	385	–	419 ¹	277	189
Karl-Heinz Bauer	–	–	–	–	–	–
David Clymo	8 813	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–
Carlos Guembe	551	–	–	2 168 ³	–	1 026
Andre Insera	3 505	–	–	–	–	–
Michael Nilles	4 916	–	291 ¹	2 145 ¹	1 859	1 533
Christian Schulz	4 927	–	577 ¹	617 ¹	371	252
Robert Seakins	347	–	–	418 ¹	277	210
Egbert Weisshaar	4 114	–	–	–	–	–
Daryoush Ziai	356	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2010

³ Options from Long Term Incentive Plan 2011

2016

	Number		Number of vested options on						
	Registered shares	Participation certificates	Registered shares granted 2008 ¹	Registered shares granted 2008 ²	Registered shares granted 2009	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.									
Thomas Oetterli, CEO	12 995	7 307	–	–	2 000 ³	4 529 ⁴	5 142 ⁵	–	–
Miguel A. Rodríguez	26 844	–	4 279	10 234	–	6 340 ⁴	5 999 ⁵	–	–
Erich Ammann	18 931	–	–	–	–	–	–	–	–
Karl-Heinz Bauer	–	–	–	–	–	–	–	–	–
David Clymo	5 703	454	–	–	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–	–	–	–
Carlos Guembe	3 994	1 989	–	–	7 246 ³	2 355 ⁴	2 228 ⁵	–	–
Albert Haffert	9 308	3 000	–	–	–	4 982 ⁴	6 856 ⁵	–	–
Andre Inserra	3 289	–	–	–	–	–	–	–	–
Michael Nilles	4 704	–	–	–	–	291 ¹	2 145 ¹	1 859	1 533
Oswald Schmid	2 767	4 358	–	–	–	2 944 ⁴	3 000 ⁵	–	2 776
Christian Schulz	4 771	–	–	–	1 104 ¹	577 ¹	617 ¹	371	252
Daryoush Ziai	168	–	–	–	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2008

³ Options from Long Term Incentive Plan 2009

⁴ Options from Long Term Incentive Plan 2010

⁵ Options from Long Term Incentive Plan 2011

Information on the conditions that apply to options is provided in note 35.2 to the consolidated Financial Statements.

Report of the statutory auditor



To the General Meeting of
Schindler Holding Ltd., Hergiswil

Basle, 14 February 2018

Report of the statutory auditor on the compensation report

We have audited the compensation report of Schindler Holding Ltd. for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 4 to 7 and 9 of the compensation report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.



Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the compensation report for the year ended 31 December 2017 of Schindler Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Lorenz Malär
Licensed audit expert

Corporate Governance

102	Group structure and shareholders
104	Capital structure
106	Board of Directors and Committees of the Board
119	Group Executive Committee
125	Compensation, participations, and loans
125	Shareholders' participation rights
127	Change of control and defensive measures
128	Auditing body
129	Information policy

The Corporate Governance Report contains the information required by the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange, effective December 31, 2017, and is structured in accordance with the Directive. The required disclosures of the compensation and participations of the company's most senior management are provided in the Compensation Report. In addition, an explanation is provided in accordance with the 'comply or explain' principle if the company's corporate governance deviates from the recommendations set out in the Swiss Code of Best Practice for Corporate Governance (referred to hereinafter as the Swiss Code).

1 Group structure and shareholders

1.1 Group structure

Schindler Holding Ltd. is a holding company under Swiss law that is headquartered in Hergiswil (Canton of Nidwalden, Switzerland). Its registered shares (ISIN: CH0024638212, Swiss security number: 2.463.821, SCHN) and participation certificates (ISIN: CH0024638196, Swiss security number: 2.463.819, SCHP) are listed on the SIX Swiss Exchange. As at December 31, 2017, the market capitalization of Schindler Holding Ltd. amounted to CHF 23.9 billion. Schindler Holding Ltd. has a direct or indirect interest in the consolidated companies listed in note 38 of the Group Financial Statements.

As one of the world's leading suppliers of elevators, escalators, and moving walks, the Schindler Group is active in the areas of production, installation, maintenance, and modernization in the most important markets around the globe. Its operating structure as at December 31, 2017, can be summarized as follows:

Board of Directors

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Supervisory and Strategy Committee

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Group Executive Committee

Chief Executive Officer (CEO)

Deputy CEO; Chief Financial Officer (CFO)

Chief Technology Officer (CTO)

Chief Digital Officer

Corporate Human Resources

Field Quality & Excellence

Escalators and Supply Chain

Operations

Europe North

Europe South

Americas

Asia-Pacific

China

Information on organizational or management changes after December 31, 2017, is provided in note 1.4 'Events after the balance sheet date '

The duties of the full-time Supervisory and Strategy Committee (previously Supervisory and Nomination Committee) are described in note 3.5.2.1 and in the Organizational Regulations of Schindler Holding Ltd., which are available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

1.2 Significant shareholders

As at the end of 2017, the Schindler and Bonnard families and parties related to these families held – within the scope of shareholder agreements – 47 661 559 registered shares of Schindler Holding Ltd., corresponding to 71.1% of voting rights of the share capital entered in the Commercial Register. There are no further shareholders who have registered a holding of more than 3% of voting rights of Schindler Holding Ltd. according to Article 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). No notifications according to Article 120 of FMIA were published during the reporting year. Previous notifications can be viewed at: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

Schindler Holding Ltd. has no cross-shareholdings of more than 5% in any company outside the Schindler Group.

1.4 Events after the balance sheet date

Excerpt from the press release of February 16, 2018:

"Changes to the Board of Directors and the Group Executive Committee

As previously announced, the Board of Directors will propose to the General Meeting of Shareholders in 2018 that Michael Nilles, Chief Digital Officer, be newly elected to the Board of Directors. Following his election, he will become a member of the Supervisory and Strategy Committee.

After more than 27 years of service for Schindler, including 12 years on the Board of Directors of Schindler Holding Ltd., Prof. Dr. Karl Hofstetter has expressed his wish to give up his corporate functions during the course of this year and to focus on his academic and other professional interests. He will therefore not stand for reelection to the Board of Directors of Schindler Holding Ltd. and will step down from the Supervisory and Strategy Committee at the General Meeting of Shareholders in 2018. The Board of Directors sincerely thanks him for his many years of support and his valuable contribution to numerous important projects.

The Board of Directors has decided to propose to the General Meeting of Shareholders in 2018 that Erich Ammann, currently Chief Financial Officer (CFO), be newly elected to the Board of Directors. Following his election, he will become a member of the Supervisory and Strategy Committee. Erich Ammann has been with Schindler since 1988 and he has held various management positions in Finance. He has been serving as CFO since 2001.

The Board of Directors has appointed Urs Scheidegger to the Group Executive Committee as CFO, effective April 1, 2018. Urs Scheidegger received his doctorate from the University of St. Gallen in business administration and since 2003 has held various management positions with Schindler in Finance, most recently as Head Area Controlling. He has spent a large part of his career in Asia, specifically in China."

2 Capital structure

2.1 Capital

As at December 31, 2017, the ordinary share capital of Schindler Holding Ltd. totaled CHF 6 707 745.20 and its participation capital totaled CHF 4 071 683.10.

2.2 Authorized and conditional capital

As at December 31, 2017, Schindler Holding Ltd. had no authorized or conditional capital.

2.3 Changes in capital in the last three years

Information about changes in the capital of Schindler Holding Ltd. in the last three reporting years is presented in note 11 of the Financial Statements of Schindler Holding Ltd.

2.4 Shares and participation certificates

As at December 31, 2017, the share capital totaled CHF 6 707 745.20. It is divided into 67 077 452 fully paid-in registered shares, each with a nominal value of CHF 0.10.

Subject to Article 13 of the Articles of Association, each share carries the right to one vote, as well as the right to a share of retained earnings and to a share of the proceeds of liquidation, corresponding to its nominal value.

As at December 31, 2017, the participation capital totaled CHF 4 071 683.10. It is divided into 40 716 831 fully paid-in bearer participation certificates, each with a nominal value of CHF 0.10. Each participation certificate carries the right to a share of retained earnings, and to a share of the proceeds of liquidation, corresponding to its nominal value. It does not, however, carry any voting rights, or any other rights of membership, such as participation in General Meetings of Shareholders.

2.5 Profit-sharing certificates

Schindler Holding Ltd. has not issued any profit-sharing certificates.

2.6 Limitations on share transferability and nominee registrations

2.6.1 Limitation on share transferability

According to Article 13 of the Articles of Association, the Board of Directors shall refuse registration of an acquirer as a full shareholder in the share register if:

- the acquirer has not acquired the share(s) in his/her own name and on his/her own account, or
- registration would result in the acquirer holding more than 3% of voting rights.

The voting rights of related shareholders are counted together.

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

The statutory restrictions on registration do not apply if:

- on June 15, 1992, the acquirer was already recorded in the share register as holding at least 3% of voting rights, or the acquirer is the spouse, child or other descendant, brother, or sister of such a person, or
- the voting rights were acquired directly by inheritance, division of estate, or matrimonial property law.

The General Meeting of Shareholders may determine exceptions to the percentage limits by relative majority, whereby a legally binding decision requires at least half of the shares entered in the Commercial Register to be represented. Applicants have the right to have their application presented at the General Meeting of Shareholders. The General Meeting of Shareholders did not have to reach a decision on any application for exceptions in the financial year 2017.

Further details on the restrictions on registration and exceptions thereto are set out in Article 13 of the Articles of Association of Schindler Holding Ltd., which are available at: [www.schindler.com – Investor Relations – General Meetings \(www.schindler.com/com/internet/en/investor-relations/articles-of-association.html\)](http://www.schindler.com – Investor Relations – General Meetings (www.schindler.com/com/internet/en/investor-relations/articles-of-association.html)).

Information by majority shareholders

The majority shareholders informed that in the event of a sale of 49% or more of their voting rights to an acquirer that is not party to their shareholder agreement, they will only vote in favor of an exception to the percentage limits if the acquirer makes a voluntary public offer at a price that is equivalent to the price paid for the 49%.

2.6.2 Nominee registrations

The Articles of Association do not contain any special regulations regarding the registration of nominees in the share register.

2.7 Convertible bonds and options

2.7.1 Convertible bonds

Schindler Holding Ltd. has no outstanding convertible bonds.

2.7.2 Employee options

						Number as of 31.12.2017		
Allocation year		Options allocated (number)	Exercise price in CHF	Blocked period ends	Exercise period ends	Forfeited	Exercised	Outstanding
2008	A	357 092 ¹	80.90	30.4.2011	30.4.2017	-14 917	-342 175	-
2008	B	155 311 ¹	78.90	30.4.2011	30.4.2017	-	-155 311	-
2009	A	464 175 ¹	56.40	30.4.2012	30.4.2018	-2 030	-416 099	46 046
2009	B	314 783 ¹	56.40	30.4.2012	30.4.2018	-2 407	-312 376	-
2010	A	207 896 ²	53.60	30.4.2013	30.4.2019	-483	-161 812	45 601
2010	B	107 739 ²	85.10	30.4.2013	30.4.2019	-6 159	-94 334	7 246
2011	A	222 621 ²	85.10	30.4.2014	30.4.2020	-901	-159 911	61 809
2011	B	104 854 ²	124.80	30.4.2014	30.4.2020	-	-69 834	35 020
2012	A	162 002 ²	108.20	30.4.2015	30.4.2021	-750	-99 188	62 064
2013	A	138 012 ¹	137.84	30.4.2016	30.4.2022	-9 442	-56 832	71 738

A = Options from the Capital Participation Plan 2000/2003

B = Options from the Long Term Incentive Plan

¹ One option gives entitlement to purchase one share

² One option gives entitlement to purchase one participation certificate

3 Board of Directors and Committees of the Board

3.1 Members of the Board of Directors of Schindler Holding Ltd.

As of 31.12.2017	Domicile	Nationality	Year of election ¹
Silvio Napoli (1965), Chairman	Küsnacht, Switzerland	Italian	2016
Alfred N. Schindler (1949), Chairman emeritus	Hergiswil, Switzerland	Swiss	1977
Prof. Dr. Pius Baschera (1950), Vice Chairman	Zurich, Switzerland	Swiss	2005
Prof. Dr. Karl Hofstetter (1956)	Meggen, Switzerland	Swiss	2006
Luc Bonnard (1946)	Hergiswil, Switzerland	Swiss	1984
Patrice Bula (1956)	Yens, Switzerland	Swiss	2015
Prof. Dr. Monika Bütler (1961)	Zurich, Switzerland	Swiss	2013
Dr. Rudolf W. Fischer (1952)	Bergdietikon, Switzerland	Swiss	2012
Anthony Nightingale (1947)	Hong Kong SAR, China	British	2013
Tobias B. Staehelin (1978)	Heidelberg, Germany	Swiss	2017
Carole Vischer (1971)	Hergiswil, Switzerland	Swiss	2013

¹ Annual General Meeting of Shareholders in the year shown

The Board of Directors, which – according to the Articles of Association – consists of between 5 and 13 members, currently has 11 members. Three members of the Board of Directors are executive members. However, none of them also serves on the Group Executive Committee. Silvio Napoli and Karl Hofstetter are members of the Supervisory and Strategy Committee. Tobias B. Staehelin holds an operational function at a Group company. The eight remaining members are non-executive members of the Board of Directors.



Front row, from left: Alfred N. Schindler, Silvio Napoli, Prof. Dr. Pius Baschera,
 Prof. Dr. Monika Büttler, Tobias B. Staehelin
 2nd row, from left: Carole Vischer, Dr. Rudolf W. Fischer, Anthony Nightingale
 3rd row, from left: Patrice Bula, Prof. Dr. Karl Hofstetter, Luc Bonnard

With the exception of Alfred N. Schindler, all non-executive members of the Board of Directors are independent according to the definition set out in the Swiss Code. Hence, in accordance with the recommendations and criteria set out in the Swiss Code, the majority of the Board of Directors – i.e. 7 of its 11 members – is independent. The Board of Directors comprises both male and female members.

In terms of the composition of the committees of the Board of Directors, the company deviates from the recommendations of the Swiss Code. This is mainly due to the fact that major shareholders have their own representation on the Board of Directors, allowing them to safeguard their long-term shareholder interests directly.

3.2 Other activities and vested interests

Silvio Napoli

Executive Chairman of the Board of Directors, Chairman of the Supervisory and Strategy Committee and of the Nomination Committee since 2017, member of the Board of Directors and the Supervisory and Strategy Committee since 2016.

Silvio Napoli holds a master's degree in materials science from the Swiss Federal Institute of Technology (EPFL), Lausanne, Switzerland, and an MBA from Harvard Graduate School of Business Administration, Boston, USA, which he earned as a Fulbright Scholar.

He began his career at The Dow Chemical Co., Rheinmünster, Germany, in 1989. Silvio Napoli has held various international functions in the Schindler Group since 1994. From 2008 to 2013, he served as a member of the Schindler Group Executive Committee with responsibility for the Asia-Pacific region. He then served as CEO of the Schindler Group until March 2016.

Silvio Napoli is an Italian citizen, born in 1965.

Alfred N. Schindler

Chairman emeritus, member of the Board of Directors since 1977, non-executive member since 2017, member of the Nomination Committee.

Alfred N. Schindler holds a degree in law from the University of Basel, Switzerland, and an MBA from The Wharton School of Finance in Philadelphia, Pennsylvania, USA.

He began his career in 1974 as an auditor at Neutra Treuhand AG, Berne, and served as CFO of Notz AG, Biel, Switzerland, from 1980. He subsequently held various management positions at the Schindler Group. In 1982, he was appointed Head of Corporate Planning and he served as CEO of the Schindler Group from 1985 to 2011. Alfred N. Schindler was Chairman of the Board of Directors of Schindler Holding Ltd. and Chairman of the Supervisory and Strategy Committee from 1995 until March 2017. He currently serves as an advisor to Schindler.

Alfred N. Schindler is a Swiss citizen, born in 1949.

Prof. Dr. Pius Baschera

Vice Chairman of the Board of Directors since 2017, non-executive, independent member of the Board of Directors since 2005, member of the Compensation Committee since 2008 and its Chairman since 2015.

Trustee and Speaker of the Martin Hilti Family Trust and member of the Board of Directors of Hilti Corporation, Schaan, Liechtenstein; member of the Advisory Board of Vorwerk & Co., Wuppertal, Germany, of Ardex GmbH, Witten, Germany, and until the AGM on March 14, 2017, member of the Board of Directors of Roche Holding AG, Basel, Switzerland; President of the Board of Trustees of the ETH Zurich Foundation, Zurich, Switzerland; Professor emeritus at the ETH Zürich, Zurich, Switzerland.

Pius Baschera studied at the Swiss Federal Institute of Technology (ETH), Zurich, Switzerland, where he obtained a degree in mechanical engineering and in management science.

From 1979 to 2017, he held various international functions at Hilti Corporation, Schaan, Liechtenstein, including the role of CEO for 13 years and after that the role of Chairman of the Board of Directors.

Pius Baschera is a Swiss and Italian citizen, born in 1950.

Prof. Dr. Karl Hofstetter

Executive member of the Board of Directors since 2006, member of the Supervisory and Strategy Committee since 2016, and of the Nomination Committee since 2017.

Chairman of SwissHoldings, Berne, Switzerland; Chairman of the Board of Trustees of the Kuoni and Hugentobler Foundation, Stans, Switzerland; member of the Board of Directors of ALSO Holding AG, Emmen, Switzerland, and of Venture Incubator AG, Zug, Switzerland; member of the Foundation Board of Stichting INPAR, Amsterdam, the Netherlands; member of the Commission of Experts on Disclosure of the SIX Swiss Exchange, Zurich, Switzerland; member of the University Council of the University of Lucerne, Switzerland; and Chairman of the Advisory Board of the Program on Comparative Corporate Law, Governance, and Finance at Harvard Law School, Boston, USA.

Karl Hofstetter studied law (including doctorate) and economics at the University of Zurich. He went on to study at Stanford University, UCLA, and Harvard University, USA. He is a licensed attorney-at-law admitted to the bar in Zurich and New York.

He has held various functions at the Schindler Group since 1990 and has served as Group General Counsel since 1993. He has also been a Professor of Civil and Commercial Law at the University of Zurich, Switzerland, since 1995.

Karl Hofstetter is a Swiss citizen, born in 1956.

Luc Bonnard

Member of the Board of Directors since 1984, non-executive since 2012, independent member since 2015, Chairman of the Audit Committee since 2013, and member of the Nomination Committee since 2017.

Luc Bonnard holds a degree in electrical engineering from the Swiss Federal Institute of Technology (ETH) Zurich, Switzerland.

He joined the Schindler Group in 1972 and held various management positions, including Head of the Elevators & Escalators business. He served as a member of the Supervisory and Strategy Committee from 1991 to 2012 and as Vice Chairman of the Board of Directors from 1996 to March 2017. He currently serves as an advisor to Schindler.

Luc Bonnard is a Swiss citizen, born in 1946.

Patrice Bula

Non-executive, independent member of the Board of Directors since 2015, member of the Compensation Committee since 2017.

As a representative of Nestlé, he is Chairman of Blue Bottle Coffee Inc, Oakland, USA, and member of the Board of Directors of Cereal Partners Worldwide S.A., Lausanne, Switzerland, of Beverage Partners Worldwide S.A., Zurich, Switzerland, of Yinlu Food Group Companies, China, of Hsu Fu Chi Group Companies, China, and of Froneri (joint venture between Nestlé and R&R Ice Cream), London, United Kingdom. He is also a member of the Board of Directors of Bobst Group SA, Mex, Switzerland.

Patrice Bula holds a master's degree in economic sciences from the University of Lausanne, Faculty of Business and Economics (HEC), Switzerland. He completed the Program for Executive Development at IMD business school, Lausanne, Switzerland.

He has held various international functions in the Nestlé Group since 1983. He has served as Executive Vice President of Nestlé S.A. since 2011, with responsibility for the Strategic Business Units, Marketing, Sales and Nespresso. Prior to that, he served as Market Head of Nestlé Greater China Region (2007 to 2011), among other roles.

Patrice Bula is a Swiss citizen, born in 1956.

Prof. Dr. Monika Bütler

Non-executive, independent member of the Board of Directors since 2013, member of the Audit Committee since 2017.

Member of the Bank Council of the Swiss National Bank, Zurich, Switzerland; member of the Board of Directors of HUBER+SUHNER AG, Herisau, Switzerland, and member of the Suva Council, Lucerne, Switzerland; Chairperson of the Swiss Institute for International Economics and Applied Economic Research, St. Gallen, Switzerland; Vice President of the Foundation Board of Gebert Rűf Foundation, Basel, Switzerland.

Monika Bütler holds a doctorate in economics from the University of St. Gallen, Switzerland, and a degree in mathematics, majoring in physics, from the University of Zurich, Switzerland.

Since 2008, she has been Managing Director of the Swiss Institute for Empirical Economic Research, University of St. Gallen, Switzerland, and since 2004 Professor of Economics at the University of St. Gallen, Switzerland. From 2009 to 2013, she served as Dean of the School of Economics and Political Science of the University of St. Gallen, Switzerland. Prior to that, she was a Visiting Professor at the University of New South Wales, Sydney, Australia in 2008 and 2011.

Monika Bütler is a Swiss citizen, born in 1961.

Dr. Rudolf W. Fischer

Non-executive, independent member of the Board of Directors and member of the Compensation Committee since 2012.

Member of the Board of Directors of Vetropack Holding AG, Bűlach, Switzerland.

Rudolf W. Fischer holds a doctorate in economics from the University of Zurich, Switzerland.

Before joining the Schindler Group in 1996, he served as CEO of various companies and as a partner in a consulting firm. He was a member of the Schindler Group Executive Committee Elevators & Escalators with responsibility for Corporate Human Resources, Management Training, and Corporate Safety & Health until 2011. From 2012 to 2016, he was a member of the Supervisory and Strategy Committee.

Rudolf W. Fischer is a Swiss citizen, born in 1952.

Anthony Nightingale

Non-executive, independent member of the Board of Directors since 2013.

Member of the Board of Directors of Jardine Matheson Holdings, Bermuda, of Vitasoy International Holdings Ltd., Hong Kong, of Jardine Strategic Holdings, Bermuda, of Dairy Farm International Holdings, Bermuda, of Hong Kong Land Holdings, Bermuda, and of Mandarin Oriental International, Bermuda, as well as of Jardine Cycle & Carriage, Singapore, of Prudential plc, England and Wales, and of Shui On Land Ltd., Cayman Islands; Commissioner of PT Astra International, Jakarta, Indonesia; member of the School Advisory Council of the Hong Kong University of Science and Technology, Hong Kong; Chairman of The Sailors Home and Missions to Seamen, Hong Kong, and Director of the UK-ASEAN Business Council, United Kingdom.

Anthony Nightingale holds a bachelor's degree (honors) in classics from Peterhouse College, University of Cambridge, United Kingdom.

He held various functions at Jardine Matheson Group and served as CEO of Jardine Matheson Holdings, Bermuda, from 2006 to 2012.

Anthony Nightingale is a British citizen, born in 1947.

Tobias B. Staehelin

Executive member of the Board of Directors since 2017 with an operational function at a Group company.

Member of the Board of Directors of Schindler Aufzüge AG, Ebikon, Switzerland.

Tobias B. Staehelin holds a degree in law and a CEMS master in international management from the University of St. Gallen, Switzerland. He completed joint studies in law at the Northwestern University School of Law, Chicago, USA, and at the Instituto de Empresa, Madrid, Spain (master of laws with honors). He is a licensed attorney-at-law admitted to the bar in Geneva, Switzerland.

He practiced law in Geneva before joining the Schindler Group in 2009. He has since held positions including Project Sales Manager of the Top Range Division in China and General Manager of Jardine Schindler, Macau. From 2015 to 2017, he served as Regional Director South West at Schindler Deutschland GmbH. In 2018, he was appointed Field Operations Director of the C. Haushahn Group, Germany.

Tobias B. Staehelin is a Swiss citizen, born in 1978.

Carole Vischer

Non-executive, independent member of the Board of Directors since 2013, member of the Audit Committee since 2016.

President of the Stiftung Dr. Robert und Lina Thyll-Dürr, Hergiswil, Switzerland.

Carole Vischer holds a degree in law from the University of Basel, Switzerland.

From 2002 to 2011, she served as the Director of the Stiftung Dr. Robert und Lina Thyll-Dürr (charitable foundation), Hergiswil, Switzerland.

Carole Vischer is a Swiss citizen, born in 1971.

3.3 Number of permitted activities outside Schindler

In accordance with Article 35 of the Articles of Association, the members of the Board of Directors may be active in the highest management or administrative bodies of up to 20 legal entities outside the Group. Legal entities that are controlled by the company or that control the company are not counted. Mandates in several legal entities that are under joint control count as one mandate. The Board of Directors takes appropriate measures to ensure that such activities are not in conflict with their duties as members of the Board of Directors. The General Meeting of Shareholders may approve exceptions to these rules.

3.4 Elections and term of office

The members of the Board of Directors of Schindler Holding Ltd. are elected individually by the General Meeting of Shareholders for a term of one year ending at the close of the next Ordinary General Meeting of Shareholders. Reelection is permitted.

The Chairman of the Board of Directors and the members of the Compensation Committee are also elected by the General Meeting of Shareholders.

In accordance with the Organizational Regulations of Schindler Holding Ltd., the term of office of members of the Board of Directors ends at the General Meeting of Shareholders in the year in which they reach the age of 73. In exceptional cases, the Board of Directors may extend this age limit.

3.5 Internal organizational structure

3.5.1 Allocation of duties within the Board of Directors

The Chairman of the Board of Directors convenes the meetings of the Board of Directors, sets the agenda, prepares the meetings, and leads them. He decides whether other persons should participate in meetings of the Board of Directors on a case-by-case basis. Every member of the Board of Directors can request that a meeting of the Board of Directors be convened, provided they state the item that is to be discussed and give a brief justification of the matter.

The Chairman of the Board of Directors – in consultation with the CEO – represents the interests of the Group vis-à-vis third parties in all important matters. The Vice Chairman deputizes for the Chairman of the Board of Directors in his absence or in specific cases in which the Chairman does not participate in the decision-making process.

The Board of Directors delegates certain duties to committees formed from its own members. It has appointed four standing committees: the Supervisory and Strategy Committee, the Nomination Committee, the Compensation Committee, and the Audit Committee. The Board of Directors appoints a chairman for each committee.

3.5.2 Tasks and areas of responsibility for each committee

As of 31.12.2017	Supervisory and Strategy Committee	Nomination Committee	Compensation Committee	Audit Committee
Silvio Napoli	● (chairman)	● (chairman)		
Alfred N. Schindler		●		
Prof. Dr. Pius Baschera			● (chairman)	
Prof. Dr. Karl Hofstetter	●	●		
Luc Bonnard		●		● (chairman)
Patrice Bula			●	
Prof. Dr. Monika Büttler				●
Dr. Rudolf W. Fischer			●	
Anthony Nightingale				
Tobias B. Staehelin				
Carole Vischer				●

3.5.2.1 Supervisory and Strategy Committee

The Board of Directors appoints from among its members a full-time Supervisory and Strategy Committee, consisting of the Chairman and at least one other member of the Board of Directors.

The Supervisory and Strategy Committee ensures the ultimate direction and supervision of the Group's business by the Board of Directors, pursuant to Article 716a of the Swiss Code of Obligations. In addition, the Supervisory and Strategy Committee performs the following duties in particular:

- Defining the Group's corporate values (particularly safety, quality, and the Code of Conduct), strategy and short- and long-term objectives, and proposing them for approval by the Board of Directors
- Adopting provisional resolutions or intervening on behalf of the Board of Directors in urgent cases if a regular Board resolution cannot be adopted in a timely manner
- Preparing the Board meetings and supervising the implementation of its resolutions

Information on further duties of the full-time Supervisory and Strategy Committee is provided in the Organizational Regulations of Schindler Holding Ltd., which are available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

3.5.2.2 Nomination Committee

The Board of Directors appoints a Nomination Committee, consisting of the Chairman and at least two Board members who are representatives of the major shareholders.

The Nomination Committee performs the following duties in particular:

- Evaluating the composition and size of the Board of Directors and the Group Executive Committee and determining the selection criteria for the appointment of the Chairman, the members of the Board of Directors and its committees, as well as members of the Group Executive Committee, and reviewing the corresponding succession plans
- Evaluating and proposing the Chairman, the members of the Board of Directors and the Compensation Committee for nomination by the Board and election by the General Meeting of Shareholders
- Evaluating and proposing the appointment of other committee members, their chairmen, the CEO, the members of the Group Executive Committee, and the Group General Counsel for approval by the Board of Directors
- Preparing of a periodic self-evaluation of the Board of Directors

Information on further duties of the Nomination Committee is provided in the Organizational Regulations of Schindler Holding Ltd., which is available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

3.5.2.3 Compensation Committee

In accordance with the Articles of Association, the company has a Compensation Committee that consists of up to three members of the Board of Directors, who are elected individually by the General Meeting of Shareholders.

In accordance with Article 27 of the Articles of Association, the Compensation Committee reviews the compensation system annually and makes proposals to the Board of Directors regarding:

- The fixed compensation, the annual target compensation and fringe benefits, and the annual variable compensation of the Chairman, the executive members of the Board of Directors, and the CEO
- The fixed compensation, the annual target compensation, and fringe benefits of the other members of the Group Executive Committee
- The granting of loans or credits to members of the Board of Directors or the Group Executive Committee in accordance with Article 34 of the Articles of Association

The roles and responsibilities of the Compensation Committee are defined in detail by the Board of Directors in the Organizational Regulations of Schindler Holding Ltd., which are available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulation (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

Information on the duties of the Compensation Committee is also provided in the Compensation Report.

3.5.2.4 Audit Committee

The Board of Directors appoints an Audit Committee, consisting of at least two Board members. The Organizational Regulations of Schindler Holding Ltd. stipulate that at least two members are non-executive and preferably independent members of the Board of Directors. The Chairman of the Audit Committee and at least one other member must be financially literate and have accounting expertise. The Chairman of the Audit Committee reports to the Board of Directors.

The Audit Committee is responsible for the following duties in particular:

- Reviewing and approving the quarterly financial statements
- Reviewing the annual and half-year financial statements for approval by the Board of Directors
- Reviewing the qualifications, performance, and independence of the auditing body and approving its fees
- Reviewing and approving the adequacy and appropriateness of the annual internal audit programs for Group Assurance, the Compliance departments, and IT Security
- Reviewing all audit reports and status reports issued by Group Assurance, the Compliance departments, and IT Security
- Issuing new guidelines, directions, clarifications, or other instructions in connection with the Code of Conduct

Information on further duties of the Audit Committee is provided in the Organizational Regulations of Schindler Holding Ltd. as well as in the Audit Committee Charter, which are available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

The Audit Committee maintains contact with the external auditors. It is assisted by the Head of Group Assurance as well as by an Audit Expert Group, which possesses the requisite financial and technical expertise.

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors holds at least six meetings per year, as well as ad hoc meetings as necessary. Once a year, it holds a two-day meeting together with the members of the Group Executive Committee.

The members of the Supervisory and Strategy Committee work on a full-time basis and meet on average two to three times per month. The Nomination Committee meets on a regular basis at the invitation of its chairman, the Compensation Committee holds at least two meetings per year and the Audit Committee holds at least four meetings per year.

As of 31.12.2017	Number of planned meetings	Average duration (hours)
Board of Directors	7	9
Supervisory and Strategy Committee	full-time	full-time
Nomination Committee	2	4
Compensation Committee	6	1
Audit Committee	5	4.5

The agendas of the meetings are set by the respective chairmen. Discussions and resolutions are recorded in the minutes of the meetings. The CEO regularly attends the meetings of the Board of Directors. Other members of the Group Executive Committee and other persons may be invited to attend the meetings of the Board of Directors or its committees by the respective chairmen. The Audit Expert Group that assists the Audit Committee (see note 3.5.2.4) includes three external consultants. No other external consultants attended the meetings.

3.6 Definition of areas of responsibility

According to Swiss law, the Board of Directors is responsible for the ultimate direction and supervision of the Group. The non-transferable and inalienable responsibilities set out in Article 716a, paragraph 1, of the Swiss Code of Obligations are incumbent on the Board of Directors. In addition, the Board of Directors can resolve all matters that are not defined by Swiss law or the Articles of Association as being the responsibility of the General Meeting of Shareholders.

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

- The Group's corporate values (particularly safety, quality, and the Code of Conduct), as well as its objectives and strategy
- The conditions required to enable the company to conduct its business activities
- The Group's plans, budget, and forecasts
- The election of the chairmen of the committees of the Board and of the members of the Supervisory and Strategy Committee, the Nomination Committee and the Audit Committee, as well as the election of the CEO, the members of the Group Executive Committee, and the Group General Counsel
- The Annual Report, including the Compensation Report
- The compensation proposals for the General Meeting of Shareholders

The Group Executive Committee performs the following duties in particular:

- Preparing strategic objectives for submission to the Board of Directors in close collaboration with the Supervisory and Strategy Committee
- Achieving the strategic and operational objectives approved by the Board of Directors
- Defining the Group's budget, plans, and forecasts for submission to the Supervisory and Strategy Committee and the Board of Directors
- Ensuring the implementation of the Group's corporate values (particularly safety, quality, and the Code of Conduct)
- Issuing internal regulations, guidelines, directives, and policies

Information on further duties of the Board of Directors and the Group Executive Committee is provided in the Organizational Regulations of Schindler Holding Ltd., which are available on the company's website at: www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html).

3.7 Information and control instruments vis-à-vis the Group Executive Committee

The Board of Directors oversees the Group Executive Committee and supervises its work. The Schindler Group has at its disposal a comprehensive electronic management information system (MIS). The Board of Directors receives a report at least each quarter. The Supervisory and Strategy Committee is informed in detail each month about financial and operational developments. In the presence of the responsible persons, the reports are discussed in detail at the meetings of the Board of Directors and/or the Supervisory and Strategy Committee.

At least once annually, the Board of Directors and the Group Executive Committee hold a joint meeting.

Schindler defines and evaluates the most important risks facing the Group in a four-phase process based on a detailed risk catalog. These risks are divided into the categories of product, market, and business risks; financial, operational, and organizational risks; and safety, health, and environmental risks. Legal aspects are also evaluated for all risk categories. The four phases of the process are as follows:

- Each Group company creates a risk matrix as part of its budget process
- The risks are combined within a Group matrix and evaluated in detail by an interdisciplinary Risk Committee comprising the responsible heads of the product groups and Group staff offices. Based on the evaluation, a detailed catalog of measures to address the most important risks is presented to the Group Executive Committee
- The Group Executive Committee evaluates the risk matrix and the proposed catalog of measures and proposes any additions
- The most important risks, along with possible measures to prevent and minimize potential harm arising from them, are presented to the Board of Directors for appraisal

Group Assurance, the auditing body, and the Compliance departments support the Board of Directors in exercising its supervisory and control functions.

4 Group Executive Committee

4.1 Members of the Group Executive Committee

As of 31.12.2017	Nationality	Current function (since)	Member since
Thomas Oetterli (1969)	Swiss	CEO (2016)	2010
Erich Ammann (1957)	Swiss	Deputy CEO, CFO (2001)	2001
Julio Arce (1968)	Spanish	Field Quality & Excellence (2017)	2017
Karl-Heinz Bauer (1958)	German	Chief Technology Officer (2015)	2015
David Clymo (1961)	British	Corporate Human Resources (2012)	2012
Paolo Compagna (1968)	Italian	Europe North (2015)	2015
Carlos Guembe (1952)	Spanish	Europe South (2014)	2014
Andre Inerra (1964)	Brazilian	Americas (2016)	2016
Michael Nilles (1973)	German	Chief Digital Officer (2016)	2016
Christian Schulz (1964)	German	Operations (2017)	2016
Robert Seakins (1960)	Australian	Asia-Pacific (2017)	2017
Egbert Weisshaar (1956)	Swiss	Escalators and Supply Chain (2017)	2017
Daryoush Ziai (1963)	American	China (2016)	2016



From left: Michael Nilles, Julio Arce, Daryoush Ziai, Carlos Guembe, Christian Schulz, Erich Ammann, Thomas Oetterli, David Clymo, Karl-Heinz Bauer, Paolo Compagna, Andre Inserra, Egbert Weisshaar, Robert Seakins

4.2 Other activities and vested interests

Thomas Oetterli

CEO since 2016, Member of the Group Executive Committee since 2010.

Member of the Board of Directors of SFS Group AG, Heerbrugg, Switzerland.

Thomas Oetterli holds a degree in business administration from the University of Zurich, Switzerland.

He joined the Schindler Group in 1994 and has held various international functions, including CEO of Schindler Aufzüge AG, Switzerland (2006 to 2009). In 2010, he was appointed as a member of the Group Executive Committee with responsibility first for Europe North (2010 to 2013) and then for China (until March 2016).

Thomas Oetterli is a Swiss citizen, born in 1969.

Erich Ammann

CFO, Member of the Group Executive Committee since 2001, Deputy CEO since 2017.

Member of the Board of Directors of Swiss Federal Railways (SBB AG), Berne, Switzerland.

Erich Ammann holds a degree in economics and business administration from the University of Applied Sciences of St. Gallen, Switzerland, and an executive MBA from The Wharton School, University of Pennsylvania, USA.

He began his career in 1982 as an auditor in Geneva, Switzerland. Since 1988, he has held various international functions in the area of finance in the Schindler Group.

Erich Ammann is a Swiss citizen, born in 1957.

Julio Arce

Responsible for Field Quality & Excellence, Member of the Group Executive Committee since 2017.

Julio Arce holds a bachelor's degree in electrical engineering from the University of Cantabria, Santander, Spain; a master of science in industrial engineering from the University of Cantabria, Santander, Spain; and an executive MBA from the IE Business School, Madrid, Spain.

He began his career in 1995 at Schindler Spain. From 2006 to 2007, Julio Arce served as CEO of Schindler Netherlands, before returning to Schindler Spain as Existing Installations Manager in 2008. From 2011 to 2014, he served as Technical Director of Schindler Spain and Schindler Iberia before being appointed CEO of Schindler Iberia and Area Manager Northwest Africa and Morocco.

Julio Arce is a Spanish citizen, born in 1968.

Karl-Heinz Bauer

CTO, Member of the Group Executive Committee since 2015.

Karl-Heinz Bauer holds a master's degree in mechanical engineering from the University of Karlsruhe (TU), Germany, and a degree from the MIT Sloan School of Management, Cambridge, Massachusetts, USA.

He began his career in 1984 as a Product Development Engineer and held international functions at various companies until 2007. From 2007 to 2015, Karl-Heinz Bauer served as Chief Technology Officer with global responsibility at Honeywell Transportation Systems, Torrance, USA, and Rolle, Switzerland. He joined the Schindler Group in 2015 and was appointed as a member of the Group Executive Committee.

Karl-Heinz Bauer is a German citizen, born in 1958.

David Clymo

Responsible for Corporate Human Resources (Human Resources, Talent Management and Development, Corporate Safety & Health, and Sustainability), Member of the Group Executive Committee since 2012.

David Clymo holds a degree in engineering from University College London, UK.

He began his career in 1985 as a chartered accountant and subsequently held various functions in Jardine Matheson Group and in the Schindler Group. From 2007 to 2009, David Clymo served as Head of Human Resources Europe and from 2010 as Head of Human Resources for Global Business and Corporate Functions. He was appointed as a member of the Group Executive Committee in 2012.

David Clymo is a British citizen, born in 1961.

Paolo Compagna

Responsible for Europe North, Member of the Group Executive Committee since 2015.

Paolo Compagna holds a degree in electrical engineering from the Technical University of Cologne, Germany, and a degree in business engineering from Beuth University of Applied Sciences, Berlin, Germany.

He began his career in 1992 and has held various management positions. Before joining the Schindler Group in 2010, he was Area Business Manager and a member of the Management Board of Cofely, Cologne, Germany. From 2010 to 2013, Paolo Compagna held the role of Field Operations Manager at Schindler Deutschland GmbH and he then served as CEO of Schindler Deutschland AG & Co. KG until 2014.

Paolo Compagna is an Italian citizen, born in 1968.

Carlos Guembe

Responsible for Europe South, Member of the Group Executive Committee since 2014.

Carlos Guembe holds a degree in industrial electrical engineering from ICAI (Escuela Técnica Superior de Ingeniería), Madrid, Spain, and a master's degree in foreign trade from EOI (Escuela de organización industrial), Madrid, Spain, as well as a master's in business administration from IE Business School, Madrid, Spain.

He began his career in 1978 and performed a number of international functions before joining the Schindler Group in 1990. He subsequently held various positions at Schindler Spain and Schindler Portugal. Before being appointed as a member of the Group Executive Committee, he served as CEO of Schindler Iberia from 2006 to 2014.

Carlos Guembe is a Spanish citizen, born in 1952.

Andre Inserra

Responsible for Americas, Member of the Group Executive Committee since 2016.

Andre Inserra holds a degree in mechanical engineering from FAAP (Fundação Armando Álvares Penteado), São Paulo, Brazil, and a master's degree in industrial management from Chalmers University of Technology, Gothenburg, Sweden.

He began his career in 1989 as an engineer and subsequently performed various international functions at ABB until 2011, including Head of the Global Business Unit Mining and Cement in the USA and Switzerland. He joined the Schindler Group in 2012 and assumed the function of CEO of Atlas Schindler in Brazil.

Andre Inserra is a Brazilian citizen, born in 1964.

Michael Nilles

Chief Digital Officer, Member of the Group Executive Committee since 2016.

Member of the Supervisory Board of Lufthansa Technik AG, Hamburg, Germany.

Michael Nilles holds a degree in business administration and computer science from the University of Cologne, Germany.

He began his career in 1996 as a Software Engineer and Consultant with SAP China and subsequently held various international posts in the field of digital transformation, including as CIO Americas and Group CIO of Bosch Rexroth AG, Chicago, USA, and Lohr am Main, Germany (2000 to 2008). He was appointed CIO of the Schindler Group and CEO of Schindler Digital Business AG in 2009.

Michael Nilles is a German citizen, born in 1973.

Christian Schulz

Responsible for Operations, Member of the Group Executive Committee since 2016.

Christian Schulz holds a degree in production engineering from the University of Kaiserslautern, Germany, and a PhD in mechanical engineering from the University of Kaiserslautern, Germany.

He began his career in 1993 and joined the Schindler Group in 2003, where he initially held the position of Product Line Manager, Existing Installations, at Schindler Germany. From 2009 to 2014, he served as Managing Director of the C. Haushahn Group, Germany. He then held the function of Head of Service and Modernization in the Schindler Group before being appointed as a member of the Group Executive Committee.

Christian Schulz is a German citizen, born in 1964.

Robert Seakins

Responsible for Asia-Pacific, Member of the Group Executive Committee since 2017.

Robert Seakins holds an Electrical & Lifts Licence from the Royal Melbourne Institute of Technology, Melbourne, Australia, and a master's degree in business administration and strategy from the University of New South Wales, Sydney, Australia.

He began his career in 1980. In 2003, Robert Seakins joined Schindler Australia as New Installations Director and he later performed the same function for Jardine Schindler Group. From 2010 to 2013, he served as Managing Director of Schindler Hong Kong and was then appointed Managing Director of Schindler Australia, a role he performed until 2017.

Robert Seakins is an Australian citizen, born in 1959.

Egbert Weisshaar

Responsible for Escalators and Supply Chain, Member of the Group Executive Committee since 2017.

Egbert Weisshaar holds a degree in purchasing and commerce from SVME Aarau, Switzerland, and a master's in business administration from IMD Lausanne, Switzerland.

He began his career in 1974 joining ABB for various Supply Chain positions in England, Switzerland, and the USA. In 1993, Egbert Weisshaar joined the Schindler Group and held various functions, including Head of AS Aufzüge Switzerland in 2007 and 2008. He also served as Head Supply Chain Europe (2008 to 2009) and Area Manager Eastern Europe (2009 to 2012). From 2013 to 2017, he was Head of the Escalator Division of the Schindler Group.

Egbert Weisshaar is a Swiss citizen, born in 1956.

Daryoush Ziai

Head of China, Member of the Group Executive Committee since 2016.

Daryoush Ziai holds a bachelor of science in civil engineering from the Virginia Military Institute, Lexington, Virginia, USA; a master of science in civil engineering from Purdue University, West Lafayette, USA; and an MBA (master of science in management) from Krannert Graduate School of Management, Purdue University, West Lafayette, USA.

He began his career in 1989. Before joining the Schindler Group in 2015, he held various management positions at United Technologies Corporation from 1989 to 2014, including as Vice President Service for Otis China. He has been CEO of Schindler China since 2015.

Daryoush Ziai is an American citizen, born in 1963.

4.3 Number of permitted activities outside Schindler

In accordance with Article 35 of the Articles of Association, the members of the Group Executive Committee may be active in the highest management or administrative bodies of up to 20 legal entities outside the Group. Legal entities that are controlled by the company or that control the company are not counted. Mandates in several legal entities that are under joint control count as one mandate. The Board of Directors takes appropriate measures to ensure that such activities are not in conflict with their duties as members of the Group Executive Committee. The General Meeting of Shareholders may approve exceptions to these rules.

4.4 Management contracts

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

5 Compensation, participations, and loans

This information is provided in the Compensation Report.

6 Shareholders' participation rights**6.1 Restrictions on voting rights and representation**

Provided it is recorded in the share register as a share with voting rights, each share carries the right to one vote. Subject to the registration of shares, the Articles of Association do not impose any restrictions on the voting rights of shareholders (see note 2.6.1).

Shareholders' rights of participation in the General Meeting of Shareholders are defined by law and the Articles of Association. All shareholders can personally participate in and vote at the General Meeting of Shareholders, or be represented by a person with a written power of attorney. They may also be represented by the independent proxy. Shareholders are not permitted to participate in the General Meeting of Shareholders via electronic channels.

Shareholders may also grant a power of attorney or issue instructions to the independent proxy electronically. The requirements that apply to powers of attorney and instructions are determined by the Board of Directors (Article 18 of the Articles of Association). The independent proxy has a duty to exercise the voting rights assigned to him by shareholders in accordance with their instructions.

The independent proxy is elected annually by the General Meeting of Shareholders. The term of office begins on the day of election and ends at the close of the next Ordinary General Meeting of Shareholders. Reelection is permitted.

In accordance with Article 21 of the Articles of Association, resolutions are taken and elections are carried out by open vote or electronically. If the Chairman orders it, or the General Meeting of Shareholders decides so, votes will be cast by means of a written procedure. Since 2014, resolutions have been taken and elections have been carried out by electronic means.

The Chairman shall declare as invalid a resolution that has been passed or an election that has been carried out by open vote or electronically if, based on his assessment, the result is ambiguous or if one or several shareholders immediately express reasonable doubts regarding the obviousness of the result.

6.2 Statutory quorums

6.2.1 Quorum

Article 19 of the Articles of Association stipulates that for the resolutions of the General Meeting of Shareholders specified below, the presence of shareholders representing at least half of the share capital entered in the Commercial Register is required:

- Election or recall of members of the Board of Directors
- Conversion of registered shares into bearer shares and vice versa, and, subject to the individual right of choice of shareholders, conversion of shares into participation certificates
- Issuance of profit-sharing certificates, or conversion of participation certificates into profit-sharing certificates
- Exceptions to the restrictions on the registration of acquirers as full shareholders when the percentage limit is exceeded
- Resolutions that can only be passed by a qualified majority according to legal or statutory requirements

6.2.2 Decision-making majority

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

According to the Articles of Association, the following resolutions require the approval 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 Article 704 of the Swiss Code of Obligations
- Resolutions regarding changes to the company name, issuance of profit-sharing certificates, and any change in the share capital or participation capital

6.3 Convocation of the General Meeting of Shareholders

General Meetings of Shareholders are convened by the Board of Directors or, if necessary, by the auditing body or other bodies in accordance with Articles 699 and 700 of the Swiss Code of Obligations. Notice of the General Meeting of Shareholders is given in the form of an announcement published once only in the Swiss Official Gazette of Commerce. This publication date is of relevance when ensuring compliance with the statutory notice period. In addition, non-registered letters may be sent to the addresses of registered shareholders entered in the share register to notify them of the General Meeting of Shareholders, or shareholders may be notified electronically upon request. Although not required by statute, it is also customary to publish the agenda of the General Meeting of Shareholders in selected Swiss daily newspapers. The statutory notice period is 20 days.

6.4 Inclusion of items on the agenda

The Board of Directors prepares the agenda of the items to be discussed. According to Article 17 of the Articles of Association, shareholders who represent 5% of the share capital can request that an item be included on the agenda. The request, with details of the item to be discussed, must be submitted in writing by the deadline determined by the Board of Directors and published once in the Swiss Official Gazette of Commerce.

6.5 Entries in the share register

Only those shareholders with voting rights whose names were entered in the company's register of shareholders on the respective record date may attend the General Meeting of Shareholders and exercise their voting rights. The Board of Directors endeavors to set the record date for registration as close as possible to the date of the General Meeting of Shareholders, i.e. generally 5 to 10 days before the respective General Meeting of Shareholders. There are no exceptions to this rule regarding the record date. The record date is provided in the notice of the General Meeting of Shareholders and published on the company's website.

7 Change of control and defensive measures

7.1 Duty to submit an offer pursuant to Article 125 of FMIA

According to Article 39 of the Articles of Association, the obligation to submit a public takeover offer has been foregone (opting out).

7.2 Clauses on changes of control

There are no contractual agreements (e.g. golden parachutes, termination rights) in favor of members of the Board of Directors or the Group Executive Committee, or other members of management, in the event of a change of control.

The Capital Participation Plans allow for the early conversion of Performance Share Units into shares or the lifting of restriction periods in the event of a change of control.

8 Auditing body

8.1 Duration of mandate and term of office of the lead auditor

Ernst & Young AG has been the auditing body of Schindler Holding Ltd., as well as of the Group, since 1999.

As required by law, the lead auditor is changed every seven years. The current lead auditor took over this function in 2017.

8.2 Audit fees and additional fees

Ernst & Young is the auditing body of Schindler Holding Ltd. and audits the Group's consolidated financial statements, as well as the majority of Group companies in Switzerland and abroad. The audit fees and fees for additional services are as follows:

In CHF 1 000	2017	2016
Audit fee	3 163	3 595
Additional fees		
Additional audit-related services	171	127
Tax advice	901	407
Transaction advice	755	359
Total additional fees	1 827	893

8.3 Information instruments relating to external audits

The Audit Committee evaluates the performance, fees, and independence of the auditors each year. It discusses and reviews the scope of the audits, and the resulting feedback. Based on this information, it determines which changes and improvements are necessary.

Material non-audit-related services (e.g. tax advisory services) that are provided by the auditors must be approved in advance by the Audit Committee or its chairman.

Further information is available in the Organizational Regulations of Schindler Holding Ltd. as well as in the Audit Committee Charter, which are available on the company's website at: [www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations \(www.schindler.com/ com/internet/en/about-schindler/corporate-governance/ organizational-regulations.html\)](http://www.schindler.com – About Schindler – Corporate Governance – Organizational Regulations (www.schindler.com/ com/internet/en/about-schindler/corporate-governance/ organizational-regulations.html)).

In the reporting year, the auditing body had regular contact with members of the Supervisory and Strategy Committee and the CFO. In the reporting year, one meeting took place with the Audit Committee.

Group Assurance reported once to the Audit Committee and once to the Board of Directors.

9 Information policy

The Schindler Group pursues an information policy that is timely, fact-based, and comprehensive. Matters affecting the share price are published immediately in accordance with the ad hoc publicity rules of the SIX Swiss Exchange. Ad hoc announcements can be accessed at the same time as they are communicated to the SIX Swiss Exchange and for two years thereafter at: [www.schindler.com – Media \(www.schindler.com/com/internet/en/media.html\)](http://www.schindler.com – Media (www.schindler.com/com/internet/en/media.html)).

It is also possible to receive potentially price-relevant information directly, promptly, and free of charge from Schindler by email. This service is offered at: [www.schindler.com – Media – Subscription Service \(www.schindler.com/com/internet/en/media/subscription-service.html\)](http://www.schindler.com – Media – Subscription Service (www.schindler.com/com/internet/en/media/subscription-service.html)).

Schindler provides information about its annual results in the Annual Report in printed and electronic form. The Annual Report can be ordered free of charge from the company or can be accessed at: [www.schindler.com – Investor Relations – Financials & Reports \(www.schindler.com/com/internet/en/investor-relations/reports.html\)](http://www.schindler.com – Investor Relations – Financials & Reports (www.schindler.com/com/internet/en/investor-relations/reports.html)). Schindler also presents its annual financial statements at its annual results media and analysts conference and at the General Meeting of Shareholders.

Its Interim Report as at June 30, as well as selected key figures as at March 31 and September 30, are available in electronic form at: [www.schindler.com – Investor Relations – Financials & Reports \(www.schindler.com/com/internet/en/investor-relations/reports.html\)](http://www.schindler.com – Investor Relations – Financials & Reports (www.schindler.com/com/internet/en/investor-relations/reports.html)).

Key dates:

	Closing	Publication
Closing of the financial year	December 31	
Annual results media and analysts conference		Mid-February
Publication of the Annual Report		Mid-February
Selected key figures	March 31 and September 30	April and October
Interim Report	June 30	August
General Meeting of Shareholders		2nd half of March

The exact dates for the current year and following year are available at: [www.schindler.com – Investor Relations – Financial Calendar \(www.schindler.com/com/internet/en/investor-relations/calendar.html\)](http://www.schindler.com – Investor Relations – Financial Calendar (www.schindler.com/com/internet/en/investor-relations/calendar.html)).

General information about the Group, as well as its annual reports, press releases, and the current share price, are available at www.schindler.com.

Interested persons may also communicate with the Group directly through the following contacts:

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The Annual Report of the Schindler Group for 2017 consists of the Group Review and the Financial Statements.

The original German version is binding. English and Chinese translations of the Group Review are available. The Financial Statements are published in German and English.

**Overall responsibility,
concept, and text**

Schindler Management Ltd.
Corporate Communications
Ebikon, Switzerland

Concept and graphic design

Christoph Stalder,
Zürich, Schweiz

Production

Management Digital Data AG
Lenzburg, Switzerland

Printing

Multicolor Print AG
Baar, Switzerland

Photography

Manuel Rickenbacher
Zurich, Switzerland





Front cover: Hong Kong, SAR, China
Back cover: New York, USA