

Interim Report as of June 30, 2019

Press release
August 14, 2019

Growth and strategic investments

In an overall highly competitive market environment, Schindler succeeded in maintaining growth momentum during the first half of 2019. Order intake and revenue continued to increase despite the previous year's high comparable basis and foreign exchange headwinds. Order intake rose by 3.8% to CHF 6 090 million (+5.8% in local currencies) and revenue grew by 3.3% to CHF 5 431 million (+5.4% in local currencies). Operating profit reached CHF 596 million (first half of 2018: CHF 613 million) and was impacted by wage inflation, higher material costs, foreign exchange, as well as the planned acceleration in strategic projects expenditure. The EBIT margin was 11.0% (first half of 2018: 11.7%). Net profit totaled CHF 436 million (first half of 2018: CHF 516 million, before tax refund CHF 461 million).

Strategic projects such as the modularization of the product portfolio, the development of digital customer solutions enabled by 'Schindler Ahead,' as well as the digitization of business processes are progressing as planned. At the same time, BuildingMinds set up its core team and is actively developing first client solutions.

Order intake and order backlog

In the first half of 2019, the order intake rose by 3.8% to CHF 6 090 million (first half of 2018: CHF 5 869 million), corresponding to an increase of 5.8% in local currencies. All product lines and regions achieved growth. Developments in major projects were noteworthy, especially in the public-transport segment in North America and China. The Asia-Pacific region achieved the highest growth, followed by the Americas and EMEA regions. In the Chinese new installations market, Schindler generated significant growth in value and delivered a substantial increase in volumes compared to the previous year.

In the second quarter of 2019, the order intake rose by 2.5% to CHF 3 122 million (second quarter of 2018: CHF 3 047 million), corresponding to a growth rate of 5.1% in local currencies.

As of June 30, 2019, the order backlog totaled CHF 9 217 million (June 30, 2018: CHF 8 708 million), an increase of 5.8% (+9.3% in local currencies).

Revenue

Revenue grew by 3.3% to CHF 5 431 million in the first half of 2019 (first half of 2018: CHF 5 255 million), which is equivalent to an increase of 5.4% in local currencies. The Asia-Pacific region generated the strongest increase, followed by the Americas and EMEA regions.

In the second quarter of 2019, revenue improved by 2.4% to CHF 2 849 million (second quarter of 2018: CHF 2 782 million), corresponding to a growth rate of 5.0% in local currencies.

Operating profit (EBIT)

Operating profit totaled CHF 596 million in the first half of 2019 (first half of 2018: CHF 613 million), or 2.8% less than in the previous year (–0.7% in local currencies). As expected, price adjustments, economies of scale, and efficiency gains did not fully offset the aggregate impact of foreign exchange, wage inflation, higher material costs, and the planned spending acceleration on strategic projects. Consequently, the EBIT margin was 11.0% (first half of 2018: 11.7%). Before restructuring costs of CHF 11 million (first half of 2018: CHF 9 million) and expenses for BuildingMinds of CHF 9 million, the EBIT margin reached 11.3% (first half of 2018: 11.8%).

In the second quarter of 2019, operating profit amounted to CHF 322 million (second quarter of 2018: CHF 332 million), or 3.0% less compared to the previous year (–0.3% in local currencies). The EBIT margin was 11.3% (second quarter of 2018: 11.9%). Before restructuring costs of CHF 7 million (second quarter of 2018: CHF 5 million) and expenses for BuildingMinds of CHF 5 million, the EBIT margin reached 11.7% (second quarter of 2018: 12.1%).

Net profit and cash flow from operating activities

Net profit totaled CHF 436 million in the first half of 2019 compared to CHF 516 million in the previous year, which included a one-time tax refund of CHF 55 million that was recognized in the second quarter of 2018.

Cash flow from operating activities totaled CHF 348 million (first half of 2018: CHF 434 million). Adjusted for the settlement of pension obligations and the introduction of the new accounting standard IFRS 16, it amounted to CHF 444 million.

Outlook for 2019

The markets may slightly weaken over the remainder of the year, but Schindler expects to achieve continued growth while delivering on the strategic projects identified to prepare for the future.

For the full year 2019 – excluding any unforeseeable events – Schindler expects revenue growth of between 4% and 6% in local currencies and net profit of between CHF 900 million and CHF 940 million.

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Dial-in details to today's conference call at 10.00 CET:
www.schindler.com/com/internet/en/investor-relations/conference-call-details.html

Key figures as of June 30, 2019
1st half: January to June

In CHF million	2019	2018	Δ %	Δ % local currencies
Order intake	6 090	5 869	3.8	5.8
Revenue	5 431	5 255	3.3	5.4
Operating profit (EBIT)	596	613	-2.8	-0.7
in %	11.0	11.7		
Operating profit (EBIT), adjusted	616¹	622 ²	-1.0	1.1
in %	11.3	11.8		
Financing and investing activities	-32	11 ⁴		
Profit before taxes	564	624	-9.6	
Income taxes	128	108 ⁴		
Net profit	436	516 ⁴	-15.5	
Net profit before tax refund	436	461	-5.4	
Earnings per share and participation certificate in CHF	3.79	4.54	-16.5	
Cash flow from operating activities	348³	434	-19.8	
Investments in property, plant, and equipment	117	111	5.4	
	30.6.2019	31.12.2018		
Order backlog	9 217	8 618	7.0	8.0
Number of employees	65 269	64 486	1.2	

¹ Adjusted for restructuring costs (CHF 11 million) and expenses for BuildingMinds (CHF 9 million)

² Adjusted for restructuring costs (CHF 9 million)

³ Before settlement of pension obligations (CHF -157 million), and IFRS 16 – Leases (CHF 61 million) CHF 444 million

⁴ One-time tax refund of CHF 55 million (income taxes CHF 30 million, net interest income CHF 25 million)

2nd quarter: April to June

In CHF million	2019	2018	Δ %	Δ % local currencies
Order intake	3 122	3 047	2.5	5.1
Revenue	2 849	2 782	2.4	5.0
Operating profit (EBIT)	322	332	-3.0	-0.3
in %	11.3	11.9		
Operating profit (EBIT), adjusted	334¹	337 ²	-0.9	1.8
in %	11.7	12.1		
Financing and investing activities	-17	20 ⁴		
Profit before taxes	305	352	-13.4	
Income taxes	66	44 ⁴		
Net profit	239	308 ⁴	-22.4	
Net profit before tax refund	239	253	-5.5	
Earnings per share and participation certificate in CHF	2.08	2.72	-23.5	
Cash flow from operating activities	85³	104	-18.3	
Investments in property, plant, and equipment	68	65	4.6	
	30.6.2019	30.6.2018		
Order backlog	9 217	8 708	5.8	9.3
Number of employees	65 269	62 707	4.1	

¹ Adjusted for restructuring costs (CHF 7 million) and expenses for BuildingMinds (CHF 5 million)

² Adjusted for restructuring costs (CHF 5 million)

³ Before IFRS 16 – Leases CHF 53 million

⁴ One-time tax refund of CHF 55 million (income taxes CHF 30 million, net interest income CHF 25 million)