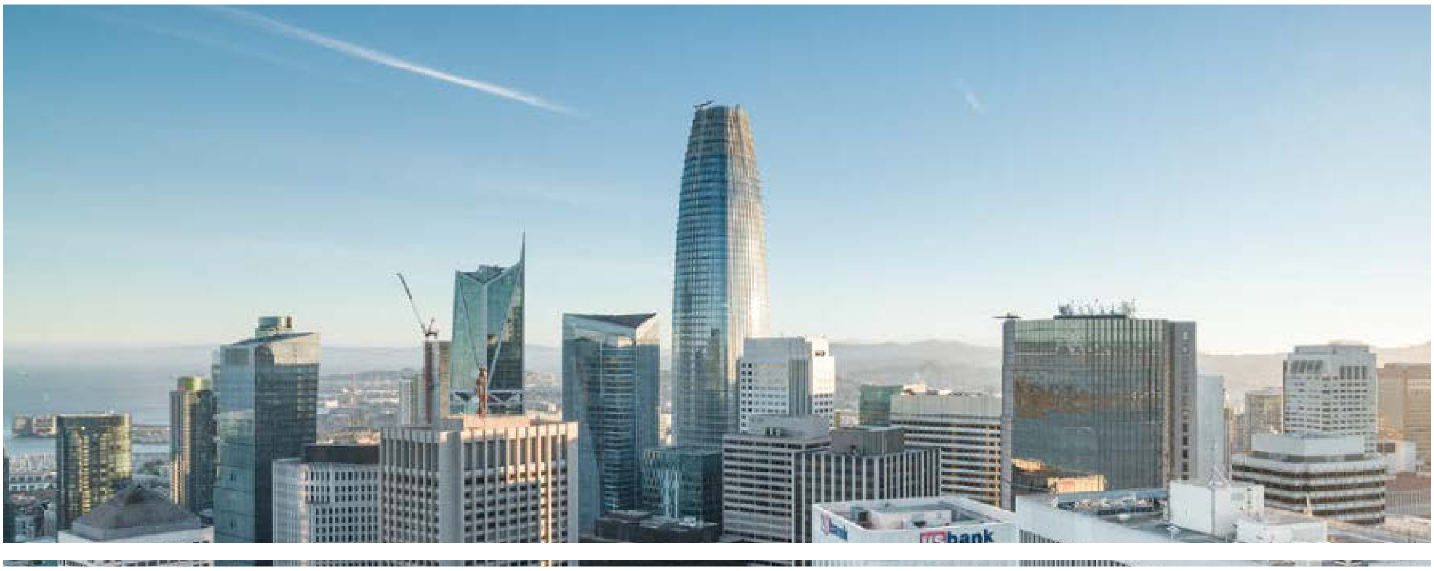


Shaping cities
Financial Statements 2018

Schindler

Contents

The Group Review is available separately

Consolidated Financial Statements

Consolidated income statement

In CHF million	Note	**2018**[1]	**%**	2017[2]	%
Revenue	4	**10 879**	**100.0**	10 179	100.0
Cost of materials		**3 188**	**29.3**	2 935	28.8
Personnel expenses	6	**4 012**	**36.9**	3 771	37.0
Other operating expenses	7	**2 236**	**20.5**	2 133	21.0
Depreciation, amortization, and impairment	15, 16	**174**	**1.6**	153	1.5
Total operating expenses		**9 610**	**88.3**	8 992	88.3
Operating profit		**1 269**	**11.7**	1 187	11.7
Financial income	8	**61**	**0.5**	44	0.4
Financial expenses	8	**65**	**0.6**	59	0.5
Result from associates	18	**–13**	**–0.1**	–6	–0.1
Profit before taxes		**1 252**	**11.5**	1 166	11.5
Income taxes	9	**244**	**2.2**	282	2.8
Net profit		**1 008**	**9.3**	884	8.7
Net profit attributable to					
Shareholders of Schindler Holding Ltd.		**943**	**8.7**	824	8.1
Non-controlling interests		**65**	**0.6**	60	0.6
Earnings per share and participation certificate in CHF					
Basic	10	**8.79**		7.70	
Diluted	10	**8.77**		7.67	

[1] The Group implemented IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. Prior-year figures were not restated. See note 2.1 for further information.
[2] See note 2.3 for information on the change in presentation

Consolidated statement of comprehensive income

In CHF million	Note	2018[1]	2017
Net profit		**1 008**	884
Other comprehensive income – may be reclassified to the income statement in future			
Exchange differences		**–82**	6
Cash flow hedges		**–**	3
Available-for-sale financial assets			–4
Debt instruments at fair value through other comprehensive income	31	**–**	
Taxes		**–2**	2
Total – may be reclassified to the income statement in future		**–84**	7
Other comprehensive income – not to be reclassified to the income statement in future			
Equity instruments at fair value through other comprehensive income	31	**192**	
Remeasurements of employee benefits	25	**–16**	141
Taxes		**–10**	–25
Total – not to be reclassified to the income statement in future		**166**	116
Total other comprehensive income		**82**	123
Comprehensive income		**1 090**	1 007
Comprehensive income attributable to			
Shareholders of Schindler Holding Ltd.		**1 030**	943
Non-controlling interests		**60**	64

[1] The Group implemented IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments. Prior-year figures were not restated. See note 2.1 for further information.

Consolidated balance sheet

Assets

In CHF million	Note	**31.12.2018**[1]	**%**	31.12.2017	%
Current assets					
Cash and cash equivalents		**2 248**	**22.5**	1 709	19.8
Current financial assets	11	**224**	**2.3**	191	2.2
Accounts receivable	12	**2 143**	**21.5**	2 089	24.2
Income tax receivable		**114**	**1.1**	126	1.4
Net assets from construction contracts	13			695	8.1
Contract assets	13	**624**	**6.3**		
Inventories	14	**1 049**	**10.5**	517	6.0
Prepaid expenses and accrued income		**91**	**0.9**	145	1.7
Assets held for sale		**7**	**0.1**	8	0.1
Total current assets		**6 500**	**65.2**	5 480	63.5
Non-current assets					
Property, plant, and equipment	15	**1 086**	**10.9**	1 041	12.1
Intangible assets	16	**1 191**	**11.9**	1 123	13.0
Associates	18	**118**	**1.2**	81	0.9
Non-current financial assets	19	**797**	**8.0**	638	7.4
Deferred taxes	20	**282**	**2.8**	263	3.1
Employee benefits	25	**2**	**–**	–	–
Total non-current assets		**3 476**	**34.8**	3 146	36.5
Total assets		**9 976**	**100.0**	8 626	100.0

[1] The Group implemented IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments.
Prior-year figures were not restated. See note 2.1 for further information.

Liabilities and equity

In CHF million	Note	**31.12.2018** [1]	**%**	31.12.2017	%
Liabilities					
Current liabilities					
Accounts payable	21	**976**	**9.8**	947	11.0
Financial debts	22	**105**	**1.1**	160	1.8
Income tax payable		**118**	**1.2**	78	0.9
Net liabilities from construction contracts	13			1 232	14.3
Contract liabilities	13	**2 186**	**21.9**		
Accrued expenses and deferred income	23	**1 196**	**12.0**	1 782	20.7
Provisions	24	**163**	**1.6**	180	2.1
Total current liabilities		**4 744**	**47.6**	4 379	50.8
Non-current liabilities					
Financial debts	22	**531**	**5.3**	20	0.2
Provisions	24	**342**	**3.4**	344	4.0
Deferred taxes	20	**131**	**1.3**	116	1.3
Employee benefits	25	**485**	**4.9**	499	5.8
Total non-current liabilities		**1 489**	**14.9**	979	11.3
Total liabilities		**6 233**	**62.5**	5 358	62.1
Equity					
Share capital and participation capital	26	**11**	**0.1**	11	0.1
Share premium		**311**	**3.1**	311	3.6
Treasury shares	26	**–85**	**–0.8**	–107	–1.2
Exchange differences		**–836**	**–8.4**	–756	–8.8
Other reserves	26	**–**	**–**	110	1.3
Retained earnings		**4 239**	**42.5**	3 592	41.7
Shareholders of Schindler Holding Ltd.		**3 640**	**36.5**	3 161	36.7
Non-controlling interests		**103**	**1.0**	107	1.2
Total equity		**3 743**	**37.5**	3 268	37.9
Total liabilities and equity		**9 976**	**100.0**	8 626	100.0

[1] The Group implemented IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments.
Prior-year figures were not restated. See note 2.1 for further information.

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, 2017	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
Effect adoption of IFRS 15 and IFRS 9					–110	–29	–139	–4	–143
January 1, 2018, restated	11	311	–107	–756	–	3 563	3 022	103	3 125
Net profit						943	943	65	1 008
Other comprehensive income				–80	–	167	87	–5	82
Comprehensive income				–80	–	1 110	1 030	60	1 090
Dividends						–428	–428	–59	–487
Change in treasury shares			22			–31	–9		–9
Share-based payments						29	29		29
Change in non-controlling interests						–2	–2	–2	–4
Change in liabilities towards non-controlling interests						–2	–2	–	–2
Business combinations						–	–	1	1
December 31, 2018	**11**	**311**	**–85**	**–836**	**–**	**4 239**	**3 640**	**103**	**3 743**

Consolidated cash flow statement

In CHF million	Note	**2018**	2017
Profit before taxes		**1 252**	1 166
Financial result	8	**4**	15
Result from associates	18	**13**	6
Operating profit		**1 269**	1 187
Depreciation, amortization, and impairment	15, 16	**174**	153
Additional contributions to pension plans	25	**–**	–44
Other non-cash items	28	**–30**	37
Dividends received		**12**	10
Interest received	8	**48**	20
Interest paid		**–11**	–10
Other financial result		**–33**	–28
Income taxes paid	9	**–205**	–261
Change in net working capital		**–219**	–254
Cash flow from operating activities		**1 005**	810
Additions			
Property, plant, and equipment	15	**–245**	–227
Intangible assets	16	**–36**	–35
Associates		**–61**	–63
Current and non-current financial assets		**–317**	–258
Disposals			
Property, plant, and equipment	15	**44**	8
Current and non-current financial assets		**328**	321
Assets held for sale		**1**	–
Business combinations	27	**–106**	–136
Cash flow from investing activities		**–392**	–390
Proceeds from increase in current and non-current financial debts	22	**538**	23
Repayments of current and non-current financial debts	22	**–95**	–49
Acquisition of non-controlling interests		**–4**	–46
Purchase of treasury shares	26	**–19**	–37
Disposal of treasury shares	26	**10**	18
Dividends paid to the shareholders of Schindler Holding Ltd.	37	**–428**	–535
Dividends paid to non-controlling interests		**–59**	–50
Cash flow from financing activities		**–57**	–676
Exchange differences		**–17**	–23
Change in cash and cash equivalents		**539**	–279
Cash and cash equivalents as at January 1		**1 709**	1 988
Cash and cash equivalents as at December 31		**2 248**	1 709

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 accounting standards IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, which became effective as of January 1, 2018, were applied by the Group for the first time. The impact of the initial application of these new standards was recognized directly in retained earnings and other reserves as of January 1, 2018. Comparative figures were not restated and continue to be presented in accordance with the previous accounting policies.

Previously applied accounting policies are not disclosed in these consolidated financial statements. Please refer to the consolidated financial statements 2017 for more information on accounting policies applied in the previous year.

The nature of these first-time applications and their impact on the Group's consolidated financial statements are outlined below.

Several other interpretations and amendments were applied for the first time as of January 1, 2018, but did not have an impact on accounting practices or on the Group's consolidated balance sheet, consolidated statement of comprehensive income, and consolidated cash flow statement.

2.1.1 Impact on the consolidated balance sheet

The following table summarizes the restatement impacts and reclassifications.

In CHF million	31.12.2017 reported	IFRS 15 restatement	IFRS 9 restatement	**1.1.2018 restated**
Current assets				
Cash and cash equivalents	1 709	–	–	**1 709**
Current financial assets	191	–	–	**191**
Accounts receivable	2 089	–	–13	**2 076**
Income tax receivable	126	–	–	**126**
Net assets from construction contracts	695	–695	–	**–**
Contract assets	–	402	–	**402**
Inventories	517	547	–	**1 064**
Prepaid expenses and accrued income	145	–30	–	**115**
Assets held for sale	8	–	–	**8**
Total current assets	5 480	224	–13	**5 691**
Non-current assets				
Property, plant, and equipment	1 041	–	–	**1 041**
Intangible assets	1 123	–	–	**1 123**
Associates	81	–3	–	**78**
Non-current financial assets	638	–	–	**638**
Deferred taxes	263	42	4	**309**
Total non-current assets	3 146	39	4	**3 189**
Total assets	8 626	263	–9	**8 880**
Liabilities				
Current liabilities				
Accounts payable	947	–	–	**947**
Financial debts	160	–	–	**160**
Income tax payable	78	–	–	**78**
Net liabilities from construction contracts	1 232	–1 232	–	**–**
Contract liabilities	–	2 019	–	**2 019**
Accrued expenses and deferred income	1 782	–403	–	**1 379**
Provisions	180	2	–	**182**
Total current liabilities	4 379	386	–	**4 765**
Non-current liabilities				
Financial debts	20	–	–	**20**
Provisions	344	10	–	**354**
Deferred taxes	116	1	–	**117**
Employee benefits	499	–	–	**499**
Total non-current liabilities	979	11	–	**990**
Total liabilities	5 358	397	–	**5 755**
Shareholders of Schindler Holding Ltd.	3 161	–130	–9	**3 022**
Non-controlling interests	107	–4	–	**103**
Total equity	3 268	–134	–9	**3 125**
Total liabilities and equity	8 626	263	–9	**8 880**

In the interim financial statements for the period ended June 30, 2018, the Group disclosed inventory for customer contracts as contract assets instead of inventory. The disclosure was corrected accordingly. The reclassification had no impact on total current assets of the Group and affected the restatement disclosures only.

2.1.2 IFRS 15 – Revenue from Contracts with Customers
The Group applied the new standard using the modified retrospective approach. Consequently, the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2018, and comparative figures were not restated.

Under IFRS 15, revenue is recognized when the control of goods or services is transferred to the customer. This can occur at a point in time or over time. The major impact of IFRS 15 for the Group relates to new installations and modernization. Revenue is recognized by performance obligation progressively over time as the customer controls the asset while it is created or enhanced, beginning with the start of installation and based on the cost-to-cost method. This results in deferred revenue recognition compared to the previous accounting practice, where revenue was already recognized from the start of the project. A performance obligation typically represents the installation or modernization of elevators or escalators.

For customer contracts related to maintenance and repairs, revenue recognition remained substantially unchanged. For maintenance, revenue is recognized over time as the service is provided, and for repairs, it is recognized at the point of customer acceptance.

Costs incurred before the start of revenue recognition are recognized as inventory for customer contracts at the lower of production cost or the net realizable value. Net construction assets and liabilities were replaced by contract assets and contract liabilities, respectively. Contract balances are reported when the revenue recognized does not coincide with the amounts to which the Group has an unconditional right to payment (e.g. when the goods and services transferred to the customer exceed the amounts invoiced a contract asset is reported). A receivable is recognized once the Group has an unconditional right to payment. For maintenance, a receivable is recognized when the customer is invoiced based on the contractual terms and conditions.

The first-time application of IFRS 15 resulted in a negative equity impact of CHF 134 million after deferred taxes. This negative impact is substantially related to deferred revenue recognition for new installation and modernization contracts. Other impacts are related to the allocation of the transaction prices between different performance obligations. As a result of the restatement, inventory for customer contracts increased substantially, whereas contract assets decreased, and contract liabilities increased, respectively. Service contracts that are invoiced in advance were previously disclosed in accrued expenses. This balance has been reclassified to contract liabilities as the performance obligation has not yet been satisfied. Additional amounts were reclassified between other balance sheet accounts to reflect IFRS 15 requirements without any impact on equity.

The implementation of IFRS 15 did not have a significant impact on the consolidated statement of comprehensive income in the reporting period. The restatement impact as of January 1, 2018, provides a reasonable approximation of the expected balance sheet impacts if IFRS 15 had not been implemented as of December 31, 2018.

2.1.3 IFRS 9 – Financial Instruments

IFRS 9 triggered changes to the classification and measurement of financial instruments as well as to the impairment of financial assets, particularly bad debt allowances. The Group implemented the new standard as of January 1, 2018, and applied the exemption from the full retrospective application for the classification and measurement requirements, including impairment. Consequently, comparative figures were not restated.

The Group classified and measured its financial instruments in accordance with IFRS 9 for the first time as of January 1, 2018. The classification was performed based on the business model for managing these assets, and their contractual cash flow characteristics.

The following table summarizes the changes in the classification and measurement of financial instruments as of January 1, 2018:

	December 31, 2017 Previous category and carrying amount						**January 1, 2018 New category and carrying amount**					
In CHF million	LAR[1]	FVPL[2]	AFS[3]	Other financial liabilities	Total	IFRS 9 restate-ment	Amor-tized cost	FVPL[2]	FVOCI with recycling[4]	FVOCI without recycling[4]	Other financial liabilities	**Total**
Cash and cash equivalents	1 709				1 709		1 709					**1 709**
Current financial assets	183	8			191		183	8				**191**
Accounts receivable	1 913				1 913	–13	1 900					**1 900**
Prepaid expenses	121	24			145		121	24				**145**
Non-current financial assets	313	52	273		638		318	60	5	255		**638**
Total financial assets	4 239	84	273		4 596	–13	**4 231**	**92**	**5**	**255**		**4 583**
Accounts payable				757	757						757	**757**
Financial debts				180	180						180	**180**
Accrued expenses		21		919	940			21			919	**940**
Total financial liabilities		21		1 856	1 877			**21**			**1 856**	**1 877**

[1] LAR: Loans and receivables
[2] FVPL: At fair value through profit and loss
[3] AFS: Available for sale
[4] FVOCI: At fair value through other comprehensive income

Equity investments of CHF 255 million that were previously classified as available for sale were reclassified as equity instruments at fair value through other comprehensive income without recycling, as these investments are not held for trading purposes. As a result, fair value gains of CHF 110 million after deferred taxes previously recognized in other comprehensive income were reclassified from other reserves to retained earnings. The classification and measurement of financial liabilities remained unchanged.

The Group adjusted the impairment model applied to financial assets from an incurred loss to a forward-looking expected credit loss model. The change impacted the calculation of the bad debt allowance for accounts receivable in particular. The Group applies the simplified approach, which allows expected lifetime losses to be recognized for accounts receivable using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The first-time application of IFRS 9 resulted in a negative equity impact of CHF 9 million after deferred taxes. The impact results from the reassessment of the bad debt allowances as of January 1, 2018, in accordance with the new impairment model. The increase of bad debt allowances was mainly due to the recognition of additional allowances for receivables not due.

The implementation of IFRS 9 did not have a significant impact on the consolidated statement of comprehensive income in the reporting period.

2.2 Published standards, interpretations, and amendments not yet applied

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 with a lease liability and a corresponding right-of-use asset. This will result in an increase in assets and liabilities of approximately CHF 400 million. Furthermore, operating expenses will decrease by approximately CHF 5 million to CHF 10 million and financial expenses will increase by approximately CHF 5 million to CHF 10 million. The first-time application will have an insignificant impact on the Group's net profit. The impact of the initial application of IFRS 16 of approximately CHF 10 million will be recognized directly in equity as of January 1, 2019, and comparatives will not be restated.

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 consolidated balance sheet, consolidated statement of comprehensive income, and consolidated cash flow statement.

2.3 Changes in presentation

2.3.1 Presentation of changes in provisions

The additions to and utilization of provisions are no longer reported in the line item Change in provisions in the consolidated income statement. With effect from January 1, 2018, changes in provisions are recognized in the line items that the expense relates to. Consequently, the amount used is recognized against the relevant provision. This change was made to improve the presentation of the consolidated income statement and did not have any impact on the Group's net profit.

The line items reported in the consolidated Group Financial Statements 2017 were adjusted as follows:

In CHF million	Reported	Change in presentation	**Adjusted**
Personnel expenses	3 765	6	**3 771**
Other operating expenses	2 144	–11	**2 133**
Change in provisions	–5	5	**–**

2.3.2 Change in geographical information

The Group amended its geographical information as of January 1, 2018. Middle East and Africa, which were previously part of the Asia-Pacific, Africa region, were transferred to the Europe region, which was subsequently renamed EMEA (Europe, Middle East, and Africa). The Asia-Pacific, Africa region was renamed Asia-Pacific. The comparative information in note 5 has been restated accordingly.

2.4 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	Note
Taxes	– 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, 9, 20
Provisions	– 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, 24
Employee benefits	– Key assumptions such as discount rate, future increase in salaries and mortality tables	3.17, 25

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 27).

An overview of material Group companies is provided in note 36.

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 according to their proportionate share of the fair value of the net assets acquired.

Goodwill and fair value adjustments on 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 obtains 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 retained. 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 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:

			2018		2017	
			Year-end rate	**Average rate**	Year-end rate	Average rate
Eurozone	EUR	1	**1.13**	**1.15**	1.17	1.11
USA	USD	1	**0.99**	**0.98**	0.98	0.99
Brazil	BRL	100	**25.40**	**26.92**	29.43	30.73
China	CNY	100	**14.33**	**14.77**	15.00	14.58
India	INR	100	**1.41**	**1.44**	1.53	1.51

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 from customer contracts

Revenue recognition policies for the Group's businesses are shown in the table below.

Business	Revenue recognition	Accounting policy
New Installations and Modernization	Over time	– The new installations business provides mobility solutions with elevators, escalators, and moving walks for all applications and needs, whereas the modernization business provides solutions for existing installations. Control is transferred continuously to the customer from the start of the installation of the unit as the work performed by the Group enhances an asset controlled by the customer. Revenue is recognized over time based on the cost-to-cost method under which the accumulated costs to date are expressed as a percentage of the expected costs. Anticipated losses are recognized as onerous contract provisions. A performance obligation typically represents the installation or modernization of elevators or escalators.
Maintenance	Over time	– The maintenance business provides maintenance services for a wide range of elevators, escalators, and moving walks. The control transfers to the customer equally over the contract period based on the time elapsed. Maintenance revenue is recognized over the contract period as the service is provided, according to the agreed contractual terms and conditions.
Repairs	At a point in time	– The repair business includes a range of services from small to large repairs. For both smaller and larger repairs the customer benefits from the service and obtains control once the repair is finished. Revenue for repairs is recognized at the point of customer acceptance.

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

A receivable is recognized once the Group has an unconditional right to payment. Accounts receivable do not bear interest and are initially recognized at the transaction price determined according to contractual terms and conditions. They are subsequently measured at amortized cost, which is usually the nominal value less bad debt allowances for expected lifetime credit losses. Bad debt allowances are based on internal guidelines that require individual value adjustments to first be undertaken. For accounts receivable that are not individually adjusted, the Group applies the simplified approach for the recognition of the expected lifetime losses using a provision matrix. The provision matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Prior to January 1, 2018, bad debt allowances were measured using the incurred loss model.

Changes in bad debt allowances and write-offs of accounts receivable are recognized in operating expenses. Accounts receivable are written off when there is no reasonable expectation of recovery. The Group does not expect to receive any cash flows in future from receivables that have been written off.

3.8 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.

Material costs incurred before the start of revenue recognition (i.e. the start of installation) are reported as inventory for customer contracts.

3.9 Contract balances

Contract assets are recognized when the Group has transferred goods or services to a customer and the Group has a right to consideration that is conditional on something other than the passage of time. Contract liabilities are recognized when the Group has an obligation to transfer goods or services to a customer for which the Group has already received consideration or the amount is due. Contract liabilities are recognized as revenue when the Group satisfies the performance obligations.

Contract assets are regularly reviewed for impairment indicators.

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 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 contract assets or contract liabilities. 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, derivatives, 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
Amortized cost	– Debt instruments held to collect contractual cash flows that are solely payments of the principal amount and interest	– Fair value including transaction cost	– At amortized cost using the effective interest method – Interest, foreign currency revaluations, and impairment losses are recognized in the income statement. Impairment losses are measured in accordance with the expected credit loss model – On sale or derecognition, gains and losses are recognized in the income statement
Fair value through other comprehensive income with recycling (FVOCI with recycling)	– Debt instruments held both for selling and collecting contractual cash flows that are solely payments of the principal amount and interest	– Fair value including transaction cost	– At fair value – Unrealized fair value changes are reported in other comprehensive income – Interest, foreign currency revaluations, and impairment losses are recognized in the income statement. Impairment losses are measured in accordance with the expected credit loss model in the financial result – On sale or derecognition, the accumulated gains and losses recognized in other comprehensive income are reclassified to the income statement
Fair value through other comprehensive income without recycling (FVOCI without recycling)	– Equity instruments not held for trading	– Fair value including transaction cost	– At fair value – Dividends are recognized in the income statement, whereas unrealized fair value changes and foreign currency revaluations are recognized in other comprehensive income – On sale or other derecognition, the accumulated gains and losses recognized in other comprehensive income remain in retained earnings
Fair value through profit or loss (FVPL)	– Equity instruments held for trading – Derivatives (unless designated for hedge accounting)	– At fair value	– At fair value – All fair value changes are reported in the income statement

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

An allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss is recognized. ECLs are based on the difference between the contractual cash flows and the cash flow that the Group expects to receive. Generally, the Group applies a 12-month ECL in view of the low credit risk of its debt instruments – excluding accounts receivable and contract assets. At every reporting date, an assessment is performed to determine whether the debt instruments still have a low credit risk. For those credit exposures for which there has been an increase in credit risk since initial recognition, the allowance is based on the lifetime ECL.

For accounts receivable and contract assets, the Group applies the simplified approach. Consequently, the changes in credit risk are not tracked. Instead, the Group recognizes a lifetime expected loss allowance based on a provision matrix.

3.14.2 Financial liabilities

Financial liabilities comprise debt instruments issued, especially accounts payable, bank overdrafts and loans, bonds, finance lease liabilities, derivatives, 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	– Held for trading – Designated at initial recognition – Derivatives (unless designated for hedge accounting)	– At fair value	– 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 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. However, when the hedged transaction results in the recognition of a non-financial asset (i.e. inventories) or a non-financial liability, the amounts are transferred from other reserves and included in the initial measurement of the cost of the non-financial asset or liability. 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 from equity. The cost of purchase, 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 if the effect is material. 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 in other comprehensive income or directly in equity, the change in deferred tax assets and liabilities is also recognized in other comprehensive income or directly in equity, respectively.

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 or losses from plan amendments or curtailments), and gains or 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.

Other long-term employee benefits (mainly jubilee benefits) are also measured using the projected unit credit method.

Termination benefits are recognized on the earlier 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	**2018**	2017
Billings		10 030
Change in work in progress (PoC)		113
Revenue from contracts with customers	**10 835**	
Other operating revenue	**44**	36
Total revenue	**10 879**	10 179

Revenue from contracts with customers is disaggregated based on the timing of the transfer of goods and services to customers for the regions in which the Group operates.

				2018
In CHF million	Revenue recognized over time	Revenue recognized at a point in time	Other operating revenue	**Total**
EMEA	3 916	947	34	**4 897**
Americas	2 476	571	–	**3 047**
Asia-Pacific	2 717	208	10	**2 935**
Total revenue	**9 109**	**1 726**	**44**	**10 879**

Revenue from unsatisfied or partially unsatisfied performance obligations relates to not yet completed new installation and modernization contracts (order backlog) and maintenance contracts. The majority of the new installation and modernization contracts reported in order backlog are recognized as revenue in the next two years, whereas the average contract duration of not yet expired maintenance contracts is somewhat longer. The Group expects CHF 8 100 million to be recognized in the following year, CHF 5 400 million in the following two to three years and CHF 2 500 million in more than three years.

5 Segment reporting

The Elevators & Escalators segment comprises an integrated business that specializes in the production and installation of 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 substantially represents 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.

5.1 Segment information

In CHF million	2018 Group	2018 Finance	2018 Elevators & Escalators	2017 Group	2017 Finance	2017 Elevators & Escalators
Revenue from third parties	**10 879**	**–**	**10 879**	10 179	–	10 179
Operating profit	**1 269**	**–40**	**1 309**	1 187	–25	1 212
Additions to property, plant, and equipment, and intangible assets	**284**	**1**	**283**	256	–	256
Total depreciation and amortization	**174**	**–**	**174**	153	–	153
Result from associates	**–13**	**–**	**–13**	–6	–	–6
Assets	**9 976**	**2 484**	**7 492**	8 626	1 536	7 090
Associates	**118**	**–**	**118**	81	–	81
Liabilities	**6 233**	**576**	**5 657**	5 358	143	5 215

5.2 Geographical information by regions

In CHF million	2018 Total revenue from third parties	2018 Non-current assets[1]	2017 Total revenue from third parties	2017 Non-current assets[1]
EMEA	**4 897**	**1 239**	4 483	1 085
Americas	**3 047**	**412**	2 927	421
Asia-Pacific	**2 935**	**746**	2 769	739
Group	**10 879**	**2 397**	10 179	2 245

[1] Excluding non-current financial assets and deferred taxes

5.3 Geographical information by material countries

In CHF million	2018 Total revenue from third parties	2018 Non-current assets[1]	2017 Total revenue from third parties	2017 Non-current assets[1]
USA	**2 177**	**195**	2 004	175
China	**1 426**	**639**	1 383	624
Switzerland	**1 012**	**398**	967	317

[1] Excluding non-current financial assets and deferred taxes

6 Personnel expenses

In CHF million	Note	2018	2017[1]
Salaries		**3 543**	3 296
Cost of defined benefit plans	25	**50**	72
Cost of defined contribution plans		**102**	98
Share-based payments		**29**	23
Other personnel expenses		**288**	282
Total personnel expenses		**4 012**	3 771

[1] See note 2.3 for information on the change in presentation

Other personnel expenses primarily consist of social and insurance benefits.

7 Other operating expenses

In CHF million	2018	2017 [1]
Production, installation, maintenance, transport, and subcontractors	**1 001**	917
Employee-related expenses	**338**	319
Rent and leasing	**160**	166
Maintenance and repairs	**93**	83
Energy supply and consumables	**180**	171
Insurance, fees, and capital taxes	**72**	76
Administration and marketing	**319**	251
Other operating expenses	**86**	152
Other operating income	**–13**	–2
Total other operating expenses	**2 236**	2 133

[1] See note 2.3 for information on the change in presentation

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

Research and development costs of CHF 178 million were charged to the income statement (previous year: CHF 170 million, restated).

8 Financial result

In CHF million	Note	2018	2017
Interest		**55**	20
Net income from equity instruments		**6**	18
Revaluation/exchange of 0.375% exchangeable bond 2013–2017			6
Total financial income		**61**	44
Interest		**11**	10
Net interest on employee benefits	25	**9**	11
Increase in the present value of provisions	24	**10**	9
Net losses on foreign exchange		**10**	6
Other financial expenses		**25**	23
Total financial expenses		**65**	59
Financial result		**–4**	–15

Interest includes a one-time positive net impact of CHF 27 million related to the settlement of a tax arbitration procedure (see note 9). Other financial expenses mainly comprise bank charges and financial transaction costs.

In June 2013, the Group 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. It was valued at fair value. The exchange period ended on May 26, 2017. During the term of four years, 99.99% of the 0.375% exchangeable bond was 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 in the previous reporting period.

9 Income taxes

In CHF million	2018	2017
Income taxes for the reporting period	**268**	246
Income taxes for previous periods	**–34**	1
Deferred income taxes	**10**	35
Total income taxes	**244**	282

Reconciliation of income taxes

In CHF million	2018	%	2017	%
Profit before taxes	**1 252**		1 166	
Weighted average income tax rate as % of profit before taxes		**22.9**		23.2
Expected income tax expenses	**287**		271	
Effects of				
Recognition/utilization of unrecognized tax loss carryforwards	**–4**		–3	
Recognition of future tax impacts	**–16**		–9	
Other non-taxable income / Other non-deductible expenses	**3**		5	
Non-refundable withholding taxes	**17**		15	
Income taxes from prior periods	**–34**		1	
Other differences	**–9**		2	
Total income taxes	**244**	**19.5**	282	24.2

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. As of January 1, 2018, the federal corporate tax rate in the USA has been reduced from 35% to 21%. The positive impact from this tax rate reduction was offset by effects in other jurisdictions.

A settlement in an arbitration procedure with regard to the Group's tax position led to a tax refund, including interest. A one-time positive impact of CHF 60 million (income taxes CHF 33 million, net interest income CHF 27 million) was recognized in the Group's net profit. Cash flows related to the tax refund are disclosed in interest received and income taxes paid in cash flow from operating activities.

In the previous year, the USA enacted a new tax law, which reduced the corporate tax rate from 35% to 21%. The revised tax rate was 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 the previous year, 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.

10 Earnings per share and participation certificate

		2018	2017
Net profit (attributable to the shareholders of Schindler Holding Ltd.)	in CHF million	**943**	824
Shares and participation certificates	Number	**107 794 283**	107 794 283
Less treasury shares (weighted average)	Number	**–546 201**	–728 822
Outstanding shares and participation certificates (weighted average)	Number	**107 248 082**	107 065 461
Basic earnings per share and participation certificate	in CHF	**8.79**	7.70
Net profit (attributable to the shareholders of Schindler Holding Ltd.)	in CHF million	**943**	824
Diluted shares and participation certificates (weighted average)	Number	**107 492 926**	107 367 355
Diluted earnings per share and participation certificate	in CHF	**8.77**	7.67

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

11 Current financial assets

In CHF million	**2018**	2017
Time deposits	**216**	183
Other current financial assets	**8**	8
Total current financial assets	**224**	191

12 Accounts receivable

In CHF million	**2018**	2017
Trade accounts receivable	**1 934**	1 856
Associates	**14**	14
Other receivables	**195**	219
Total accounts receivable	**2 143**	2 089

12.1 Bad debt allowances

In CHF million	**2018**	2017
January 1	**–174**	–164
Effect adoption of IFRS 9	**–13**	
January 1, restated	**–187**	
Addition	**–24**	–25
Utilization	**21**	20
Exchange differences	**6**	–5
December 31	**–184**	–174

12.2 Aging analysis of receivables

2018

In CHF million	**Total carrying amounts**	of which not overdue	of which overdue < 90 days	91 to 180 days	181 to 360 days	> 360 days
Trade accounts receivable, gross	**2 118**	909	698	162	151	198
Bad debt allowances	**–184**	–5	–6	–7	–33	–133
Associates	**14**	5	2	3	1	3
Other receivables	**195**	155	24	1	4	11
Total accounts receivable	**2 143**	**1 064**	**718**	**159**	**123**	**79**

2017

In CHF million	Total carrying amounts	of which not overdue	of which overdue < 90 days	91 to 180 days	181 to 360 days	> 360 days
Trade accounts receivable, gross	2 030	698	765	234	138	195
Bad debt allowances	–174	–1	–5	–6	–29	–133
Associates	14	6	4	1	–	3
Other receivables	219	175	32	1	1	10
Total accounts receivable	2 089	878	796	230	110	75

13 Contract balances

In CHF million	**2018**	2017
Work in progress (PoC)		1 716
Progress payments from customers		–1 021
Net assets from construction contracts		695
Contract assets related to new installation and modernization contracts	**586**	
Contract assets related to maintenance contracts	**38**	
Contract assets	**624**	
Work in progress (PoC)		1 200
Progress payments from customers		–2 432
Net liabilities from construction contracts		–1 232
Contract liabilities related to new installation and modernization contracts	**–1 582**	
Contract liabilities related to maintenance contracts	**–604**	
Contract liabilities	**–2 186**	

In the new installations and modernization business, contract balances are recognized on a contract-by-contract basis once the installation begins. The amounts invoiced to the customer are generally based on the achievement of contractually agreed milestones. Such milestones are typically defined as the dates of contract signature, delivery call-off by the customer, and handover of the goods or services to the customer. Consequently, the amounts recognized as revenue over time do not necessarily coincide with the amounts invoiced. In cases where the amount of goods or services transferred to the customer exceeds the amount the Group has an unconditional right to payment for, the difference is recognized as a contract asset. In the case of contracts where the amount of goods or services transferred to the customer is lower than the consideration received or due, the difference is recognized as a contract liability. For maintenance contracts, the contract balances relate to instances where the services are prepaid (contract liability) or work is performed ahead of the payment being unconditionally due (contract asset).

Changes in contract balances are triggered by the progress of projects, business growth and the timing of down payments received. The Group has recognized CHF 1 300 million as revenue that was included in the contract liability balance at the beginning of the reporting period. This amount represents new installation and modernization contracts that made further progress or have been completed and the release of contract liabilities related to maintenance contracts.

14 Inventories

In CHF million	**2018**	2017
Inventory for contracts with customers	**596**	
Raw materials, semifinished and finished goods	**424**	479
Advance payments to suppliers	**29**	38
Total inventories	**1 049**	517

Following the implementation of IFRS 15 – Revenue from Contracts with Customers, material costs incurred before the start of revenue recognition (i.e. the start of installation) are reported as inventory for customer contracts.

Inventories include write-downs and write-offs of CHF 110 million (previous year: CHF 96 million) related to items with a slow rate of turnover and technically obsolete items.

15 Property, plant, and equipment

2018

In CHF million	Land	Buildings	Equipment and machinery	Assets under construction	Other PPE	Total
Net book values						
January 1	75	525	180	120	141	1 041
Additions	1	40	59	92	56	248
Disposals	–	–29	–1	–1	–4	–35
Depreciation	–	–28	–47	–	–52	–127
Business combinations	1	–	–	–	1	2
Reclassifications	–	28	12	–49	9	–
Exchange differences	–3	–21	–9	–6	–4	–43
December 31	**74**	**515**	**194**	**156**	**147**	**1 086**
of which finance leases	–	–	–	–	7	7
Cost	82	833	635	156	481	2 187
Accumulated depreciation and impairment	–8	–318	–441	–	–334	–1 101
December 31	**74**	**515**	**194**	**156**	**147**	**1 086**

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 9 million (previous year: gains of CHF 2 million). The gains are recognized in other operating income.

Contractual commitments for the acquisition of property, plant, and equipment amount to CHF 34 million (previous year: CHF 55 million).

In the previous year, additions to property, plant, and equipment were reported net of non-cash government grants of CHF 8 million.

Investment properties

The following table provides information for investment properties included in land and buildings:

In CHF million	**2018**	2017
Net book value	**37**	51
Fair value	**54**	69
thereof determined by external expert opinions in the reporting year	**1**	3
Rental income	**4**	4
Operating expenses	**2**	2
Operating expenses of investment properties without rental income	**1**	1

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.

16 Intangible assets

In CHF million	Goodwill	Service portfolio	Other intangible assets	Total
Net book values 2018				
January 1, 2018	819	197	107	1 123
Additions			36	36
Amortization		–27	–20	–47
Business combinations	52	68	–	120
Exchange differences	–37	–	–4	–41
December 31, 2018	**834**	**238**	**119**	**1 191**
Cost	851	574	248	1 673
Accumulated amortization and impairment	–17	–336	–129	–482
December 31, 2018	**834**	**238**	**119**	**1 191**
Net book values 2017				
January 1, 2017	716	158	81	955
Additions			35	35
Amortization		–23	–14	–37
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

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

17 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, earnings before taxes and tax rates, 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:

		Assumptions used		
In CHF million	**Goodwill 31.12.2018**	Pre-tax discount rate	Growth rate	Inflation rate
China	**243**	10.7%	3.0%	3.0%
Germany	**239**	8.6%	2.5%	2.5%
Brazil	**141**	22.8%	4.0%	4.0%
Switzerland	**66**	6.6%	1.0%	1.0%
USA	**35**	8.4%	2.2%	2.2%
Saudi Arabia	**34**	13.6%	2.1%	2.1%
Others	**76**			
Total	**834**			

No impairment was necessary (previous year: no impairment). The item Others comprises seven (previous year: seven) 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.

		Assumptions used		
In CHF million	Goodwill 31.12.2017	Pre-tax discount rate	Growth rate	Inflation rate
China	254	11.4%	2.6%	2.6%
Germany	226	8.9%	2.5%	2.5%
Brazil	163	24.7%	4.0%	4.0%
Switzerland	51	7.0%	1.0%	1.0%
Saudi Arabia	34	12.3%	2.0%	2.0%
USA	28	11.2%	2.3%	2.3%
Others	63			
Total	819			

18 Associates

In the previous year, the Group acquired a 25% stake in Volkslift Elevator (China) Co. Ltd. In the reporting year, the participation was increased from 25% to 49% with options to purchase the remaining shares, which are currently not exercisable.

Group's share of results of associates

In CHF million	2018	2017
Gain/loss recognized in the income statement	**–13**	–6
Gain/loss recognized in other comprehensive income	**–**	–
Gain/loss recognized in total comprehensive income	**–13**	–6

19 Non-current financial assets

In CHF million	2018	2017
Loans to associates	**5**	5
Marketable securities	**126**	114
Investment in Hyundai Elevator Co. Ltd.	**402**	211
Other non-current financial assets	**264**	308
Total non-current financial assets	**797**	638

The investment in Hyundai Elevator Co. Ltd. is treated as a non-current equity instrument measured at fair value through other comprehensive income. The Group's interest at the reporting date was diluted from 17.1% as of December 31, 2017, to 15.5% as of December 31, 2018. In the reporting year, the Group received CHF 2 million in dividend payments from this investment (previous year: CHF 2 million), recognized in the financial result.

Marketable securities mainly comprise equity instruments and bonds traded in active markets and private equity investments, whereas other non-current financial assets include time deposits.

20 Deferred taxes

20.1 Deferred taxes by category

In CHF million	Deferred tax assets 2018	Deferred tax liabilities 2018	Net book value 2018	Deferred tax assets 2017	Deferred tax liabilities 2017	Net book value 2017
Current assets	**126**	**–51**	**75**	93	–26	67
Property, plant, and equipment	**3**	**–24**	**–21**	2	–20	–18
Intangible assets	**32**	**–114**	**–82**	27	–111	–84
Other non-current assets	**–**	**–21**	**–21**	1	–10	–9
Current liabilities	**133**	**–70**	**63**	117	–71	46
Provisions	**69**	**–26**	**43**	67	–23	44
Employee benefits	**85**	**–**	**85**	91	–	91
Other non-current liabilities	**–**	**–**	**–**	1	–	1
Tax loss carryforwards	**9**		**9**	9		9
Total deferred tax assets / deferred tax liabilities (net)			**151**			147
of which deferred tax assets			**282**			263
of which deferred tax liabilities			**–131**			–116

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

20.2 Changes in deferred taxes

In CHF million	2018	2017
January 1	**147**	209
Effect adoption of IFRS 15 and IFRS 9	**45**	
January 1, restated	**192**	
Addition and reversal of temporary differences		
through the income statement	**–10**	–35
through other comprehensive income	**–12**	–23
Business combinations	**–12**	–5
Exchange differences	**–7**	1
December 31	**151**	147

20.3 Unrecognized deferred tax assets

In CHF million	2018	2017
Temporary differences	**21**	24
Tax loss carryforwards	**163**	180
Total basis	**184**	204
Unrecognized deferred tax assets	**38**	43
Average tax rate in %	20.7	21.1

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.

In the previous year, reassessments of unrecognized deferred tax assets resulted in a recognition of deferred tax assets.

20.4 Tax loss carryforwards

In CHF million	2018 Loss carry-forwards	2018 Tax effects	2017 Loss carry-forwards	2017 Tax effects
Total	**197**	**43**	213	48
Recognized as deferred tax assets	**–34**	**–9**	–33	–9
Total unrecognized	**163**	**34**	180	39
of which expiring				
< 1 year	**5**	**1**	5	1
1–5 years	**39**	**6**	36	5
> 5 years	**119**	**27**	139	33

21 Accounts payable

In CHF million	2018	2017
Trade accounts payable	**665**	648
Associates	**13**	10
Social security	**53**	51
Indirect taxes and capital taxes	**164**	139
Other payables	**81**	99
Total accounts payable	**976**	947

22 Financial debts

22.1 Current financial debts

In CHF million	2018	2017
Bank overdrafts	**63**	43
Liabilities to related parties	**16**	93
Current portion of non-current financial debts		
of bank loans	**2**	3
of finance leases	**3**	2
Other current financial debts	**21**	19
Total current financial debts	**105**	160

22.2 Non-current financial debts

In CHF million	2018	2017
0.00% bond 2018–2020, nominal CHF 100 million	**100**	
0.25% bond 2018–2023, nominal CHF 400 million	**400**	
Finance leases	**4**	5
Liabilities towards non-controlling interests	**9**	7
Other non-current financial debts	**18**	8
Total non-current financial debts	**531**	20

In June 2018, the Group issued domestic bonds in two tranches: a 2-year bond tranche of CHF 100 million with a coupon of 0.00% and a 5-year bond tranche of CHF 400 million with a coupon of 0.25%.

22.3 Changes in financial debts

			2018			2017
In CHF million	Current financial debts	Non-current financial debts	Total	Current financial debts	Non-current financial debts	Total
January 1	160	20	**180**	254	55	309
Proceeds from increase in financial debts	31	507	**538**	23	–	23
Repayment of financial debts	–91	–4	**–95**	–44	–5	–49
Acquisition of non-controlling interests	–	–	**–**	–	–45	–45
Other cash flows	–17	–1	**–18**	–25	–17	–42
Non-cash items						
Revaluation/exchange of 0.375% exchangeable bond 2013–2017	–	–	**–**	–87	–	–87
Reclassifications	11	–11	**–**	4	–4	–
Others	15	21	**36**	35	35	70
Exchange differences	–4	–1	**–5**	–	1	1
December 31	**105**	**531**	**636**	160	20	180

In the previous year, the Group exercised the last acquisition right to acquire 5% in XJ-Schindler (Xuchang) Elevator Co. Ltd.

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

22.4 Maturity and average interest rates on financial debts

		2018		2017
In CHF million	**Book values**	**Effective interest rate in %**	Book values	Effective interest rate in %
< 1 year	**105**	**2.1**	160	1.5
1–5 years	**522**	**0.2**	20	2.8
> 5 years	**9**	**–**	–	–
Total financial debts	**636**	**0.6**	180	1.7

23 Accrued expenses and deferred income

In CHF million	**2018**	2017
Personnel expenses	**478**	471
Follow-up work from construction contracts	**281**	334
Invoiced service contracts		508
Cost of materials and services	**171**	218
Other accrued expenses and deferred income	**266**	251
Total accrued expenses and deferred income	**1 196**	1 782

Invoiced service contracts and deferred income related to customer contracts previously shown in Other accrued expenses and deferred income have been reclassified to contract liabilities (see notes 2 and 13) following the implementation of IFRS 15 – Revenue from Contracts with Customers.

24 Provisions

In CHF million	Onerous customer contracts	Restructuring costs	Product liabilities and warranties	Self-insurance	Others	Total
Current provisions	29	20	78	11	25	163
Non-current provisions	–	–	208	53	81	342
Total provisions	**29**	**20**	**286**	**64**	**106**	**505**
Statement of changes						
January 1, 2018	35	32	290	62	105	524
Effect adoption of IFRS 15	2	–	10	–	–	12
January 1, 2018, restated	37	32	300	62	105	536
Addition	20	8	56	13	19	116
Increase in present value	–	–	4	6	–	10
Utilization	–21	–17	–71	–12	–16	–137
Reversal	–6	–1	–4	–	–2	–13
Business combinations	–	–	–	–	2	2
Exchange differences	–1	–2	1	–5	–2	–9
December 31, 2018	**29**	**20**	**286**	**64**	**106**	**505**

Provisions for onerous contracts are recognized to cover losses contained in loss-making customer contracts. These provisions are calculated on the basis of pre-calculations and experience. Customer contracts are usually satisfied within 9 to 24 months. The provisions are reversed as each contract 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 ten years following the occurrence of damages. Warranty provisions cover the risk of expenses that are expected to occur before the warranty period expires (assurance-type warranties). These provisions are calculated on the basis of experience.

The provisions for self-insurance mainly cover employee-related 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 ten 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 five years.

25 Employee benefits

In CHF million	Funded	Unfunded	2018 Total	Funded	Unfunded	2017 Total
Switzerland						
Fair value of plan assets	2 056		**2 056**	2 096		2 096
Present value of defined benefit obligation	–2 114		**–2 114**	–2 152		–2 152
Plan deficit – Switzerland	**–58**		**–58**	–56		–56
USA						
Fair value of plan assets	229		**229**	261		261
Present value of defined benefit obligation	–228	–39	**–267**	–271	–43	–314
Plan deficit – USA	**1**	**–39**	**–38**	–10	–43	–53
Other plans						
Fair value of plan assets	103		**103**	113		113
Present value of defined benefit obligation	–122	–341	**–463**	–130	–346	–476
Plan deficit – other plans	**–19**	**–341**	**–360**	–17	–346	–363
Total						
Fair value of plan assets	2 388		**2 388**	2 470		2 470
Present value of defined benefit obligation	–2 464	–380	**–2 844**	–2 553	–389	–2 942
Total plan deficit	**–76**	**–380**	**–456**	–83	–389	–472
Present value of other employee benefits		–27	**–27**		–27	–27
Total net book value of employee benefits	**–76**	**–407**	**–483**	–83	–416	–499
of which employee benefits assets			**2**			–
of which employee benefits liabilities			**–485**			–499

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: 84%) of the Group's total defined benefit obligation and 96% (previous year: 95%) of its plan assets. Unfunded defined benefit plans mainly exist 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, 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 final 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, 2018, is 111% (previous year: 116%, final).

The Board of Trustees defines the investment strategy. 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 final funded status is determined in the second quarter of the following year. According to estimates, the funded status as at December 31, 2018, is 114% (previous year: 117%, final).

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. In 2018, the plan was amended to no longer provide additional benefit accruals to active participants resulting in a past service income recognition. The future retirement benefit of the plan participants were frozen as of the date of the amendment. Instead of this defined benefit plan, a defined contribution plan pursuant to Internal Revenue Code 401(k) is now in place.

25.1 Cost of defined benefit plans

In CHF million	2018	2017
Service costs		
Current service costs	**62**	65
Past service costs	**–12**	–
Gains/losses from settlements	**–**	7
Total service costs	**50**	72
Net interest on employee benefits	**9**	11
Total pension expenses recognized in income statement	**59**	83
of which arising from funded pension plans	**39**	65
of which arising unfunded pension plans	**20**	18

Service costs for the reporting year totaled CHF 46 million (previous year: CHF 47 million) for pension plans in Switzerland and CHF –8 million (previous year: CHF 5 million) for the pension plan in the USA. Net interest expenses for the reporting year totaled CHF 0 million (previous year: CHF 1 million) for pension plans in Switzerland and CHF 2 million (previous year: CHF 3 million) for the pension plan in the USA.

25.2 Remeasurements of employee benefits

In CHF million	2018	2017
Actuarial gains/losses		
Changes in demographic assumptions	**–2**	–5
Changes in financial assumptions	**84**	–22
Experience adjustments	**–15**	–17
Return on plan assets (excluding interest based on discount rate)	**–83**	185
Total remeasurements recognized in other comprehensive income	**–16**	141
of which arising from funded pension plans	**–9**	196
of which arising from unfunded pension plans	**–7**	–55

Remeasurements recognized in other comprehensive income for the reporting year totaled CHF –8 million (previous year: CHF 191 million) for pension plans in Switzerland and CHF 6 million (previous year: CHF –9 million) for the pension plan in the USA.

25.3 Change in fair value of plan assets

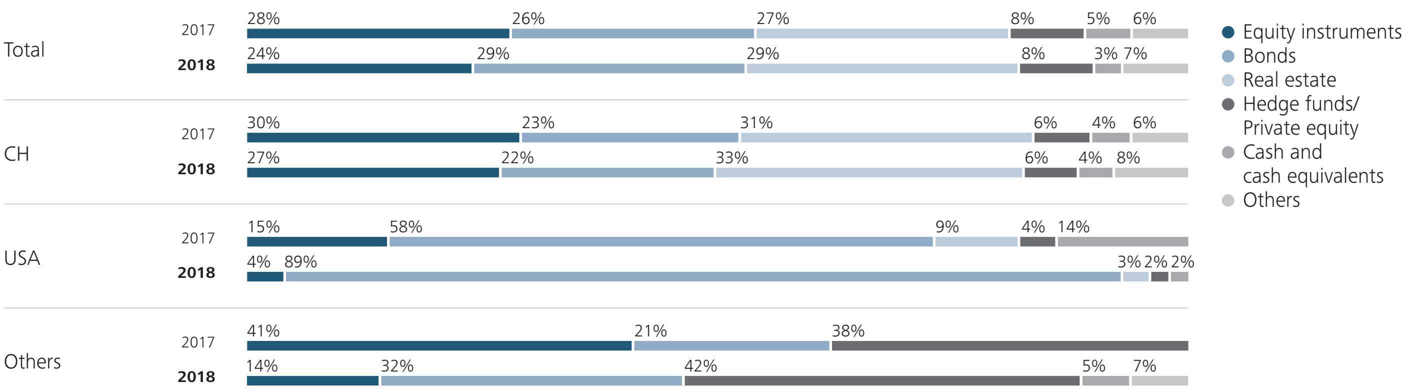
In CHF million	2018	2017
January 1	**2 470**	2 289
Interest income (based on discount rate)	**26**	23
Return on plan assets (excluding interest based on discount rate)	**–83**	185
Employee contributions	**45**	41
Ordinary employer contributions	**57**	55
Additional employer contributions	**–**	44
Benefits paid	**–126**	–121
Settlements	**–**	–37
Exchange differences	**–1**	–9
December 31	**2 388**	2 470

In the presious year, additional employer contributions consisted of voluntary payments in excess to contributions required by pension plan regulations.

25.4 Change in present value of defined benefit obligation

			2018			2017
In CHF million	**Funded**	**Unfunded**	**Total**	Funded	Unfunded	Total
January 1	**–2 553**	**–389**	**–2 942**	–2 601	–316	–2 917
Service costs	**–38**	**–12**	**–50**	–62	–10	–72
Interest costs	**–27**	**–8**	**–35**	–27	–7	–34
Actuarial gains/losses	**74**	**–7**	**67**	11	–55	–44
Employee contributions	**–45**	**–**	**–45**	–41	–	–41
Benefits paid	**126**	**20**	**146**	121	20	141
Business combinations	**–**	**–1**	**–1**	–	–2	–2
Settlements	**–**	**2**	**2**	37	2	39
Exchange differences	**–1**	**15**	**14**	9	–21	–12
December 31	**–2 464**	**–380**	**–2 844**	–2 553	–389	–2 942

25.5 Allocation of plan assets as at December 31



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 investment grade 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).

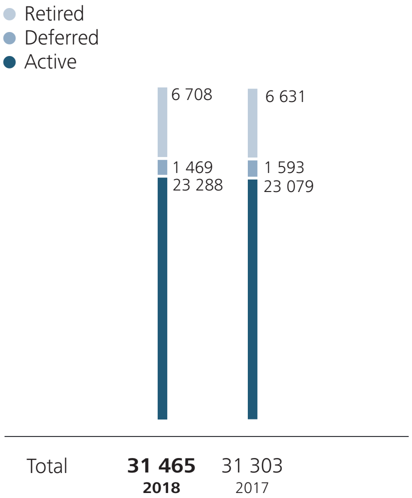
Cash and cash equivalents are invested with financial institutions that have an investment grade rating.

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.

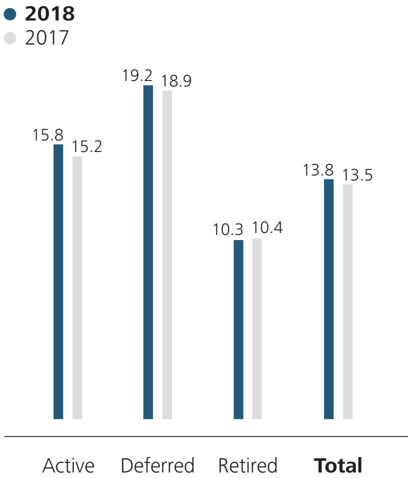
The actual return on plan assets for 2018 was:
- Switzerland: –2% (previous year: 9%)
- USA: –3% (previous year: 12%)

25.6 Plan participants

Plan participants in numbers



Weighted average duration in years



	Active		Deferred		Retired		Total	
In CHF million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Present value of defined benefit obligation	**1 650**	1 701	**92**	104	**1 102**	1 137	**2 844**	2 942
Share in %	**58.0**	57.8	**3.2**	3.5	**38.8**	38.7	**100.0**	100.0

The following employer contributions are expected for the reporting year 2019:
- Switzerland: CHF 46 million
- USA: CHF 2 million
- Other plans: CHF 5 million

25.7 Significant actuarial assumptions

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

	Switzerland		USA	
	2018	2017	**2018**	2017
Discount rate in %	**0.90**	0.70	**4.26**	3.61
Increase in salaries in %	**1.00**	1.00	**2.50**	2.50
Mortality table	**BVG2015 CMI 1.25%**	BVG2015 CMI 1.25%	**RP-2014 FG + MP2018**	RP-2014 FG + MP2017

Sensitivities of significant actuarial assumptions

The discount rate and the future increase in salaries were identified as significant assumptions. The following impacts on the defined benefit obligation would result from changes in actuarial assumptions:
- A 0.25% increase or decrease in the discount rate would lead to a decrease or increase of 3% (previous year: 3%) in the defined benefit obligation.
- A 1.00% increase or decrease in the expected increase in salaries would lead to an increase or 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.

26 Equity

26.1 Share and participation capital

			2018			2017
	Number	Nominal value in CHF	Capital in CHF	Number	Nominal value in CHF	Capital in CHF
Shares	**67 077 452**	**0.10**	**6 707 745**	67 077 452	0.10	6 707 745
Participation certificates	**40 716 831**	**0.10**	**4 071 683**	40 716 831	0.10	4 071 683

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.

26.2 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, 2017	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		
Purchases	106 124	182.21	19	575	–	–
Disposals	–11 725	206.39	–2	–3 028	214.27	–1
Share-based payments						
Allocation	–77 738	199.03	–15	–	–	–
Exercising of options and Performance Share Units	–134 989	118.51	–16	–66 853	97.08	–6
Difference in value due to allocation and exercise			–1			–
December 31, 2018	**370 846**		**71**	**142 434**		**14**
Reserved for share-based payment plans	370 846			142 434		

26.3 Other reserves

In CHF million	Cash flow hedges	Available-for-sale financial assets	Debt instruments at FVOCI with recycling[1]	Share of other comprehensive income of associates	Total
January 1, 2017	–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
Effect adoption of IFRS 9		–110			–110
January 1, 2018, restated	1	–	–	–1	–
Unrealized changes in fair value	2		–	–	2
Taxes on unrealized changes in fair value	–2		–		–2
Realized/reclassified changes in fair value	–		–	–	–
Taxes on realized/reclassified changes in fair value	–		–		–
December 31, 2018	**1**		**–**	**–1**	**–**

[1] FVOCI: At fair value through other comprehensive income

27 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 9 million of goodwill is tax-deductible (previous year: CHF 48 million). Gross trade accounts receivable total CHF 12 million (previous year: CHF 21 million) and the related bad debts allowances total CHF 1 million (previous year: CHF 3 million).

The impact on the Group's revenue as well as operating profit resulting from the acquisitions was not material nor would it be material if all acquisitions would have occurred at January 1, 2018, or January 1, 2017, respectively. 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 2018	2017
Assets		
Cash and cash equivalents	**5**	6
Accounts receivable	**11**	18
Other current assets	**4**	7
Service portfolio	**68**	62
Other intangible assets	**–**	2
Deferred tax assets	**1**	1
Other non-current assets	**4**	2
Liabilities		
Current liabilities	**19**	26
Deferred tax liabilities	**13**	6
Non-current liabilities	**3**	2
Net assets acquired	**58**	64
Non-controlling interests	**1**	–
Goodwill	**52**	90
Total acquisition costs	**111**	154
Cash and cash equivalents paid	**93**	142
Deferred purchase consideration	**18**	12
Total acquisition costs	**111**	154
Cash and cash equivalents acquired	**–5**	–6
Deferred purchase consideration	**–18**	–12
Paid deferred purchase consideration from previous years	**18**	–
Net cash outflow	**106**	136

28 Other non-cash items

In CHF million	2018	2017
Share-based payments	**29**	23
Change in provisions	**–30**	–5
Employee benefits	**–29**	–3
Others	**–**	22
Total other non-cash items	**–30**	37

29 Off-balance sheet transactions

29.1 Contingent liabilities

In CHF million	2018	2017
Guarantees in favor of third parties	**44**	54

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.

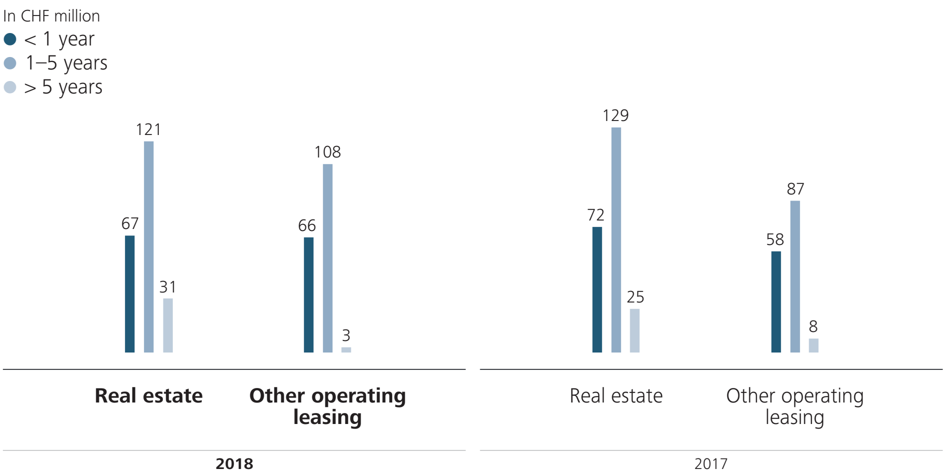
The Group is exposed to a variety of legal risks. In particular, they may include risks associated with employment law, product liability, patent law, tax law, and competition law. Several Group companies are involved in legal proceedings. The results of pending or future proceedings cannot be accurately 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 170 million at the end of 2018. The Group companies in question consider the claims to be without merit.

29.2 Other unrecognized obligations

In CHF million	**2018**	2017
Non-cancellable capital commitments for the purchase of PPE and material	**104**	112

29.3 Maturity of non-cancellable lease payments



Other operating leases mainly comprise vehicles, and equipment.

30 Financial risk management

30.1 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 consolidated balance sheet, consolidated statement of comprehensive income, and consolidated cash flow statement.

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

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.

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.

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

Type of risk	Sources of risk	Mitigation of risks
Interest rate risk	– The Group is exposed to interest rate risks primarily on the income side due to its 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 Finance Steering Committee maintains and periodically reviews the strategy to invest excess cash (mainly in Swiss francs) in order to mitigate negative interest exposure. – The Supervisory and Strategy Committee defines the target structure of fixed and variable interest-bearing liabilities. – Active management and continuous monitoring of changes in interest rates by Corporate Treasury (CTR).
Foreign currency risk	– The Group is exposed to foreign currency risks because of its international operations and the related transaction and translation risks. – Transaction risks resulting from income and expenses in currencies other than the local reporting currency. – Translation risks 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. While transactions in foreign currencies occur, these are either managed by matching the invoicing currency to the source currency of the cost of materials (natural hedge), or by hedging the exposure. If country-specific regulations allow, CTR combines the transaction risks by currency and creates natural hedging relationships. The remaining transaction risks are hedged with high-quality credit-rated financial institutions. – Group companies are not permitted to speculatively obtain or invest in foreign currency cash. – The Supervisory and Strategy Committee receives quarterly updates on the foreign currency risk exposure of the Group. – The Group's internal financing is, in the majority of cases, executed in the relevant local currency.
Price risk	– The Group invests part of its excess cash in equity instruments classified at fair value through other comprehensive income or at fair value through profit or loss and is therefore exposed to price risks.	– Investments in equity instruments are only made on an individual basis upon the instruction of the Supervisory and Strategy Committee, the Finance Steering Committee, or CTR.
Liquidity risk	– The Group is exposed to funding and liquidity risk from operations and from external borrowing and the risk of not being able to refinance debt obligations or meeting other cash outflow obligations when required.	– The Group maintains a substantial liquidity reserve in the form of cash and cash equivalents to ensure its solvency and financial flexibility at all times. – The Group's creditworthiness allows it to make efficient use of international financial markets for financing purposes, if necessary.
Credit risk	– The Group is exposed to credit risk from trade receivables, other receivables, contract assets, and financial instruments due to counterparties being unable or unwilling to fulfill their payment obligation.	– The Group minimizes the credit risk associated with trade and other receivables and contract assets by undertaking transactions with a large number of customers in various countries. The concentration of credit risk in receivables is therefore limited. – Outstanding receivables and contract assets are regularly reviewed and the related credit risk is assessed by Group companies. Progress payments from customers provide additional security. – The Group's risk policy stipulates that a major proportion of cash and cash equivalents must be placed with broadly diversified counterparties with a low default risk. – The Supervisory and Strategy Committee defines 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.

30.2 Market risks

30.2.1 Interest rate risks

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.

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 1% higher or lower during the reporting year, net interest income would have been CHF 20 million higher or lower (previous year: CHF 21 million higher or lower).

30.2.2 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.

The following table shows 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 for transaction risks only.

	2018		2017	
In CHF million	**Net position**	**Sensitivity +/–5%**	Net position	Sensitivity +/–5%
EUR	**252**	**+13 / –13**	212	+11 / –11
USD	**–9**	**– / –**	–45	–2 / +2
GBP	**–34**	**–2 / +2**	–40	–2 / +2
AUD	**–67**	**–3 / +3**	–53	–3 / +3
CAD	**–**	**– / –**	–16	–1 / +1
CNY	**74**	**+4 / –4**	155	+8 / –8

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 and are not included in the sensitivity analysis above.

30.2.3 Price risks

The Group has investments in equity instruments totaling CHF 505 million (previous year: CHF 288 million). The investment in Hyundai Elevator Co. Ltd. (CHF 402 million, previous year: CHF 211 million) accounts for the major proportion of these investments.

If the prices of the various equity instruments as at December 31, 2018, had been 10% higher or lower, net financial income would have been CHF 5 million higher or lower (previous year: CHF 3 million higher or lower). Other comprehensive income would have been CHF 45 million higher or lower (previous year: CHF 26 million higher or lower).

30.3 Liquidity risks

Financial liabilities: carrying amounts and cash outflows

2018

In CHF million	Carrying amounts	Cash outflows Total	< 1 year	1–5 years	> 5 years
Accounts payable	**–759**	**–759**	–759	–	–
Bonds	**–500**	**–505**	–1	–504	–
Financial debts	**–129**	**–129**	–102	–18	–9
Finance lease liabilities	**–7**	**–7**	–3	–4	–
Accrued expenses	**–902**	**–902**	–902	–	–
Derivatives					
Cash inflows		**2 148**	2 105	43	–
Cash outflows		**–2 150**	–2 107	–43	–
Net	**–2**	**–2**	–2	–	–
Total	**–2 299**	**–2 304**	**–1 769**	**–526**	**–9**

2017

In CHF million	Carrying amounts	Cash outflows Total	< 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	–
Accrued expenses	–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	–

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

30.4 Credit risks

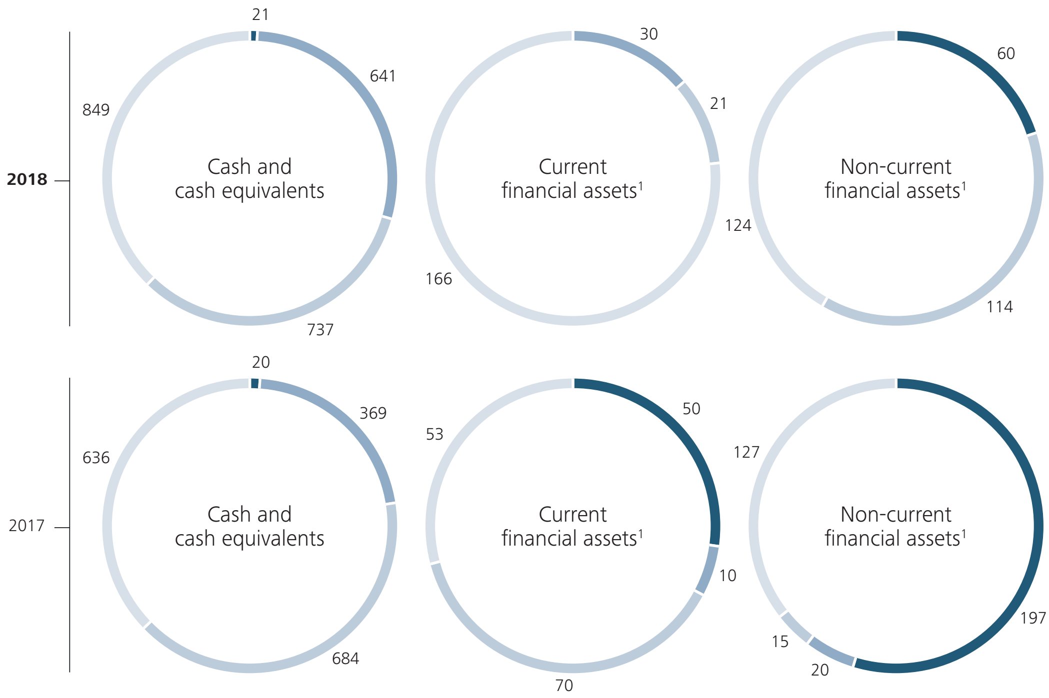
30.4.1 Cash and cash equivalents, current and non-current financial assets

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 time deposits. Non-current financial assets comprise beside equity instruments, which are not subject to the credit risks, mainly time deposits and bonds.

Creditworthiness is categorized using the following rating:

In CHF million

- 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



[1] Excluding equity instruments

30.4.2 Trade accounts receivable and contract assets

In view of the Group's large customer base and global presence, the concentration of credit risk in trade receivables (see note 12) and contract assets (see note 13) is limited.

30.5 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. The Group defines net liquidity as cash and cash equivalents, current financial assets, and non-current financial assets excluding the investment in Hyundai Elevator Co. Ltd. less financial liabilities.

In CHF million	**2018**	2017
Net liquidity	**2 231**	2 147
Equity ratio in %	**37.5**	37.9

31 Financial instruments

31.1 Classification

In CHF million	Amortized cost	FVPL[1]	FVOCI with recycling[2]	FVOCI without recycling[2]	Other financial liabilities	**Total** 2018	Loans and receivables	Held for trading[3]	Available for sale	Other financial liabilities	Total 2017
Cash and cash equivalents	2 248					**2 248**	1 709				1 709
Current financial assets	217	7	–	–		**224**	183	8			191
Accounts receivable	2 004					**2 004**	1 913				1 913
Prepaid expenses	80	11				**91**	121	24			145
Non-current financial assets	294	48	5	450		**797**	313	52	273		638
Total financial assets	**4 843**	**66**	**5**	**450**		**5 364**	4 239	84	273		4 596
Accounts payable					759	**759**				757	757
Financial debts					636	**636**				180	180
Accrued expenses		13			902	**915**		21		919	940
Total financial liabilities		**13**			**2 297**	**2 310**		21		1 856	1 877
Changes recognized through profit or loss											
Interest income/expense	18				–8	**10**	20			–10	10
Net income from current financial assets		3		3		**6**	1	12	11		24
Bad debt allowances	–24					**–24**	–25				–25
Total	**–6**	**3**	**–**	**3**	**–8**	**–8**	–4	12	11	–10	9
Changes recognized in other comprehensive income											
Changes in fair value			–	192		**192**			34		34
Realized through/reclassified to the income statement			–	–		**–**			–38		–38
Total			**–**	**192**		**192**			–4		–4
Total recognized in comprehensive income	**–6**	**3**	**–**	**195**	**–8**	**184**	–4	12	7	–10	5

[1] FVPL: At fair value through profit and loss
[2] FVOCI: At fair value through other comprehensive income
[3] At fair value through profit or loss

31.2 Fair value hierarchy

In CHF million	Level 1	Level 2	Level 3	**2018** **Total fair values**	Level 1	Level 2	Level 3	2017 Total fair values
Financial assets								
at fair value through profit or loss								
Current financial assets	7	–	–	**7**	8	–	–	8
Derivatives	–	11	–	**11**	–	24	–	24
Non-current financial assets	48	–	–	**48**	52	8	–	60
Debt instruments at FVOCI to be reclassified to the income statement in the future								
Non-current financial assets	5	–	–	**5**	5	–	–	5
Equity instruments at FVOCI not to be reclassified to the income statement in the future[1]								
Non-current financial assets	443	–	7	**450**	251	–	9	260
Financial liabilities								
at fair value through profit or loss								
Derivatives	–	13	–	**13**	–	21	–	21
Other disclosed fair values								
Financial assets								
Current financial assets	–	217	–	**217**	–	183	–	183
Non-current financial assets	–	294	–	**294**	–	313	–	313
Financial liabilities								
Financial debts	500	136	–	**636**	–	180	–	180

[1] Previous year: Available for sale

The fair values of cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses, 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).

31.3 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	– Bonds 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

31.4 Reconciliation of level 3 fair values

In CHF million	**2018**	2017
Non-current financial assets		
January 1	**9**	10
Changes in value recognized in other comprehensive income	**–2**	–1
December 31	**7**	9

31.5 Derivatives

			2018			2017
In CHF million	**Fair value of assets**	**Fair value of liabilities**	**Nominal amount**	Fair value of assets	Fair value of liabilities	Nominal amount
Currency instruments						
Hedges without hedge accounting	**8**	**8**	**1 750**	19	17	1 756
Fair value hedges	**–**	**–**	**20**	–	–	19
Cash flow hedges	**3**	**5**	**367**	5	4	349
Total derivatives	**11**	**13**	**2 137**	24	21	2 124

32 Pledged assets

In CHF million	**2018**	2017
Cash and cash equivalents / Current financial assets	**3**	13
Non-current financial assets	**17**	20
Total pledged assets	**20**	33

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

33 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	Replaced by BSP and PSP in 2013	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

33.1 Current plans

33.1.1 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. Vesting conditions are service conditions only. 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 84 000 registered shares was granted in connection with these plans. The final number of registered shares will be allocated in April 2019 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 221.60).

For the registered shares granted in the previous year, personnel expenses were adjusted based on the final number of registered shares allocated in April 2018, which totaled 77 738 (fair value per registered share: CHF 178.00).

33.1.2 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 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, 27 313 (previous year: 31 138) 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 207.27 (previous year: CHF 167.38) corresponds to the price of the registered share at grant date less the present value of the expected dividends over the vesting period.

33.2 Previous plans

33.2.1 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.

33.2.2 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.

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

Capital Participation Plans 2000/2003

	2013	2012	2011	2010	2009
Options allocated	138 012	162 118	222 621	207 896	464 175
Exercised/expired in the previous years	–66 274	–100 054	–160 812	–162 295	–418 129
Outstanding as at January 1, 2018	71 738	62 064	61 809	45 601	46 046
Options exercised/expired	–7 570	–10 789	–9 077	–15 484	–46 046
Balance as at December 31, 2018	64 168	51 275	52 732	30 117	–
Exercisable	64 168	51 275	52 732	30 117	–
Entitles holder to purchase (allocation ratio 1:1)	Shares	PC	PC	PC	Shares
Exercise price	137.84	108.20	85.10	53.60	56.40
Exercise period ends	30.4.2022	30.4.2021	30.4.2020	30.4.2019	30.4.2018
Weighted average share price on exercise in 2017	198.56	205.07	209.62	206.20	201.25
Weighted average share price on exercise in 2018	214.28	221.28	227.18	227.31	203.11

Long Term Incentive Plan

	2011	2010
Options allocated	104 854	107 739
Exercised/expired in the previous years	–69 834	–100 493
Outstanding as at January 1, 2018	35 020	7 246
Options exercised/expired	–26 710	–7 246
Balance as at December 31, 2018	8 310	–
Entitles holder to purchase (allocation ratio 1:1)	PC	PC
Exercise price	124.80	85.10
Exercise period ends	30.4.2020	30.4.2019
Weighted average share price on exercise in 2017	214.25	207.25
Weighted average share price on exercise in 2018	221.33	220.35

34 Related parties

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

As at December 31, 2018, the Schindler and Bonnard families – within the scope of shareholder agreements – and parties related to these families held 47 662 664 registered shares (previous year: 47 661 559) of Schindler Holding Ltd. This corresponds to 71.1% (previous year: 71.1%) 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.

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

Associates

In CHF million	**2018**	2017
Revenue	**53**	48
Material and operating expenses	**27**	15
Accounts receivable and loans	**19**	19
Liabilities	**13**	10

Other related parties

In CHF million	**2018**	2017
Liabilities towards shareholders	**16**	93
Interest expenses	**–**	–

35 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 2.7 million (previous year: CHF 2.6 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	**2018**	2017
Salary payments (incl. cash bonuses and lump-sum expenses), fees	**22**	22
Contributions to pension plans and social benefits	**5**	5
Share-based payments	**7**	8
Total	**34**	35

The disclosure in accordance with statutory requirements of compensation, participating interest, and option rights is provided in the Compensation Report.

36 Material Group companies

Country	Head office	Name of company	Participation in % 2018	Participation in % 2017	Nominal capital (in thousands of local currency)				
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 GmbH	**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 Ltd.	**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	1 270 626	CLP		●	
China	Henan	XJ-Schindler (Xuchang) Elevator Co. Ltd.	**66.0**	66.0	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	Medellín	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	178 530	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	11 320 296	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 % 2018	2017	Nominal capital (in thousands of local currency)				
Norway	Vennesla	Schindler AS	**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	3 714	SGD		●	
Slovakia	Dunajská	Schindler Dunajská Streda a.s.	**100.0**	100.0	5 950	EUR	●		
		Schindler Eskalátory s.r.o.	**100.0**	100.0	1 245	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	6 180 000	KRW		●	
Spain	Madrid	Schindler S.A.	**99.8**	99.8	27 801	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 IT Services AG	**100.0**	100.0	1 000	CHF			○
		Schindler Digital Group 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		●	○
		Schindler Supply Chain Europe AG	**100.0**	100.0	100	CHF	●		○
	Locarno	Schindler Elettronica S.A.	–	100.0	2 000	CHF	●		
	Küssnacht a.R.	AS Aufzüge AG	**100.0**	100.0	7 000	CHF		●	
Taiwan	Taipei	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	150 000	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	Cantaño	Schindler 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

37 Dividends paid and proposal by the Board of Directors

In 2018, CHF 428 million was paid in dividends (previous year: CHF 535 million). This corresponds to an ordinary dividend of CHF 4.00 per registered share and per participation certificate (previous year: ordinary dividend of CHF 3.00 and an additional dividend of CHF 2.00).

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 2018. 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.

38 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 13, 2019, and will be presented to the General Meeting of Shareholders for approval on March 26, 2019.

Report of the statutory auditor

To the General Meeting of Schindler Holding Ltd., Hergiswil

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 statement of financial position as at 31 December 2018 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 65) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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.

Revenue from new installations and modernization and onerous contract provisions

Area of focus

As at 31 December 2018, contract assets related to new installation and modernization contracts represent 6% of the Group's total assets and contract liabilities related to new installation and modernization contracts 16% respectively. For those contracts, revenue is recognized over time based on the cost-to-cost method under which the accumulated costs to date are expressed as a percentage of the expected costs. Anticipated losses are recognized as onerous contract provisions. Revenue recognition includes estimates, such as total forecasted and remaining project costs and the identification and recognition of onerous contract provisions. The Group applied IFRS 15 using the modified retrospective approach recognizing the cumulative impact of the adoption in retained earnings as of 1 January 2018. Comparative figures were not restated. Due to the significance of revenue from new installations and modernization and related estimates, this matter is considered significant to our audit. Refer to notes 2.1, 4, 13 and 24 to the consolidated financial statements for further information.

Our audit response

We assessed the process of entering into new installation and modernization contracts as well as the pre-calculation of such customer contracts by walking through a selection of new and existing contracts. Furthermore, we tested the design and operating effectiveness of internal controls over the accounting for new installation and modernization contracts including the development of the key assumptions applied. We evaluated the methodology to determine the progress of projects including the identification and determination of onerous contract provisions. Additionally, we evaluated the analyses of forecasted and actual cost on a project-by-project basis and periodic review of onerous contracts and their development compared to prior periods. Moreover, we assessed the historical accuracy of the pre-calculation process and the use of estimates. Where material, we evaluated the sensitivity of the key assumptions applied and compared these to other internal information. Aforementioned factors were also considered upon first time application of IFRS 15 and their impact on the Group's consolidated balance sheet. Our audit procedures did not lead to any reservations concerning the revenue from new installations and modernization and onerous contract provisions.

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 carry-forwards that can be applied to future taxable income. Key assumptions applied by the Group regarding recoverability of deferred tax assets relate to management's 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 is considered significant to our audit. Refer to notes 9 and 20 to the consolidated financial statements for further information.

Our audit response

We assessed the Group's overall risk exposure regarding taxation considering, among other factors, the inherent complexities due to the multiple tax jurisdictions the Group is operating in, complemented by the assessment of the tax risk exposures at the components by our component teams. We assessed the 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 correspondence with tax authorities where warranted and inquired regarding ongoing tax audits and potential disputes. We further evaluated underlying budgets and forecasts including the assessment of applicable tax rates. We also considered developments in tax legislation and whether these were reflected in the assumptions applied. We involved tax specialists across the Group to assist in examining the Group's tax methodologies and analyzing the underlying assumptions. Our audit procedures did not lead to any reservations concerning the current and deferred income tax position.

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.

Basle, 13 February 2019

Ernst & Young Ltd

Roland Ruprecht Licensed audit expert (Auditor in charge)	Simon Zogg Licensed audit expert

Financial Statements of Schindler Holding Ltd.

Income statement

In CHF 1 000	Note	**2018**	2017
Income from participations	1	**509 867**	576 149
Financial income		**30 515**	34 590
Total operating income		**540 382**	610 739
Personnel expenses		**–19 261**	–13 603
Other operating expenses		**–11 869**	–6 968
Financial expenses	2	**–5 863**	–42
Total operating expenses		**–36 993**	–20 613
Profit before taxes		**503 389**	590 126
Taxes		**–1 123**	–15 008
Net profit		**502 266**	575 118

Balance sheet

Assets

In CHF 1 000	Note	31.12.2018	%	31.12.2017	%
Current assets					
Cash and cash equivalents	3	**1 504 771**		978 650	
Current financial assets	4	**7 473**		6 926	
Other receivables	5	**920 016**		471 236	
Prepaid expenses	6	**12 125**		172	
Total current assets		**2 444 385**	**45.7**	1 456 984	42.2
Non-current assets					
Loans to Group companies		**876 666**		284 833	
Non-current financial assets	7	**155 633**		52 276	
Participations	8	**1 868 036**		1 658 356	
Property, plant, and equipment		**1 132**		–	
Total non-current assets		**2 901 467**	**54.3**	1 995 465	57.8
Total assets		**5 345 852**	**100.0**	3 452 449	100.0

Liabilities and equity

In CHF 1 000	Note	31.12.2018	%	31.12.2017	%
Liabilities					
Trade accounts payable		**1 667**		1 136	
Interest-bearing liabilities	9	**1 744 270**		460 439	
Other payables	10	**7 936**		6 103	
Accrued expenses	11	**27 665**		11 499	
Provisions	12	**–**		1 793	
Total current liabilities		**1 781 538**	**33.3**	480 970	13.9
Interest-bearing liabilities to third parties	13	**500 000**		–	
Provisions	12	**63 856**		67 459	
Total non-current liabilities		**563 856**	**10.6**	67 459	2.0
Total liabilities		**2 345 394**	**43.9**	548 429	15.9
Equity					
Share capital	14	**6 708**		6 708	
Participation capital	14	**4 072**		4 072	
Legal reserves	14	**317 121**		317 121	
Free reserves					
Profit brought forward		**49 709**		23 052	
Net profit		**502 266**		575 118	
Other free reserves	14	**2 205 341**		2 085 341	
Treasury shares	14	**–84 759**		–107 392	
Total equity		**3 000 458**	**56.1**	2 904 020	84.1
Total liabilities and equity		**5 345 852**	**100.0**	3 452 449	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, but more than 10 (previous year: less than 50, more than 10).

In the reporting year, Schindler Holding Ltd. took over the worldwide financing activities of Group companies from one of its subsidiaries. This resulted in a significant increase in receivables and loans to Group companies as well as interest-bearing liabilities to Group companies. The previous year's balance sheet structure was adjusted to increase reader-friendliness.

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.

Derivative financial instruments

Group companies hedge their transaction-related foreign currency risks centrally with Schindler Holding Ltd., which aggregates transaction risks by currency and thus creates natural hedging relationships. The remaining transaction risks are hedged with high-quality credit-rated financial institutions.

Derivative financial instruments are measured at market value. Positive replacement values are recognized in financial income and are disclosed in prepaid expenses. Negative replacement values are recognized in financial expenses and are disclosed in accrued expenses.

Current financial assets

Current financial assets consist of marketable securities with market prices and are measured at market value. Changes in value are recognized in financial income or financial expenses.

In the prior year, current financial assets were reported at the lower of cost or market value at the balance sheet date. Changes in value that exceeded the acquisition costs were recognized in a valuation reserve. If the value of marketable securities fell below the acquisition costs, the change in value was recognized in financial expenses. Marketable securities were disclosed net of the valuation reserve.

Participations

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

Treasury shares

Own registered shares and participation certificates (treasury shares) are initially recognized at acquisition costs and deducted from equity with no subsequent measurement. If the treasury shares are 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 beneficiaries.

Gains or losses are recognized in the income statement as other operating expenses or financial 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 grant date. For treasury shares not yet 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 sale of participations.

2 Financial expenses

Financial expenses include net losses from foreign exchange of CHF 2.0 million. The foreign exchange losses amount to CHF 125.3 million and the foreign exchange gains to CHF 123.3 million. These impacts result mainly from hedging activities related to the financing activities of Group companies.

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

In the previous year, the valuation reserve totaled CHF 1.4 million.

5 Other receivables

In CHF 1 000	**2018**	2017
From third parties	**145 375**	140 701
From Group companies	**774 641**	330 535
Total other receivables	**920 016**	471 236

Other receivables from third parties mainly comprise time deposits with a maturity of 3 to 12 months totaling CHF 143.4 million (previous year: CHF 140.0 million).

6 Prepaid expenses

In CHF 1 000	**2018**	2017
Positive replacement values of forward exchange transactions to third parties	**4 105**	–
Positive replacement values of forward exchange transactions to Group companies	**6 706**	–
Other prepaid expenses	**1 314**	172
Total prepaid expenses	**12 125**	172

The positive replacement values of forward exchange transactions are measured at market value. The forward exchange transactions have a nominal amount of CHF 1 200.9 million (previous year: CHF 0 million).

7 Non-current financial assets

Non-current financial assets mainly comprise time deposits with a maturity of more than 12 months totaling CHF 126.7 million (previous year: CHF 48.7 million) and bonds totaling CHF 25.4 million (previous year: CHF 0 million).

8 Participations

In CHF 1 000	**2018**	2017
January 1	**1 658 356**	1 599 605
Capital increases	**159 705**	13 200
Additions	**49 975**	45 551
December 31	**1 868 036**	1 658 356

An overview of the companies that are directly or indirectly controlled by Schindler Holding Ltd. is provided in note 36 to the consolidated financial statements.

9 Current interest-bearing liabilities

In CHF 1 000	**2018**	2017
To Group companies	**1 728 087**	367 320
To shareholders	**16 183**	93 119
Total current interest-bearing liabilities	**1 744 270**	460 439

10 Other payables

In CHF 1 000	**2018**	2017
To third parties	**1 472**	1 058
To pension plans	**5 839**	4 511
To Group companies	**337**	375
To shareholders and governing bodies	**288**	159
Total other payables	**7 936**	6 103

11 Accrued expenses

In CHF 1 000	2018	2017
Negative replacement values of forward exchange transactions to third parties	**3 650**	6
Negative replacement values of forward exchange transactions to Group companies	**8 314**	–
Other accrued expenses	**15 701**	11 493
Total accrued expenses	**27 665**	11 499

The negative replacement values of forward exchange transactions are measured at market value. The forward exchange transactions have a nominal amount of CHF 1 308.6 million (previous year: CHF 0 million).

12 Provisions

The provisions to cover financial risks amount to CHF 63.9 million (previous year: CHF 69.3 million). They consist mainly of guarantee provisions.

13 Non-current interest-bearing liabilities to third parties

In CHF 1 000	2018	2017
0.00% bond 2018–2020, due June 5, 2020	**100 000**	
0.25% bond 2018–2023, due June 5, 2023	**400 000**	
Total non-current interest-bearing liabilities to third parties	**500 000**	

14 Equity

In CHF 1 000	Share capital	Participation capital	Legal reserves	Other free reserves	Available earnings	Treasury shares	Total equity
January 1, 2017	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
Dividend					–428 461		–428 461
Allocation to other reserves				120 000	–120 000		–
Change in treasury shares						22 633	22 633
Net profit					502 266		502 266
December 31, 2018	**6 708**	**4 072**	**317 121**	**2 205 341**	**551 975**	**–84 759**	**3 000 458**
of which share premiums (unchanged)			311 321				

14.1 Share and participation capital

			2018			2017
	Number	Nominal value in CHF	Capital in CHF	Number	Nominal value in CHF	Capital in CHF
Shares	**67 077 452**	**0.10**	**6 707 745**	67 077 452	0.10	6 707 745
Participation certificates	**40 716 831**	**0.10**	**4 071 683**	40 716 831	0.10	4 071 683

14.2 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, 2017	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		
Purchases	106 124	182.21	19	575	–	–
Disposals	–11 725	206.39	–2	–3 028	214.27	–1
Share-based payments						
Allocation	–77 738	199.03	–15	–	–	–
Exercising of options and Performance Share Units	–134 989	118.51	–16	–66 853	97.08	–6
Difference in value due to allocation and exercise			–1			–
December 31, 2018	**370 846**		**71**	**142 434**		**14**
Reserved for share-based payment plans	370 846			142 434		

15 Contingent liabilities

The contingent liabilities of Schindler Holding Ltd. total CHF 1 164.3 million (previous year: CHF 1 109.7 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.

16 Significant shareholders

See note 34 to the consolidated financial statements for information about shareholders agreements.

17 Equity instruments and Performance Share Units allocated

		2018		2017	
	Share-based payments in	**Number**	**Value in CHF 1 000**	Number	Value in CHF 1 000
Executive members of the Board of Directors	Registered shares/Performance Share Units	**11 816**	**2 042**	12 410	2 260
Other employees of Schindler Holding Ltd.	Registered shares/Performance Share Units	**5 327**	**1 132**	5 394	1 032

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

18 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, as well as of related parties, are as follows (there are no outstanding conversion rights):

18.1 Board of Directors

2018

			Number
As of 31.12.	Registered shares	Participation certificates	Options
Silvio Napoli, Chairman[1]	50 205	725	–
Alfred N. Schindler, Chairman emeritus[2]	[5]	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman[2]	3 000	–	–
Erich Ammann[3]	27 417	–	–
Michael Nilles[3]	4 471	1 635	5 828[6]
Luc Bonnard[2]	[5]	–	–
Patrice Bula[2]	1 500	–	–
Prof. Dr. Monika Bütler[2]	1 500	–	–
Dr. Rudolf W. Fischer[2]	20 091	–	3 171[7]
Anthony Nightingale[2]	3 000	–	–
Tobias B. Staehelin[4]	[5, 8]	–	–
Carole Vischer[2]	[5, 9]	–	–

[1] Member of the Supervisory and Strategy Committee
[2] Non-executive member
[3] Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)
[4] Executive member at Group company level
[5] Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholder agreement. Together with related parties, they held a total of 47 662 664 shares as at December 31, 2018, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.
[6] Fully vested options on participation certificates granted under the Capital Participation Plans 2000/2003:
– 2010: 291
– 2011: 2 145
– 2012: 1 859
– 2013: 1 533
[7] Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)
[8] In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares.
[9] In addition, a related party (not a member of the shareholder agreement) holds 14 registered shares.

2017

As of 31.12.	Registered shares	Participation certificates	Options
			Number
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 shareholder 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 (not a member of the shareholder agreement) holds 10 registered shares

18.2 Group Executive Committee

2018

	Number		Number of vested options on		
As of 31.12.	Registered shares	Participation certificates	Participation certificates granted 2011	Participation certificates granted 2012[1]	Registered shares granted 2013[1]
Thomas Oetterli, CEO	25 947	–	–	–	–
David Clymo	10 192	–	–	–	–
Urs Scheidegger	4 049	8 000	–	–	1 005
Julio Arce	2 945	385	419[1]	277	189
Karl-Heinz Bauer	2 380	–	–	–	–
Paolo Compagna	5 663	284	–	–	–
Carlos Guembe	4 242	–	2 168[2]	–	1 026
Andre Inserra	4 705	–	–	–	–
Christian Schulz	4 518	1 959	–	–	252
Robert Seakins	1 366	199	418[1]	277	210
Egbert Weisshaar	5 340	–	–	–	–
Daryoush Ziai	356	–	–	–	–

[1] Options from Capital Participation Plans 2000/2003
[2] Options from Long Term Incentive Plan 2011

2017

	Number		Number of vested options on			
As of 31.12.	Registered shares	Participation certificates	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012[1]	Registered shares granted 2013[1]
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 Plans 2000/2003
[2] Options from Long Term Incentive Plan 2010
[3] Options from Long Term Incentive Plan 2011

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

Appropriation of available earnings

In CHF 1 000		**Proposal by the Board of Directors 31.12.2018**	Resolution of the General Meeting of Shareholders 31.12.2017[2]
Available earnings			
Net profit		**502 266**	575 118
Profit brought forward		**49 709**	23 052
Total available earnings		**551 975**	598 170
Appropriation of available earnings			
Dividend (gross)			
per registered share	CHF 4.00 (previous year: CHF 4.00)	**268 310**[1]	266 416
per participation certificate	CHF 4.00 (previous year: CHF 4.00)	**162 867**[1]	162 045
Total dividend		**431 177**	428 461
Allocation to other free reserves		**–**	120 000
Total appropriation of available earnings		**431 177**	548 461
Profit brought forward		**120 798**	49 709

[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 20, 2018; payment excludes dividends on treasury shares

Report of the statutory auditor

To the General Meeting of Schindler Holding Ltd., Hergiswil

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 71 to 81), for the year ended 31 December 2018.

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 2018 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.

Basle, 13 February 2019

Ernst & Young Ltd

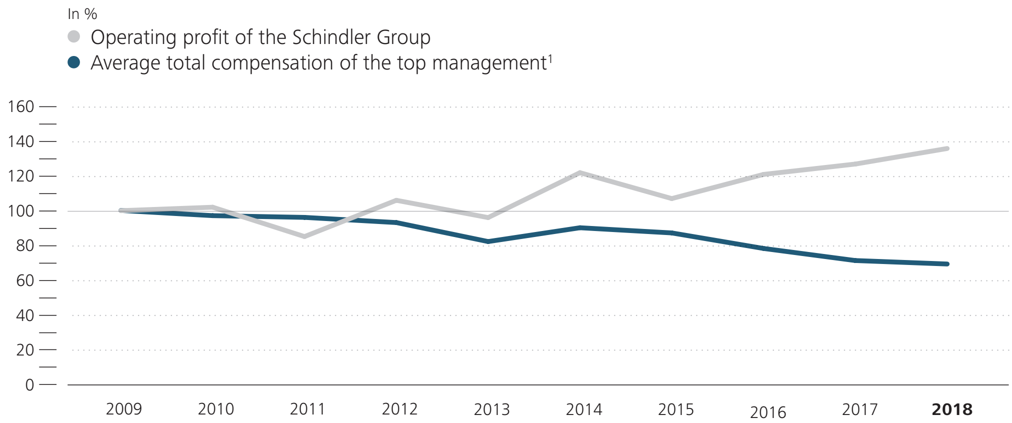
Roland Ruprecht Licensed audit expert (Auditor in charge)	Simon Zogg Licensed audit expert

Compensation Report

Foreword
Schindler pursues a growth strategy with a long-term focus. The company is therefore committed to looking beyond short-term financial results to create sustained value. Since 2000, revenue in the elevators and escalators business has grown from CHF 6 669 million to CHF 10 879 million and operating profit has risen from CHF 422 million to CHF 1 269 million. Over the same period, the company's market capitalization has increased more than six times and was CHF 20.7 billion as of December 31, 2018. Return on equity reached 28.8%.

The following chart shows the evolution of the operating profit of the Schindler Group over the last ten years, in comparison with the average total compensation of top management[1].

Operating profit versus average total compensation



While operating profit has increased by an average of more than 3% annually since 2009, the average total compensation awarded to top management[1] has decreased over the same period.

To continue generating growth as well as returns for shareholders, it is important for Schindler Holding Ltd. to have a highly qualified management team. 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. For this purpose, Schindler compared the compensation of its top management[1] with an external benchmark in 2018.

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

In spite of the relatively low portion of executive compensation on the overall personnel expenses (0.8%), 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.

This Compensation Report contains information about the compensation of the members of the Board of Directors and of the Group Executive Committee, as well as their shareholdings in Schindler Holding Ltd., and any loans granted to these individuals. 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 2018 unless otherwise stated.

1 Compensation governance

1.1 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 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:

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

○ Proposal
● Decision

The members of the committees may not participate in discussions when decisions are made about their compensation.

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:

Variable compensation	Fixed compensation
The total variable compensation of the members of the Board of Directors and the Group Executive Committee for the reporting year (retrospective approval)	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)
Retrospective	Prospective

According to Article 32 of the Articles of Association of Schindler Holding Ltd., 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.

In the reporting year, Corporate Human Resources conducted a benchmarking analysis of the compensation level of the members of the Group Executive Committee and the members of the Supervisory and Strategy Committee with the support of the independent expert company Willis Towers Watson. For the purpose of the benchmarking, compensation data of comparable companies was taken into account. Comparable companies are defined as companies with a similar size in terms of market capitalization, revenue, number of employees and geographic scope, which operate in similar business segments and are headquartered in Switzerland. The results of the benchmarking analysis were discussed with the Compensation Committee and were used as the basis for their proposals to the Board of Directors regarding the fixed and target compensation for the Group Executive Committee and the Supervisory and Strategy Committee members.

1.2 Compensation Committee

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

2 Compensation principles

2.1 Compensation policy

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 mindset 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

2.2 Overview of compensation components

In accordance with Article 33 of the Articles of Association of Schindler Holding Ltd., 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/about-schindler/corporate-governance/articles-of-association.html).

An overview of the compensation components of the Board of Directors and the Group Executive Committee is provided below. The compensation components are described in detail in sections 3 and 4 of this report.

	Board of Directors		
	Executive members	Non-executive members	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			●

2.3 Employment terms

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.

2.4 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.

3 Compensation system for the Board of Directors

3.1 General remarks

The Board of Directors consists of executive and non-executive members. Four members of the Board of Directors are executive members, although none serves concurrently as a member of the Group Executive Committee.

- Silvio Napoli, Erich Ammann, and Michael Nilles form the Supervisory and Strategy Committee and receive fixed and variable compensation, as described in sections 3.2 and 3.3.
- 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.

3.2 Fixed compensation

All members of the Board of Directors receive a fixed Board of Directors' fee as well as a flat-rate allowance. The members of the Compensation Committee and the Audit Committee receive an additional fee for their work in these committees.

The fixed compensation of the members of the Supervisory and Strategy Committee comprises in addition an annual salary, a representation allowance and a car allowance, as well as pension (pension fund, Schindler Foundation), social, and other benefits. Other benefits comprise in particular health insurance contributions and premiums for management insurance plans.

3.3 Variable compensation (Supervisory and Strategy Committee)

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

In April of the following year (grant year) 50% of variable compensation is paid in cash and 50% is paid in shares 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. For the reporting year, it decided to grant registered shares.

The granted shares include all of the associated rights but are blocked for a period of three years, during which they may not be disposed of.

The 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. For the reporting year, it decided to apply a discount of 20%. 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 in the following year	=	Volume-weighted average share price in March of the grant year (less 10%)	×	Number of shares granted

Benefits related to variable compensation such as social contributions are reported as social and other benefits.

4 Compensation system for the Group Executive Committee

The compensation of the members of the Group Executive Committee consists of fixed, short-term variable and long-term variable compensation. The targeted split between these different compensation components is as follows for the CEO and other members of the Group Executive Committee (assuming 100% target achievement):

Target compensation

Fixed compensation	34%
Short-term variable compensation	33%
Long-term variable compensation	33%

Fixed compensation	50%
Short-term variable compensation	25%
Long-term variable compensation	25%

4.1 Fixed compensation

The fixed compensation of the 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. Other benefits also comprise health insurance contributions and premiums for management insurance plans.

4.2 Variable compensation

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

Short-term variable compensation component

The annual performance-related cash bonus is calculated on the basis of the achievement of financial, strategic, and operational targets. The targets that need to be achieved, as well as the target bonus, are set at the start of the calendar year.

For the reporting year, 50% of the cash bonus was based on financial targets (growth and profitability) and 50% on personal strategic and operational targets. Depending on the extent to which the targets are achieved, the cash bonus awarded may be between 0% and 150% of the target bonus and is paid in April of the following year.

Long-term variable compensation component

Under the Deferred Share Plan 2015 the members of the Group Executive Committee receive an annual grant of Performance Share Units as a long-term compensation component. The long-term incentive plan is designed to reward long-term value creation in line with the business strategy based on the following criteria:

	General description	Grant 2018
Plan	Deferred Share Plan 2015	
Vehicle	Performance Share Units (PSU) to be converted into registered shares or participation certificates	PSU to be converted into registered shares
Number of PSU granted	Contractual target amount divided by the volume-weighted average share price in March of the reporting year, less a discount. The Board of Directors decides at its sole discretion on the discount to be applied.	Share price: CHF 202.24 Discount: 20%
Performance targets	At the start of the reporting year, the performance targets that apply to all members of the Group Executive Committee are set for the next three business years. The achievement of those targets is determined after the end of the three-year period.	– Group revenue – Group EBIT – Strategic projects
Grant year	Reporting year	2018
Performance period	Reporting year plus two years	2018–2020
Conversion date	In the year following the three-year performance period	30.4.2021
Conversion rate	0%-300%, depending on the extent to which the performance targets are achieved	to be determined in 2021
Cap	The maximum value of the converted shares that a participant may receive equals three times the contractual target amount.	
Forfeiture of conversion	In the event of any qualified breaches of the Code of Conduct, participants forfeit the right to have the PSU converted into shares.	

The number of PSU disclosed represents the number of registered shares that would be granted if the set targets are achieved (i.e. 100% achievement rate). This estimate is based on the current interim assessment of the achievement of targets. In order to include them in total compensation, the PSU are valued at the volume-weighted average price in March of the reporting year less a discount of 10%. This discount reflects the fact that the PSU 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%

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

5 Compensation for the reporting year

5.1 Board of Directors

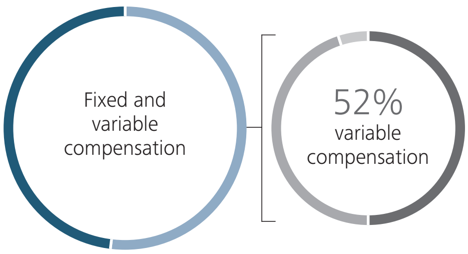
In CHF 1 000	Fixed compensation Cash (gross)	Fixed compensation Pension, social, and other benefits	Variable compensation Cash bonus (gross)	Variable compensation Registered shares/PSU	Variable compensation Social and other benefits	Total for 2018
Silvio Napoli, Chairman[1]	1 393	338	859	967	106	**3 663**
Alfred N. Schindler, Chairman emeritus[2]	353[6]	19	–	–	–	**372**
Prof. Dr. Pius Baschera, Vice Chairman[2]	339[7]	16	–	–	–	**355**
Erich Ammann[3]	725	227	551	605	65	**2 173**
Michael Nilles[3]	831	202	411	447	48	**1 939**
Luc Bonnard[2]	450[6]	22	–	–	–	**472**
Patrice Bula[2]	231[7]	13	–	–	–	**244**
Prof. Dr. Monika Bütler[2]	240[8]	14	–	–	–	**254**
Dr. Rudolf W. Fischer[2]	231[7]	11	–	–	–	**242**
Prof. Dr. Karl Hofstetter[4]	796	312	1 657	–	93	**2 858**
Anthony Nightingale[2]	200	9	–	–	–	**209**
Tobias B. Staehelin[5]	458	241	92	23	64	**878**[9]
Carole Vischer[2]	240[8]	14	–	–	–	**254**
Total compensation reported	**6 487**	**1 438**	**3 570**	**2 042**	**376**	**13 913**
Total compensation to active members of the Board of Directors	5 691	1 126	1 913	2 042	283	**11 055**[10]

[1] Member of the Supervisory and Strategy Committee
[2] Non-executive member
[3] Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)
[4] Member of the Supervisory and Strategy Committee (until the General Meeting of Shareholders 2018)
[5] Executive member with executive position at Group company level
[6] Including fee for consulting services (based on fixed daily fee and number of days actually worked)
[7] Including fee for work as member of the Compensation Committee or its Chairman
[8] Including fee for work as member of the Audit Committee
[9] Includes compensation for operational function as Managing Director of the C. Haushahn Group, Germany, as well as fee as a member of the Board of Directors of a Group company
[10] Represents compensation of all members of the Board of Directors in office at December 31, 2018

Fees for members of the Board of Directors and committees of the Board

In CHF 1 000	
Chairman	400
Vice Chairman	300
Other members	200
Chairman Compensation Committee	50
Compensation Committee members	40
Audit Committee members	40

Compensation of members of the Supervisory and Strategy Committee



	2018	2017
Fixed compensation	**48%**	42%
Variable compensation	**52%**	58%
Cash bonus	**50%**	40%
Registered shares	**45%**	44%
Social and other benefits	**5%**	16%

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 and Performance Share Units granted

	Registered shares	PSU
Silvio Napoli, Chairman	5 631	–
Erich Ammann	2 703	773
Michael Nilles	2 150	425
Tobias B. Staehelin	134	–

The number of registered shares disclosed is a provisional figure based on the volume-weighted average price in December 2018, with a discount of 20%. The final number is reported in the following year’s Compensation Report.

Value per share and Performance Share Unit

In CHF	Performance Share Plan	Deferred Share Plan
Participation right	Registered share	PSU on registered share
Volume-weighted average price in March 2018		202.24
Volume-weighted average price in December 2018	190.78	
Value for inclusion in variable compensation	171.70	182.02

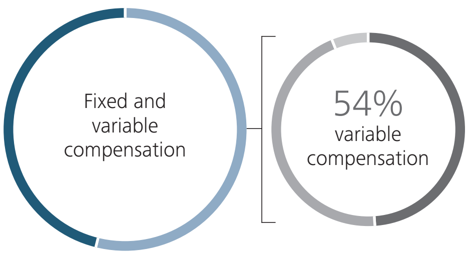
Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2018	8 700
Actual fixed compensation 2018	7 925

5.2 Group Executive Committee

	Fixed compensation		Variable compensation			
In CHF 1 000	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Social and other benefits	**Total for 2018**
Total compensation	6 402	2 631	5 218	4 754	600	**19 605**
Highest individual compensation: Thomas Oetterli, CEO	902	208	1 300	1 125	136	**3 671**

Compensation of members of the Group Executive Committee



	2018	2017
Fixed compensation	**46%**	45%
Variable compensation	**54%**	55%
Cash bonus	**49%**	52%
PSU	**45%**	41%
Social and other benefits	**6%**	7%

The variable compensation reached at maximum 231% of the fixed compensation (previous year: 256%).

The cash bonus awarded for 2018 reflects an average achievement factor of 120% based on the targets set for the year (previous year: 125%).

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

In April 2018, the PSU granted under the Deferred Share Plan 2015 for the performance period 2015–2017 were converted into registered shares at a conversion rate of 2.0. Due to the increase in the share price over the three years and the applicable cap of 300% of the original target amount, the real conversion factor was 1.89.

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	26 115
Thomas Oetterli, CEO	6 181

Value per Performance Share Unit

In CHF	Deferred Share Plan
Participation right	PSU on registered share
Volume-weighted average price in March 2018	202.24
Value for inclusion in variable compensation	182.02

Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2018	10 100
Actual fixed compensation 2018	9 033

6 Compensation for the previous year

6.1 Board of Directors

	Fixed compensation		Variable compensation				
In CHF 1 000	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Registered shares	Other	Social and other benefits	Total for 2017
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

Registered shares granted

	Registered shares
Silvio Napoli, Chairman	6 397
Alfred N. Schindler, Chairman emeritus	817
Prof. Dr. Karl Hofstetter	5 108
Tobias B. Staehelin	88

The final number of registered shares was calculated using a grant value of CHF 161.79, which corresponds to the volume-weighted average share price in March 2018, 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 2017, less 20%, resulting in a provisional grant value of CHF 174.98).

6.2 Group Executive Committee

	Fixed compensation		Variable compensation				
In CHF 1 000	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Other	Social and other benefits	Total for 2017
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

Performance Share Units granted

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

7 Benefits for former members of governing bodies

Miguel A. Rodríguez left the Group Executive Committee on March 31, 2017. He continued to work for the company on projects related to his former position. In the reporting year, he was paid compensation of CHF 440 600 for these services.

No other 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.

8 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.

8.1 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, 2018.

8.2 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, 2018.

9 Proposals to the General Meeting of Shareholders 2019

The aggregate amount of fixed compensation for the Board of Directors and the Group Executive Committee for the financial year 2019 and the aggregate amount of variable compensation for the reporting year 2018 will be proposed separately to the General Meeting of Shareholders in March 2019 for approval.

9.1 Fixed compensation for 2019

The aggregate amount of fixed compensation for the Board of Directors to be approved is CHF 7.6 Mio (amount approved in 2018: CHF 8.7 Mio).

The reduction compared to the previous year is due to continuing contractual payments made to departing members of the Board of Directors in 2018. These payments will cease in 2019.

The aggregate amount of fixed compensation for the Group Executive Committee to be approved is CHF 10.5 Mio (amount approved in 2018: CHF 10.1 Mio).

The increase compared to the previous year is due to salary increases given to certain members of the Group Executive Committee, following the compensation benchmarking exercise carried out in 2018.

9.2 Variable compensation for 2018

The aggregate amount of variable compensation for the Board of Directors to be approved is CHF 5 988 000 (amount approved in 2018: CHF 5 526 000).

The change compared to the previous year is based on the increase in the number of members of the Supervisory and Strategy Committee from two to three and the inclusion of contractual payments to departing members of the Board of Directors, partly offset by the lower average level of bonus payouts to the members of the Supervisory and Strategy Committee.

The aggregate amount of variable compensation for the Group Executive Committee to be approved is CHF 10 572 000 (amount approved in 2018: CHF 13 224 000).

The reduction compared to the previous year is due to the reduced number of Group Executive Committee members reported under the variable compensation for 2018 (twelve members in 2018 compared to fifteen in 2017).

The aggregate amount of variable compensation to be approved for the Group Executive Committee includes an amount of CHF 4 753 000, representing the value of the Performance Share Units granted in 2018, assuming that the Group's targets set for 2020 are achieved (i.e. assuming a 100% conversion rate). This is based upon the most recent interim performance assessment. In 2021, when the Performance Share Units will be converted into shares, the final conversion rate will vary between 0% and 300%, depending on (i) the company's performance in relation to the defined targets as well as (ii) the share price development over the three-year period. The maximum payout in shares is capped at CHF 12 675 000.

10 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):

10.1 Board of Directors

2018

As of 31.12.	Registered shares	Participation certificates	Options
			Number
Silvio Napoli, Chairman[1]	50 205	725	–
Alfred N. Schindler, Chairman emeritus[2]	[5]	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman[2]	3 000	–	–
Erich Ammann[3]	27 417	–	–
Michael Nilles[3]	4 471	1 635	5 828[6]
Luc Bonnard[2]	[5]	–	–
Patrice Bula[2]	1 500	–	–
Prof. Dr. Monika Bütler[2]	1 500	–	–
Dr. Rudolf W. Fischer[2]	20 091	–	3 171[7]
Anthony Nightingale[2]	3 000	–	–
Tobias B. Staehelin[4]	[5, 8]	–	–
Carole Vischer[2]	[5, 9]	–	–

[1] Member of the Supervisory and Strategy Committee
[2] Non-executive member
[3] Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)
[4] Executive member at Group company level
[5] Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholder agreement. Together with related parties, they held a total of 47 662 664 shares as at December 31, 2018, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.
[6] Fully vested options on participation certificates granted under the Capital Participation Plans 2000/2003:
– 2010: 291
– 2011: 2 145
– 2012: 1 859
– 2013: 1 533
[7] Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)
[8] In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares.
[9] In addition, a related party (not a member of the shareholder agreement) holds 14 registered shares.

2017

As of 31.12.	Registered shares	Participation certificates	Options
			Number
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 shareholder 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 (not a member of the shareholder agreement) holds 10 registered shares

10.2 Group Executive Committee

2018

As of 31.12.	Number		Number of vested options on		
	Registered shares	Participation certificates	Participation certificates granted 2011	Participation certificates granted 2012[1]	Registered shares granted 2013[1]
Thomas Oetterli, CEO	25 947	–	–	–	–
David Clymo	10 192	–	–	–	–
Urs Scheidegger	4 049	8 000	–	–	1 005
Julio Arce	2 945	385	419[1]	277	189
Karl-Heinz Bauer	2 380	–	–	–	–
Paolo Compagna	5 663	284	–	–	–
Carlos Guembe	4 242	–	2 168[2]	–	1 026
Andre Inserra	4 705	–	–	–	–
Christian Schulz	4 518	1 959	–	–	252
Robert Seakins	1 366	199	418[1]	277	210
Egbert Weisshaar	5 340	–	–	–	–
Daryoush Ziai	356	–	–	–	–

[1] Options from Capital Participation Plans 2000/2003
[2] Options from Long Term Incentive Plan 2011

2017

As of 31.12.	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]
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 Plans 2000/2003
[2] Options from Long Term Incentive Plan 2010
[3] Options from Long Term Incentive Plan 2011

Information on the conditions that apply to options is provided in note 33.2 to the consolidated Financial Statements.

Report of the statutory auditor

To the General Meeting of Schindler Holding Ltd., Hergiswil

Report of the statutory auditor on the compensation report
We have audited compensation report of Schindler Holding Ltd. for the year ended 31 December 2018. 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 5 to 8 and 10 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 2018 of Schindler Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Basle, 13 February 2019

Ernst & Young Ltd

Roland Ruprecht Licensed audit expert (Auditor in charge)	Simon Zogg Licensed audit expert

Corporate Governance

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, 2018, 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, 2018, the market capitalization of Schindler Holding Ltd. amounted to CHF 20.7 billion. Schindler Holding Ltd. has a direct or indirect interest in the consolidated companies listed in note 36 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, 2018, can be summarized as follows:

Board of Directors

Supervisory and Strategy Committee

Group Executive Committee

Chief Executive Officer (CEO)
Corporate Human Resources, Deputy CEO
Chief Financial Officer (CFO)
Chief Technology Officer (CTO)
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, 2018, is provided in section 1.4 'Events after the balance sheet date.'

The duties of the full-time Supervisory and Strategy Committee are described in section 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 December 31, 2018, the Schindler and Bonnard families and parties related to these families held – within the scope of shareholder agreements – 47 662 664 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 notified 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

The Board of Directors announced on February 14, 2019, that 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.

Luc Bonnard asked to give up his position as Chairman of the Audit Committee as of April 1, 2019. The Board of Directors appointed Erich Ammann as new Chairman of the Audit Committee as of April 1, 2019.

2 Capital structure

2.1 Capital

As at December 31, 2018, 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, 2018, Schindler Holding Ltd. had no authorized or conditional capital.

2.3 Changes in capital in the last three years

The share capital of CHF 6 806 180.20 as at January 1, 2016, was reduced by CHF 98 435 as at June 3, 2016, to CHF 6 707 745.20 and has remained unchanged since then. The participation capital of CHF 4 423 631.10 as at January 1, 2016, was reduced by CHF 351 948 as at June 3, 2016, to CHF 4 071 683.10 and has also remained unchanged since then.

2.4 Shares and participation certificates

As at December 31, 2018, 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, 2018, 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 2018.

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 – About Schindler – Corporate Governance – Articles of Association (www.schindler.com/com/internet/en/about-schindler/corporate-governance/articles-of-association.html).

Information by majority shareholders

The majority shareholders informed that in the event of a sale of 49% or more of the 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 31.12.2018		
Allocation year		Options allocated (number)	Exercise price in CHF	Blocked period ends	Exercise period ends	Forfeited	Exercised	Outstanding
2009	A	464 175[1]	56.40	30.4.2012	30.4.2018	–5 155	–459 020	–
2010	A	207 896[2]	53.60	30.4.2013	30.4.2019	–925	–176 854	30 117
2010	B	107 739[2]	85.10	30.4.2013	30.4.2019	–6 159	–101 580	–
2011	A	222 621[2]	85.10	30.4.2014	30.4.2020	–1 389	–168 500	52 732
2011	B	104 854[2]	124.80	30.4.2014	30.4.2020	–	–96 544	8 310
2012	A	162 118[2]	108.20	30.4.2015	30.4.2021	–2 389	–108 454	51 275
2013	A	138 012[1]	137.84	30.4.2016	30.4.2022	–11 918	–61 926	64 168

A = Options from the Capital Participation Plans 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 31.12.2018	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/Italian	2005
Erich Ammann (1957)	Neuheim, Switzerland	Swiss	2018
Michael Nilles (1973)	Bergisch-Gladbach, Germany	German	2018
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)	Berlin, 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 12 members. Four members of the Board of Directors are executive members. However, none of them also serves on the Group Executive Committee. Silvio Napoli, Erich Ammann, and Michael Nilles 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.

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 12 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 management functions in the Schindler Group since 1994. From 2008 to 2013, he served as a member of the 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 master 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. From 1980 he served as CFO of Notz AG, Biel, Switzerland. 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 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; President of the Board of Trustees of the ETH Zurich Foundation, Zurich, Switzerland; Professor emeritus at the Swiss Federal Institute of Technology (ETH), 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 management functions at Hilti Corporation, Schaan, Liechtenstein, including the role of CEO for 13 years and then as Chairman of the Board of Directors.

Pius Baschera is a Swiss and Italian citizen, born in 1950.

Erich Ammann
Executive member of the Board of Directors, member of the Supervisory and Strategy Committee, as well as of the Nomination Committee, since 2018.

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, from 2001 until 2018 as CFO and a member of the Group Executive Committee.

Erich Ammann is a Swiss citizen, born in 1957.

Michael Nilles
Executive member of the Board of Directors and member of the Supervisory and Strategy Committee since 2018, Chief Digital Officer since 2016.

Member of the Supervisory Board of Lufthansa AG and Lufthansa Technik AG, Frankfurt, Germany.

Michael Nilles holds a degree in business administration and computer science from the University of Cologne, Germany. He is an alumnus of the Kellogg School of Management, Northwestern University, Evanston, USA.

He began his career in 1996 as a Software Engineer and Consultant with SAP China and subsequently held various international positions 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. From 2016 until his election as a member of the Board of Directors, Michael Nilles was a member of the Group Executive Committee.

Michael Nilles is a German citizen, born in 1973.

Luc Bonnard
Member of the Board of Directors since 1984, 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 has 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 a member of the Board of Directors of Cereal Partners Worldwide S.A., Lausanne, Switzerland, of Hsu Fu Chi Group Companies, China, and of Froneri Ltd. (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, 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, among others, he served as Market Head of Nestlé Greater China Region (2007 to 2011).

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; Vice President of the Foundation Board of the Gebert Rüf 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 2004, she has been Professor of Economics at the University of St. Gallen, Switzerland, and since 2008, Managing Director of the Swiss Institute for Empirical Economic Research, University of St. Gallen. 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, Bülach, Switzerland.

Rudolf W. Fischer holds a doctorate in economics from the University of Zurich, Switzerland.

Before joining the Schindler Group in 1996, he served, among others, as CEO of various companies and as a partner in a consulting firm. He was a member of the 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 HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development, a Hong Kong representative to the APEC Vision Group; member of the School Advisory Council of the Hong Kong University of Science and Technology, Hong Kong; Chairperson of The Sailors Home and Missions to Seafarers, Hong Kong, and Director of the UK-ASEAN Business Council, United Kingdom.

Anthony Nightingale holds a degree 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 various 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 Managing 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 General Meeting of Shareholders may approve exceptions to these rules.

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.

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 31.12.2018	Supervisory and Strategy Committee	Nomination Committee	Compensation Committee	Audit Committee
Silvio Napoli	● (chairman)	● (chairman)		
Alfred N. Schindler		●		
Prof. Dr. Pius Baschera			● (chairman)	
Erich Ammann	●	●		
Michael Nilles	●			
Luc Bonnard		●		● (chairman)
Patrice Bula			●	
Prof. Dr. Monika Bütler				●
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 full-time 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, corporate sustainability, 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
- Deciding on and leading of specific strategic projects within the strategy of the Group

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 up to three other Board members, at least two of them shall be 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 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).

3.5.2.3 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 three 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 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 possess 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 31.12.2018	Number of meetings	Average duration (hours)
Board of Directors	7	8.5
Supervisory and Strategy Committee	full-time	full-time
Nomination Committee	7	2.5
Compensation Committee	7	1
Audit Committee	4	6.5

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 (internal and external) 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 section 3.5.2.4) includes three external consultants.

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 may pass resolutions on 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, corporate sustainability, and the Code of Conduct), as well as short- and long-term 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 approval by the General Meeting of Shareholders

The Group Executive Committee performs the following duties in particular:
- Preparing strategic and operational short- and long-term 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, corporate sustainability, 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.

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

At least once annually, the Board of Directors and the Group Executive Committee hold a joint meeting.

Group Assurance, the Compliance departments, and the auditing body 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 31.12.2018	Nationality	Current function (since)	Member since
Thomas Oetterli (1969)	Swiss	CEO (2016)	2010
David Clymo (1961)	British	Corporate Human Resources (2012), Deputy CEO (2018)	2012
Urs Scheidegger (1969)	Swiss	CFO (2018)	2018
Julio Arce (1968)	Spanish	Field Quality & Excellence (2017)	2017
Karl-Heinz Bauer (1958)	German	Chief Technology Officer (2015)	2015
Paolo Compagna (1968)	Italian	Europe North (2015)	2015
Carlos Guembe (1952)	Spanish	Europe South (2014)	2014
Andre Inserra (1964)	Brazilian	Americas (2016)	2016
Christian Schulz (1964)	German	Operations (2017)	2016
Robert Seakins (1959)	Australian	Asia-Pacific (2017)	2017
Egbert Weisshaar (1956)	Swiss	Escalators and Supply Chain (2017)	2017
Daryoush Ziai (1963)	American	China (2016)	2016

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.

David Clymo
Responsible for Corporate Human Resources (Human Resources, Talent Management and Development), Member of the Group Executive Committee since 2012, Deputy CEO since 2018.

David Clymo holds a degree in engineering from the University College London, United Kingdom.

He began his career in 1985 as a chartered accountant and subsequently held various functions in the Jardine Matheson Group and 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.

Urs Scheidegger
CFO, Member of the Group Executive Committee since 2018.

Urs Scheidegger holds a master's degree and a doctorate in business administration, both from the University of St. Gallen, Switzerland.

He began his career in 2000 as a Senior Associate at McKinsey. Since 2002, he has held various international functions in the area of finance in the Schindler Group. He most recently served as Area Controller Asia-Pacific (2003–2006), CFO of Schindler China (2007–2011), and Head Group Area Controlling (2011–2018).

Urs Scheidegger is a Swiss citizen, born in 1969.

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 degree in mechanical engineering from the University of Karlsruhe (TU), Germany, and a business 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 as a member of the Group Executive Committee.

Karl-Heinz Bauer is a German citizen, born in 1958.

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. 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 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 organizacíon 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 Alvares 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.

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 at ABB Germany in 1993, holding various positions. He 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 in 2016.

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 the 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 at ABB in 1974, holding various Supply Chain positions in the United Kingdom, Switzerland, and the USA. In 1993, Egbert Weisshaar joined the Schindler Group. He served as Managing Director of AS Aufzüge Switzerland in 2007 and 2008, as Head Supply Chain Europe (2008 to 2009) and as Area Manager Eastern Europe from 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
Responsible for 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, Indiana, USA; and an MBA (master of science in management) from Krannert Graduate School of Management, Purdue University, West Lafayette, Indiana, 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 General Meeting of Shareholders may approve exceptions to these rules.

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.

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 section 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	**2018**	2017
Audit fee	**3 165**	3 163
Additional fees		
Additional audit-related services	**211**	171
Tax advice	**403**	901
Transaction advice	**925**	755
Total additional fees	**1 539**	1 827

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).

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, two meetings 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).

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).

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 – Investors – Latest Results – Reports Library (www.schindler.com/com/internet/en/investor-relations/reports/reports-library.html#button). 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 – Investors – Latest Results (www.schindler.com/com/internet/en/investor-relations/reports/reports-library.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 – Investors – 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 2018 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.

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