

Annual Results 2018

Press release
February 14, 2019

Growth on track

The year 2018 saw a continuation of the market trends that had already emerged in previous years, as challenges intensified. Despite material costs and wage inflation, continued pricing pressure, and the return of foreign exchange headwinds, Schindler generated strong growth and maintained stable margins. Order intake grew by 6.2% to CHF 11 669 million and revenue rose by 6.9% to CHF 10 879 million. Operating profit increased by 6.9% to CHF 1 269 million and the EBIT margin reached 11.7%, in line with the previous year. Net profit increased by 14.0% to CHF 1 008 million. Cash flow increased by 24.1% to CHF 1 005 million.

Order intake and order backlog

Overall market demand for new installations increased slightly around the globe in the reporting year. In China, there was a modest increase in demand, while India returned to growth. The strength of the North American market was undiminished, and South America benefited from higher volumes in Brazil. The EMEA region experienced robust levels of demand in both Northern and Southern Europe.

Order intake rose by 6.2% to CHF 11 669 million (previous year: CHF 10 989 million), corresponding to a growth of 6.6% in local currencies. The Americas region achieved the strongest increase, followed by the EMEA and Asia-Pacific regions. The proportion of major projects rose substantially compared to the previous year.

In the fourth quarter, order intake rose by 3.8% to CHF 3 016 million (fourth quarter of 2017: CHF 2 906 million), corresponding to an increase of 6.0% in local currencies.

As of December 31, 2018, the order backlog was CHF 8 618 million, equivalent to an increase of 6.3% (+9.7% in local currencies) compared to the order backlog of CHF 8 106 million as of December 31, 2017.

Revenue

Schindler generated revenue of CHF 10 879 million in 2018 (previous year: CHF 10 179 million), corresponding to a growth of 6.9%, or 7.3% in local currencies. Foreign exchange had a negative impact of CHF 44 million. The largest regional contribution came from the Americas, followed by the EMEA and Asia-Pacific regions.

In the fourth quarter, revenue grew by 4.3% to CHF 2 940 million (fourth quarter of 2017: CHF 2 820 million), representing an increase of 6.5% in local currencies. Foreign exchange had a negative impact of CHF 62 million.

Operating profit (EBIT)

Operating profit (EBIT) rose by 6.9% to CHF 1 269 million (previous year: CHF 1 187 million), equivalent to a growth of 7.5% in local currencies. The EBIT margin reached 11.7%, in line with the previous year. Continued operational progress offset pricing pressure as well as material costs and wage inflation. Before restructuring costs of CHF 26 million (previous year: CHF 35 million), the EBIT margin was 11.9% (previous year: 12.0%).

In the fourth quarter, operating profit improved by 4.9% to CHF 343 million (fourth quarter of 2017: CHF 327 million). The EBIT margin reached 11.7% (fourth quarter of 2017: 11.6%). Before restructuring costs of CHF 11 million, the EBIT margin was 12.0%.

Net profit and cash flow from operating activities

Net profit increased by 14.0% to CHF 1 008 million (previous year: CHF 884 million), driven by the improved operating result and a tax settlement of CHF 60 million. Net profit before the tax refund increased by 7.2% to CHF 948 million. Cash flow from operating activities increased to CHF 1 005 million (previous year: CHF 810 million).

Schindler Holding Ltd.: profit and dividend

Schindler Holding Ltd. closed the financial year 2018 with a net profit of CHF 502 million (previous year: CHF 575 million). 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 26, 2019.

Elections to the Board of Directors of Schindler Holding Ltd.

Michael Nilles will, for personal reasons, not stand for re-election 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 2019.

All other members of the Board of Directors are standing for re-election at the General Meeting on March 26, 2019. Concerning Luc Bonnard, the Board of Directors has decided to extend the age limit in accordance with the Schindler Holding Ltd. organizational regulations.

Progress in strategic investments

Most importantly, Schindler further strengthened its global position through strategic investments and by accelerating innovation. Significant progress was achieved in the area of innovation with 'Schindler Ahead,' the leading IoT platform in the elevator and escalator industry.

Schindler is determined to realize the full potential of digitization across the entire value chain. Consequently, a multiyear strategic investment to implement 'Digital Twin' functionality across the full scope of the business was launched in collaboration with Dassault Systèmes. The 'Digital Twin' is achieved by combining the digital representation of each individual piece of equipment along the value chain, thereby enabling traceability and optimization of each individual unit – including development, production, delivery, installation, and service.

Schindler's innovation not only focuses on the digital space, but also on the more traditional activities of the business. With the launch of R.I.S.E (Robotic Installation System for Elevators), Schindler is investing to deliver a quantum change in quality assurance, work safety, and installation speed in the elevator industry.

The multiyear modularization project continues to advance. Other strategic investments include the acquisition of more than 25 service companies, the increase in the stake to 49% in the Chinese joint venture Volkslift Elevator, the completion of the escalator factory in India, and the opening of the new escalator step factory in China.

In over 144 years of history, Schindler has grown around the world while being recognized as a responsible corporate citizen in each country where the company operates. Schindler has consolidated all these efforts in a corporate sustainability strategy, which underscores the company's long-term focus, its responsibility toward the environment, and social commitments that were not only initiated but still are driven by the founding families. The sustainability strategy focuses on six areas selected to deliver the greatest impact and to be measured against ambitious targets set for 2022.

Outlook for 2019

The global megatrends continue to be favorable to the development of the elevator and escalator market in the long term. Some of the key elevator and escalator markets are expected to slow down in 2019. With its vast geographical diversification, Schindler is ideally positioned to benefit from developments in several areas where markets will continue to grow.

For 2019, excluding any unforeseeable events, Schindler expects to continue growing faster than the market, with revenue increasing between 4% and 6% in local currencies. As in previous years, the annual forecast for net profit will be provided with the publication of the half-year results.

Attachment: Key figures

The Annual Report is available online from 6:30 CET at:
www.schindler.com/com/internet/en/investor-relations/reports.html

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Dial-in details to today's annual results presentation at 9:30 CET are available at:
[www.schindler.com/Investors/Upcoming Events](http://www.schindler.com/Investors/Upcoming%20Events)

Key figures as of December 31, 2018
January to December

In CHF million	2018	2017	Δ %	Δ % local currencies
Order intake	11 669	10 989	6.2	6.6
Revenue	10 879	10 179	6.9	7.3
Operating profit (EBIT)	1 269	1 187	6.9	7.5
in %	11.7¹	11.7 ²		
Net income from financing and investing activities	-17³	-21		
Profit before taxes	1 252	1 166	7.4	
Income taxes	244³	282		
Net profit	1 008	884	14.0	
Net profit before tax refund	948	884	7.2	
Earnings per share and participation certificate in CHF	8.79	7.70	14.2	
Cash flow from operating activities	1 005	810	24.1	
Investments in property, plant, and equipment	245	227	7.9	
As of December 31				
Order backlog ⁴	8 618	8 106	6.3	9.7
Number of employees	64 486	61 019	5.7	

¹ Before restructuring costs (CHF 26 million) 11.9%

² Before restructuring costs (CHF 35 million) 12.0%

³ One-time tax refund CHF 60 million (income taxes CHF 33 million, net interest income CHF 27 million)

⁴ With the implementation of IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018, the order backlog is reported net of already recognized revenue for contracts with customers. Previous-year figures have been restated accordingly.

4th quarter: October to December

In CHF million	2018 4th quarter	2017 4th quarter	Δ %	Δ % local currencies
Order intake	3 016	2 906	3.8	6.0
Revenue	2 940	2 820	4.3	6.5
Operating profit (EBIT)	343	327	4.9	8.0
in %	11.7 ¹	11.6 ²		
Net income from financing and investing activities	-14 ³	-6		
Profit before taxes	329	321	2.5	
Income taxes	67 ³	85		
Net profit	262	236	11.0	
Net profit before tax refund	257	236	8.9	
Earnings per share and participation certificate in CHF	2.24	2.02	10.9	
Cash flow from operating activities	289	266	8.6	
Investments in property, plant, and equipment	77	86	-10.5	

¹ Before restructuring costs (CHF 11 million) 12.0%

² Before restructuring costs (CHF 15 million) 12.1%

³ One-time tax refund CHF 5 million (income taxes CHF 3 million, net interest income CHF 2 million)