

Contents

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

Consolidated Financial Statements

4	Consolidated income statement
5	Consolidated statement of comprehensive income
6	Consolidated balance sheet
8	Consolidated statement of changes in equity
9	Consolidated cash flow statement
10	Notes to the consolidated financial statements
10	1 General information
10	2 Basis of preparation
15	3 General accounting policies
16	4 Revenue
17	5 Segment reporting
18	6 Employees
26	7 Other operating expenses
26	8 Financial result
27	9 Financial instruments and risk management
36	10 Accounts receivable
37	11 Financial assets
38	12 Accounts payable
38	13 Accrued expenses
39	14 Financial debts
40	15 Contract balances
41	16 Inventories
42	17 Property, plant, and equipment (PPE)
44	18 Leases
46	19 Intangible assets
48	20 Associates
49	21 Provisions and contingent liabilities
51	22 Income taxes
54	23 Equity and earnings per share
56	24 Business combinations
58	25 Cash flow statement
59	26 Related parties
60	27 Material Group companies
62	Report of the statutory auditor

Consolidated income statement

In CHF million	Note	2019 ¹	%	2018	%
Revenue	4	11 271	100.0	10 879	100.0
Cost of materials		3 256	28.9	3 188	29.3
Personnel expenses	6	4 243	37.6	4 012	36.9
Other operating expenses	7	2 198	19.5	2 236	20.5
Depreciation, amortization, and impairment	17, 18, 19	316	2.8	174	1.6
Total operating expenses		10 013	88.8	9 610	88.3
Operating profit		1 258	11.2	1 269	11.7
Financial income	8	33	0.3	61	0.5
Financial expenses	8	90	0.8	65	0.6
Result from associates	20	–	–	–13	–0.1
Profit before taxes		1 201	10.7	1 252	11.5
Income taxes	22	272	2.4	244	2.2
Net profit		929	8.3	1 008	9.3
Net profit attributable to					
Shareholders of Schindler Holding Ltd.		863	7.7	943	8.7
Non-controlling interests		66	0.6	65	0.6
Earnings per share in CHF					
Basic	23	8.04		8.79	
Diluted	23	8.03		8.77	

¹ The Group implemented IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments. Prior-year figures were not restated. See note 2.1 for further information.

Consolidated statement of comprehensive income

In CHF million	Note	2019	2018
Net profit		929	1 008
Other comprehensive income – may be reclassified to the income statement in future			
Exchange differences		-62	-82
Cash flow hedges		-5	-
Debt instruments at fair value through other comprehensive income (FVOCI)	9	-	-
Taxes		1	-2
Total – may be reclassified to the income statement in future		-66	-84
Other comprehensive income – not to be reclassified to the income statement in future			
Equity instruments at fair value through other comprehensive income (FVOCI)	9	-154	192
Remeasurements of employee benefits	6	-107	-16
Taxes		26	-10
Total – not to be reclassified to the income statement in future		-235	166
Total other comprehensive income (OCI)		-301	82
Comprehensive income		628	1 090
Comprehensive income attributable to			
Shareholders of Schindler Holding Ltd.		565	1 030
Non-controlling interests		63	60

Consolidated balance sheet

Assets

In CHF million	Note	31.12.2019 ¹	%	31.12.2018	%
Current assets					
Cash and cash equivalents		2 370	22.4	2 248	22.5
Current financial assets	11	473	4.5	224	2.3
Accounts receivable	10	2 150	20.3	2 143	21.5
Income tax receivable		109	1.0	114	1.1
Contract assets	15	715	6.7	624	6.3
Inventories	16	1 040	9.8	1 049	10.5
Prepaid expenses		96	0.9	91	0.9
Assets held for sale		4	–	7	0.1
Total current assets		6 957	65.6	6 500	65.2
Non-current assets					
Property, plant, and equipment	17	1 096	10.3	1 086	10.9
Right-of-use assets	18	450	4.3		
Intangible assets	19	1 179	11.1	1 191	11.9
Associates	20	125	1.2	118	1.2
Non-current financial assets	11	508	4.8	797	8.0
Deferred taxes	22	283	2.7	282	2.8
Employee benefits	6	–	–	2	–
Total non-current assets		3 641	34.4	3 476	34.8
Total assets		10 598	100.0	9 976	100.0

¹The Group implemented IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments. Prior-year figures were not restated. See note 2.1 for further information.

Liabilities and equity

In CHF million	Note	31.12.2019 ¹	%	31.12.2018 ²	%
Liabilities					
Current liabilities					
Accounts payable	12	1 029	9.7	976	9.8
Financial debts	14	195	1.8	105	1.1
Lease liabilities	18	108	1.0		
Income tax payable		197	1.9	181	1.8
Contract liabilities	15	2 301	21.7	2 186	21.9
Accrued expenses	13	1 183	11.2	1 196	12.0
Provisions	21	171	1.6	163	1.6
Total current liabilities		5 184	48.9	4 807	48.2
Non-current liabilities					
Financial debts	14	437	4.1	531	5.3
Lease liabilities	18	323	3.1		
Provisions	21	255	2.4	279	2.8
Deferred taxes	22	111	1.1	131	1.3
Employee benefits	6	405	3.8	485	4.9
Total non-current liabilities		1 531	14.5	1 426	14.3
Total liabilities		6 715	63.4	6 233	62.5
Equity					
Share capital and participation capital	23	11	0.1	11	0.1
Share premium		311	2.9	311	3.1
Treasury shares	23	-70	-0.7	-85	-0.8
Exchange differences		-894	-8.4	-836	-8.4
Other reserves	23	-4	-	-	-
Retained earnings		4 422	41.7	4 239	42.5
Shareholders of Schindler Holding Ltd.		3 776	35.6	3 640	36.5
Non-controlling interests		107	1.0	103	1.0
Total equity		3 883	36.6	3 743	37.5
Total liabilities and equity		10 598	100.0	9 976	100.0

¹ The Group implemented IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments. 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 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, 2018	11	311	-107	-756	-	3 563	3 022	103	3 125
Net profit						943	943	65	1 008
Other comprehensive income (OCI)				-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
Effect adoption of IFRS 16 and IFRIC 23						-12	-12	-	-12
January 1, 2019, restated	11	311	-85	-836	-	4 227	3 628	103	3 731
Net profit						863	863	66	929
Other comprehensive income (OCI)				-58	-4	-236	-298	-3	-301
Comprehensive income				-58	-4	627	565	63	628
Dividends						-429	-429	-62	-491
Change in treasury shares			15			-26	-11		-11
Share-based payments						24	24		24
Change in non-controlling interests						6	6	16	22
Change in liabilities towards non-controlling interests						-7	-7	-13	-20
December 31, 2019	11	311	-70	-894	-4	4 422	3 776	107	3 883

Consolidated cash flow statement

In CHF million	Note	2019 ¹	2018 ²
Operating profit	25	1 258	1 269
Depreciation, amortization, and impairment	17, 18, 19	316	174
Other non-cash items	25	158	116
Other cash items	25	-148	-144
Pension settlement	6	-157	-2
Dividends received		15	12
Interest received		21	48
Interest paid		-27	-11
Other financial result		-36	-33
Income taxes paid, net	22	-209	-205
Change in net working capital	25	-6	-219
Cash flow from operating activities		1 185	1 005
Additions			
Property, plant, and equipment	17	-225	-245
Intangible assets	19	-48	-36
Associates		-4	-61
Current and non-current financial assets		-541	-317
Disposals			
Property, plant, and equipment	17	51	44
Current and non-current financial assets		374	328
Assets held for sale		3	1
Business combinations	24	-50	-106
Cash flow from investing activities		-440	-392
Proceeds from increase in current and non-current financial debts	14	12	538
Repayments of current and non-current financial debts	14	-26	-95
Payment of lease liabilities	18	-121	
Payments for acquisition of non-controlling interest		-	-4
Proceeds from disposals to non-controlling interest		22	-
Purchase of treasury shares	23	-26	-19
Disposal of treasury shares	23	15	10
Dividends paid to the shareholders of Schindler Holding Ltd.	23	-429	-428
Dividends paid to non-controlling interests		-62	-59
Cash flow from financing activities		-615	-57
Exchange differences		-8	-17
Change in cash and cash equivalents		122	539
Cash and cash equivalents as at January 1		2 248	1 709
Cash and cash equivalents as at December 31		2 370	2 248

¹ The Group implemented IFRS 16 – Leases. 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

Notes to the consolidated financial statements

1 General information

These are the consolidated financial statements of Schindler Group (referred to hereinafter as “the Group”). The Schindler Group is one of the world’s leading suppliers of elevators, escalators, and moving walks. The Group 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.

The consolidated financial statements were approved for publication by the Board of Directors of Schindler Holding Ltd. on February 13, 2020, and will be presented to the General Meeting of Shareholders for approval on March 19, 2020.

Compared to the previous year, the structure of the notes has been rearranged to enhance the transparency and the relevance of the Group’s consolidated financial statements. Additionally, information about the Group’s accounting policies is now included in the explanatory notes to the positions of the consolidated financial statements.

2 Basis of preparation

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are compliant with Swiss law. The consolidated financial statements are prepared using the accrual basis of accounting and the historical cost approach with the exception of financial instruments measured at amortized cost or at fair value.

The consolidated financial statements are based on the annual financial statements of the individual Group companies controlled directly or indirectly by Schindler Holding Ltd. The reporting periods of all Group companies end on December 31. An overview of material Group companies is provided in note 27.

2.1 Changes in IFRS

The accounting standard IFRS 16 – Leases and the interpretation IFRIC 23 – Uncertainty over Income Tax Treatments, which became effective as at January 1, 2019, were applied by the Group for the first time. The impact of the initial application of the new standard and the interpretation was recognized directly in retained earnings as at January 1, 2019. 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. Refer to the Group’s consolidated financial statements 2018 for more information on accounting policies applied in the previous year.

Several other amendments in IFRS were applied for the first time as at January 1, 2019, but did not have a material impact on the Group’s consolidated financial statements.

Impact on the consolidated balance sheet

The following table summarizes the restatement impacts and reclassifications.

In CHF million	31.12.2018 ¹	IFRS 16 restatement	IFRIC 23 restatement	1.1.2019 restated
Current assets				
Cash and cash equivalents	2 248			2 248
Current financial assets	224			224
Accounts receivable	2 143			2 143
Income tax receivable	114			114
Contract assets	624			624
Inventories	1 049			1 049
Prepaid expenses	91	-1		90
Assets held for sale	7			7
Total current assets	6 500	-1		6 499
Non-current assets				
Property, plant, and equipment	1 086	-7		1 079
Right-of-use assets		439		439
Intangible assets	1 191	-31		1 160
Associates	118			118
Non-current financial assets	797			797
Deferred taxes	282	1		283
Employee benefits	2			2
Total non-current assets	3 476	402		3 878
Total assets	9 976	401		10 377
Liabilities				
Current liabilities				
Accounts payable	976			976
Financial debts	105	-3		102
Lease liabilities		105		105
Income tax payable	181		4	185
Contract liabilities	2 186			2 186
Accrued expenses	1 196			1 196
Provisions	163			163
Total current liabilities	4 807	102	4	4 913
Non-current liabilities				
Financial debts	531	-4		527
Lease liabilities		311		311
Provisions	279			279
Deferred taxes	131			131
Employee benefits	485			485
Total non-current liabilities	1 426	307		1 733
Total liabilities	6 233	409	4	6 646
Shareholders of Schindler Holding Ltd.	3 640	-8	-4	3 628
Non-controlling interests	103	-		103
Total equity	3 743	-8	-4	3 731
Total liabilities and equity	9 976	401		10 377

¹ See note 2.3 for information on the change in presentation

IFRS 16 – Leases

The Group applied the new standard using the modified retrospective approach. Consequently, the cumulative impact of the adoption was recognized in retained earnings as at January 1, 2019, and comparative figures were not restated.

The major impact of IFRS 16 on the Group relates to lease contracts previously classified as operating leases. Under previous accounting policies, lease payments for operating leases were recognized as other operating expenses. IFRS 16 requires lease contracts to be recognized in the balance sheet with a lease liability and a corresponding right-of-use asset. Lease liabilities are measured at the present value of the future lease payments, discounted using an incremental borrowing rate. The lease liabilities are subsequently measured at amortized cost using the effective interest method. Right-of-use assets are measured at an amount equal to the lease liability and are then depreciated on a straight-line basis over the lease term.

Lease contracts previously accounted for as finance leases were reclassified from property, plant, and equipment to right-of-use assets, and finance lease liabilities were reclassified from financial debts to lease liabilities. Furthermore, long-term rights to use land were reclassified from intangible assets to right-of-use assets.

The Group applied the practical expedient with respect to lease contracts for buildings and land where the lease term ends within 12 months of the first-time application of IFRS 16. Such lease contracts are considered as short-term leases and the lease payments for these contracts are recognized as other operating expenses.

Generally, lease accounting is not applied for short-term leases with a non-cancellable lease term not exceeding 12 months, or for lease contracts where the underlying asset is of low value. The lease payments for such lease contracts are recognized as other operating expenses in the period in which they are incurred.

With the first-time application of IFRS 16, the Group recognized additional lease liabilities of CHF 409 million and right-of-use assets of CHF 401 million. All right-of-use assets are measured at an amount equal to the lease liability at transition, with the exception of certain lease contracts for buildings and land where the Group measured the right-of-use asset at the carrying amount as if IFRS 16 had been applied since the commencement date of these lease contracts. This measurement resulted in a negative equity impact of CHF 8 million after deferred taxes.

For the first-time application of IFRS 16, the weighted average incremental borrowing rate was 2.6%.

The following table provides a reconciliation from the non-cancellable lease payments disclosed in note 29.3 of the Group's consolidated financial statements 2018 to the lease liabilities recognized through the restatement as at January 1, 2019:

In CHF million

Non-cancellable lease payments as at December 31, 2018	396
Lease payments for short-term leases	-17
Lease payments for assets of low value	-7
Reassessment of extension options	63
Lease liabilities as at January 1, 2019 – undiscounted	435
Effect of discounting	-26
Lease liabilities as at January 1, 2019 – discounted	409
Reclassification finance lease liabilities	7
Total lease liabilities as at January 1, 2019	416

The implementation of IFRS 16 led to a decrease in operating expenses of CHF 11 million and an increase in financial expenses of CHF 11 million in the reporting year. The impact on the consolidated statement of comprehensive income was not material.

Furthermore, cash flow from operating activities increased by CHF 118 million and cash flow from financing activities decreased by CHF 118 million in the reporting year. Operating lease payments were replaced by the payment of the principal portion of lease liabilities, which is now reported as a cash outflow from financing activities. Interest paid on lease liabilities is presented as part of interest paid within cash flow from operating activities.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. If the acceptance of a tax treatment by the tax authorities is not considered probable, the Group is required to reflect that uncertainty using an expected value or the single most likely amount.

The Group has reviewed its income tax positions and recognized additional income tax payable of CHF 4 million, resulting in a negative equity impact.

2.2 Changes in IFRS not yet applied

There are no plans for the early adoption of published standards, interpretations, or amendments prior to their mandatory effective date. The Group does not expect that other changes in IFRS will have a material impact on the Group's consolidated financial statements.

2.3 Change in presentation

Uncertain tax positions

Uncertain tax positions are no longer reported in the line item non-current provisions. With effect from January 1, 2019, uncertain tax positions are recognized in the line item income tax payable. This change was made to improve the presentation of the consolidated balance sheet and did not have any impact on the consolidated statement of comprehensive income. The line items reported in the Group's consolidated financial statements were adjusted as follows:

In CHF million	Reported	Change in presentation	Adjusted
as at January 1, 2018			
Income tax payable	78	70	148
Non-current provisions	344	-70	274
as at December 31, 2018			
Income tax payable	118	63	181
Non-current provisions	342	-63	279

Operating cash flow

The cash and non-cash movements relating to the changes in provisions and employee benefits are no longer shown on a net cash basis in the line item other non-cash items in the consolidated cash flow statement. With effect from January 1, 2019, the cash and non-cash movements are separately disclosed in the line items other cash items and other non-cash items, respectively. Furthermore, in 2019 the starting point of the consolidated cash flow statement has changed from net profit to operating profit. The changes were made to improve the presentation of the consolidated cash flow statement and did not have any impact on the Group's cash flow from operating activities.

2.4 Significant assumptions and estimates

The Group's consolidated financial statements contain certain assumptions and estimates that influence the figures presented in these consolidated financial statements. 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.

The main assumptions and estimates that have a significant risk of resulting in a material adjustment to the consolidated financial statements in future years are described in the following notes:

Position	Assumptions and estimates	Note
Post-employment benefits	Assumptions in actuarial reports	6
Provisions	Assumptions in actuarial reports	21
Income taxes	Estimation of future tax assessments	22

3 General accounting policies

3.1 Scope of consolidation

The consolidated financial statements are based on the annual financial statements of the individual Group companies controlled directly or indirectly by Schindler Holding Ltd. Control exists if the Group is exposed, or has rights, to variable returns and has the ability to impact those returns through its power over a company. Control is presumed to exist when the Group owns, directly or indirectly, more than half of the voting rights of a company.

Changes in the interests held in Group companies are recognized as equity transactions provided control is retained. If control is lost, the difference between the consideration received and the net assets disposed of is reported as other income.

For information on businesses acquired in the reporting year, refer to note 24.

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 year-end rates are recognized as financial income or expenses.

For consolidation purposes, the financial statements of Group companies in foreign currencies are translated into Swiss francs (CHF). Assets and liabilities are translated using year-end rates, while comprehensive income and cash flows are translated using average rates or the spot rate for significant transactions.

The change in accumulated exchange differences from the translation of foreign companies is reported in OCI. 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:

			2019		2018	
			Year-end rate	Average rate	Year-end rate	Average rate
Eurozone	EUR	1	1.08	1.11	1.13	1.15
USA	USD	1	0.97	0.99	0.99	0.98
Brazil	BRL	100	24.03	25.20	25.40	26.92
China	CNY	100	13.88	14.39	14.33	14.77
India	INR	100	1.35	1.41	1.41	1.44

4 Revenue

Revenue from customer contracts is recognized over time for new installations and modernizations, as well as for maintenance. Revenue for repairs is recognized at a point in time.

New installations and modernizations

New installations provide mobility solutions with elevators, escalators, and moving walks for all applications and needs, whereas modernizations offer solutions for existing installations. For both, 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, escalators, or moving walks.

Maintenance

Maintenance services are rendered for the full range of existing installations. 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

Repairs include a wide range of repair services of existing installations. For 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.

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

In CHF million	2019				2018			
	Revenue recognized over time	Revenue recognized at a point in time	Other operating revenue	Total	Revenue recognized over time	Revenue recognized at a point in time	Other operating revenue	Total
EMEA	3 938	971	33	4 942	3 916	947	34	4 897
Americas	2 650	624	–	3 274	2 476	571	–	3 047
Asia-Pacific	2 801	243	11	3 055	2 717	208	10	2 935
Total revenue	9 389	1 838	44	11 271	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 in the order backlog or maintenance contracts not yet fulfilled. The majority of the new installation and modernization contracts reported in the 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 (previous year: CHF 8 100 million), CHF 5 700 million in the following two to three years (previous year: CHF 5 400 million), and CHF 2 500 million in more than three years (previous year: CHF 2 500 million).

5 Segment reporting

Internal financial reporting is submitted to the Supervisory and Strategy Committee acting as the Chief Operating Decision Maker. These financial reports form the basis for the evaluation of the segment's performance.

The same accounting policies are used for both the internal financial reporting and the Group's consolidated financial statements.

The Elevators & Escalators segment is managed as one global unit and 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.

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

In CHF million	2019 ¹			2018		
	Group	Finance	Elevators & Escalators	Group	Finance	Elevators & Escalators
Revenue	11 271	–	11 271	10 879	–	10 879
Operating profit	1 258	–41	1 299	1 269	–40	1 309
Depreciation and amortization	316	–	316	174	–	174
Result from associates	–	–	–	–13	–	–13
Assets	10 598	2 496	8 102	9 976	2 484	7 492
thereof associates	125	–	125	118	–	118
Liabilities	6 715	575	6 140	6 233	576	5 657
Additions to PPE, and intangible assets	273	–	273	284	1	283

¹ The Group implemented IFRS 16 – Leases. Prior-year figures were not restated. See note 2.1 for further information.

Geographical information

In CHF million	2019		2018	
	Revenue	Non-current assets ¹	Revenue	Non-current assets
by regions				
EMEA	4 942	1 571	4 897	1 239
Americas	3 274	501	3 047	412
Asia-Pacific	3 055	778	2 935	746
Group	11 271	2 850	10 879	2 397
by material countries				
USA	2 405	270	2 177	195
China	1 550	622	1 426	639
Switzerland	1 034	525	1 012	398

¹ The Group implemented IFRS 16 – Leases. Prior-year figures were not restated. See note 2.1 for further information.

Non-current assets exclude non-current financial assets and deferred tax assets.

6 Employees

6.1 Personnel expenses

In CHF million	2019	2018
Salaries	3 784	3 543
Cost of defined benefit plans	41	50
Cost of defined contribution plans	98	102
Share-based payments	24	29
Other personnel expenses	296	288
Total personnel expenses	4 243	4 012

Salaries are comprised primarily of wages and cash bonuses, while other personnel expenses mainly consist of social and insurance benefits.

6.2 Post-employment benefits

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. In respect of these plans, no assets or liabilities are recognized in the balance sheet other than regular prepayments and accruals of employer and employee contributions.

Defined benefit plans

The defined benefit plans are covered by funds from separate legal entities or are funded directly by the Group. 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. Plan assets are not available to the Group's creditors.

Pension costs consist of service costs, net interest, and remeasurements of employee benefits. Service costs are included in personnel expenses, net interest is recorded in the financial result, and remeasurement gains and losses from the actuarial valuation are recorded in OCI.

The largest defined benefit plans are in Switzerland and the USA, whereby the present value of the defined benefit obligation is CHF 2 352 million and CHF 283 million, respectively (previous year: CHF 2 114 million and CHF 267 million), and the fair value of plan assets is CHF 2 229 million and CHF 243 million, respectively (previous year: CHF 2 056 million and CHF 229 million). Together, they account for 96% of the Group's total defined benefit obligation and 89% of its plan assets (previous year: 84% and 96%).

Unfunded defined benefit plans mainly exist in Germany, France, and Austria.

Pension plans in Switzerland

The 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. 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, 2019, is 116% (previous year: 111%, final).

The Schindler Pension Fund has the legal structure of a foundation. All actuarial risks are borne by the foundation. They consist of demographic risks and financial risks and are regularly assessed by the Board of Trustees. Demographic risks include life expectancy, whereas financial risks comprise discount rates, future salary increases, and the return on plan assets. The Board of Trustees defines the investment strategy based on a long-term target asset structure with the aim of ensuring that plan assets and liabilities are aligned in the medium and long term.

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, 2019, is 125% (previous year: 116%, 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. Since 2018, no additional benefit accruals are provided to active participants and the plan has been frozen. Instead, contributions are paid to a defined contribution plan pursuant to Internal Revenue Code 401(k).

Pension cost

In CHF million	2019	2018
Service costs		
Current service costs	57	62
Past service costs	-9	-12
Gains/losses from settlements	-7	-
Total service costs	41	50
Net interest on employee benefits	7	9
Total pension expenses recognized in income statement	48	59
thereof arising from funded pension plans	46	39
thereof arising from unfunded pension plans	2	20
Actuarial gains (-) / losses (+)		
Changes in demographic assumptions	2	2
Changes in financial assumptions	300	-84
Experience adjustments	25	15
Return on plan assets (excluding interest based on discount rate)	-220	83
Total remeasurements recognized in OCI	107	16
thereof arising from funded pension plans	79	9
thereof arising from unfunded pension plans	28	7

Funding status

The funding status of the Group's defined benefit plans is as follows:

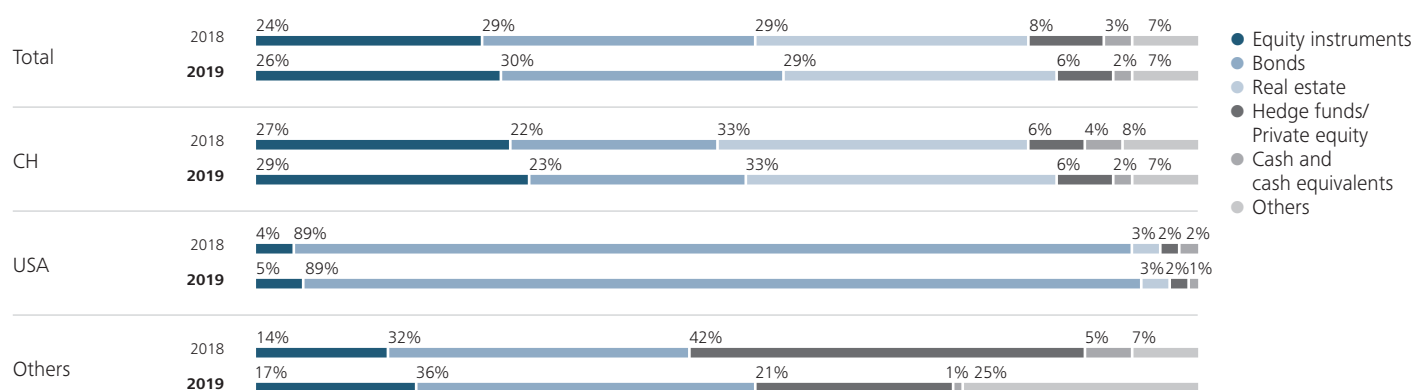
In CHF million	2019			2018		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Funding status						
Fair value of plan assets	2 581		2 581	2 388		2 388
Present value of defined benefit obligation	-2 726	-233	-2 959	-2 464	-380	-2 844
Over- or underfunding	-145	-233	-378	-76	-380	-456
Present value of other employee benefits		-27	-27		-27	-27
Total net book value of employee benefits	-145	-260	-405	-76	-407	-483
thereof employee benefits assets			-			2
thereof employee benefits liabilities			-405			-485

In the reporting year, the Group entered into a settlement transaction and transferred unfunded defined benefit obligations to a third party. The settlement led to a one-time cash outflow of CHF 157 million. Upon completion of the settlement, the corresponding defined benefit obligations were derecognized from the balance sheet.

Plan assets

In CHF million	2019	2018
January 1	2 388	2 470
Interest income (based on discount rate)	30	26
Return on plan assets (excluding interest based on discount rate)	220	-83
Employee contributions	46	45
Ordinary employer contributions	55	57
Benefits paid	-150	-126
Exchange differences	-8	-1
December 31	2 581	2 388

The allocation of plan assets is as follows:



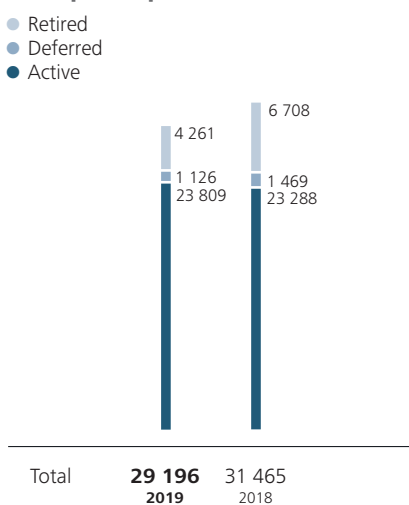
In general, equity instruments, bonds, and cash and cash equivalents have a level 1 fair value classification. All other investments are generally valued using level 2 or 3 inputs, unless level 1 inputs are available. The item others includes commodities and insurance-linked securities.

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.

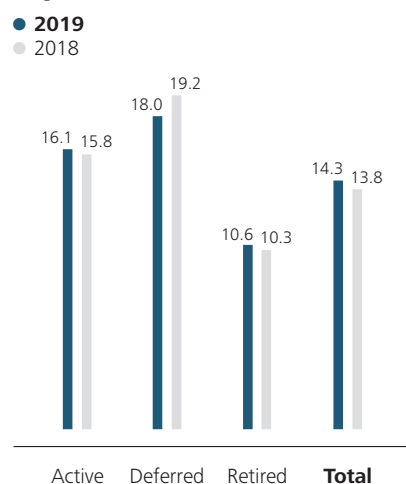
Defined benefit obligation

In CHF million	2019	2018
January 1	-2 844	-2 942
Service costs	-41	-50
Interest costs	-37	-35
Actuarial gains/losses	-327	67
Employee contributions	-46	-45
Benefits paid	162	146
Business combinations	-1	-1
Settlements	157	2
Exchange differences	18	14
December 31	-2 959	-2 844

Plan participants in numbers



Weighted average duration in years



Significant actuarial assumptions

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

	Switzerland		USA	
	2019	2018	2019	2018
Discount rate in %	0.20	0.90	3.16	4.26
Increase in salaries in %	1.00	1.00	-	2.50
Mortality table	BVG2015 CMI 1.25%	BVG2015 CMI 1.25%	PRI-2012 FG + MP2019	RP-2014 FG + MP2018

The discount rate and the future increase in salaries were identified as significant assumptions for the pension plans in Switzerland. For the pension plan in the USA, only the discount rate is considered as a significant actuarial assumption, as no additional benefit accruals are provided to active participants and the plan has been frozen since 2018.

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 3.50% in the defined benefit obligation (previous year: 3.00%). A 1.00% increase or decrease in the expected salary increase would lead to an increase or decrease of 2.00% in the defined benefit obligation (previous year: 2.00%).

The sensitivity analysis is based on reasonable possible changes as at December 31, 2019. Each change in a significant actuarial assumption was analyzed separately as part of the analysis. Interdependencies were not considered.

Cash flows

In CHF million	2019	2018
Employer contributions – funded plans	55	57
Benefits paid – unfunded plans	12	20
Settlements	157	2

In the reporting year, settlements contain a one-time cash outflow of CHF 157 million. Refer to information provided in section funding status.

For the reporting year 2020, the Group expects employer contributions of CHF 47 million to the pension plans in Switzerland, CHF 2 million to the pension plans in the USA, and CHF 5 million to all other plans.

6.3 Share-based payments

The fair value of share-based payments is determined at grant date. Subsequently, the amount for share-based payments is recognized over the vesting period as personnel expenses with an increase in equity based on the number of shares expected to vest and any true-up.

Share-based payments are settled with treasury shares. No additional registered shares or participation certificates are issued.

The Group has the following share-based payment plans in place:

	Current plans			Previous plans
	Performance Share Plan (PSP)	Bonus Share Plan (BSP)	Deferred Share Plan (DSP) 2015	Capital Participation Plans 2000/2003
Year of implementation	2013	2013	2015	Replaced by PSP and BSP in 2013
Instruments used	Registered shares or participation certificates	Registered shares or participation certificates	Performance Share Units (PSU)	Options and registered shares or participation certificates
Beneficiaries	Members of the Supervisory and Strategy Committee	Group management (approximately 500 employees)	Group Executive Committee	Group management (approximately 500 employees)

Previous plans are still disclosed as the exercise periods of granted options will only end in future years.

Performance and Bonus Share Plans (PSP and BSP)

The Board of Directors determines the specific conditions of the plans, including the provisional number of shares granted, the applicable vesting conditions, and the beneficiaries of the plans. Vesting conditions are service conditions only. The allocated shares are transferred to the ownership of the beneficiaries once the vesting conditions have been met and include all associated rights. However, the shares are blocked for a period of three years, during which they may not be disposed of.

In the reporting year, a provisional number of 74 303 shares was granted under the plans at their grant date fair value of CHF 185.10 per share. The final number of shares will be allocated in April 2020 based on the extent to which bonus targets are achieved.

In April 2019, personnel expenses were adjusted by the final number of shares allocated for the previous year. The adjustment was based on the allocated number of 71 816 shares at their grant date fair value of CHF 221.60 per share.

Deferred Share Plan (DSP) 2015

The Board of Directors determines a number of Performance Share Units (PSU) to be granted based on a contractual target amount. Each PSU gives the beneficiary the right to a still-to-be-determined number of shares. At the start of the reporting year, a combination of growth and profitability targets is set for the next three years. The targets set are non-market conditions only. After the three-year vesting period, the achievement of those targets is determined, and the PSU are converted at a conversion rate of between 0% and 300%. The maximum value of the converted shares is three times the contractual target amount. The converted shares are transferred to the ownership of the beneficiaries and 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 the PSU converted.

In the reporting year, 27 581 PSU were granted, based on the contractual target amount (previous year: 27 313 PSU). Personnel expenses are recognized over the vesting period, assuming an achievement factor of 100%. The grant date fair value of CHF 169.93 (previous year: CHF 207.27) corresponds to the share price at grant date less the present value of the expected dividends over the vesting period.

Previous plans

In April 2013, options were allocated for the last time under the Capital Participation Plans 2000/2003. After three years, they were transferred to the unrestricted ownership of the beneficiaries, provided they had remained with the Group throughout this period. An exercise period of six years subsequently applies. Issued options allow for the purchase of shares and are not settled with cash or cash equivalents.

Options granted under previous plans for which the exercise periods end in the future, are outlined in the table below:

	Capital Participation Plans 2000/2003				LTI Plan
	2013	2012	2011	2010	2011
Options allocated	138 012	162 118	222 621	207 896	104 854
Exercised/expired in the previous years	-73 844	-110 843	-169 889	-177 779	-96 544
Outstanding as at January 1, 2019	64 168	51 275	52 732	30 117	8 310
Options exercised/expired	-19 442	-20 810	-33 734	-30 117	-5 739
Balance as at December 31, 2019	44 726	30 465	18 998	-	2 571
Exercisable	44 726	30 465	18 998	-	2 571
Entitles holder to purchase (allocation ratio 1:1)	Shares	PC	PC	PC	PC
Exercise price	137.84	108.20	85.10	53.60	124.80
Exercise period ends	30.4.2022	30.4.2021	30.4.2020	30.4.2019	30.4.2020
Weighted average share price on exercise in 2018	214.28	221.28	227.18	227.31	221.33
Weighted average share price on exercise in 2019	229.43	233.96	230.32	221.43	234.08

For more information on the Long-Term Incentive Plan (LTI Plan), refer to note 33 of the Group's consolidated financial statements 2018.

6.4 Key management compensation

In CHF million	2019	2018
Salaries	20	22
Contributions to pension plans and social benefits	5	5
Share-based payments	7	7
Total	32	34

The table above contains the compensation to the executive members of the Board of Directors and members of the Group Executive Committee. They receive fixed compensation as well as performance-related variable compensation. Salaries include cash bonuses and lump-sum expenses.

Additionally, fees and expenses paid to members of the Board of Directors of Schindler Holding Ltd. totaled CHF 3 million (previous year: CHF 3 million).

7 Other operating expenses

In CHF million	Note	2019	2018
Production and installation expenses		1 016	1 001
Employee-related expenses		325	338
Rent and leasing	2.1		160
Lease-related expenses	18	47	
Maintenance and repairs		89	93
Energy supply and consumables		172	180
Insurance, fees, and capital taxes		93	72
Administration and marketing		337	319
Other operating expenses		136	86
Other operating income		-17	-13
Total other operating expenses		2 198	2 236

Employee-related expenses primarily consist of training costs, travel allowances, and work equipment. The item operating expenses include cost related to bad debt allowances, freight and transportation expenses as well as expenditures for research and development activities.

8 Financial result

In CHF million	Note	2019	2018
Financial income			
Interest income		25	55
Net income from equity instruments		8	6
Total financial income		33	61
Financial expenses			
Interest expenses		19	11
Interest expenses on lease liabilities	18	11	
Net interest on employee benefits	6	7	9
Increase in present value of provisions	21	9	10
Net losses on foreign exchange		15	10
Other financial expenses		29	25
Total financial expenses		90	65
Financial result		-57	-4

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

In the previous year, the financial result included a one-time positive net interest impact of CHF 27 million related to the settlement of a tax arbitration procedure. Refer to note 22 for further information.

9 Financial instruments and risk management

Financial instruments comprise financial assets and financial liabilities. Financial instruments associated with pension plans are not included in the following quantitative and qualitative information.

9.1 Classification and measurement

Financial assets

Financial assets include cash and cash equivalents, accounts receivable, prepaid expenses, and current and non-current financial assets. Financial assets are classified and measured as follows:

Financial assets measured at amortized cost comprise debt instruments held to collect contractual cash flows that are solely payments of the principal amount and interest. They are initially measured at fair value including transaction cost and subsequently measured at amortized cost using the effective interest method. Interest income, foreign currency revaluations, and impairment losses are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement.

Financial assets measured at fair value through profit or loss (FVPL) include equity instruments held for trading and derivatives, unless they are designated for hedge accounting. They are measured at fair value. Dividends and fair value changes are reported in the income statement. On derecognition, gains and losses are recognized in the income statement.

Financial assets measured at fair value through other comprehensive income with recycling (FVOCI with recycling) include debt instruments held both for selling and collecting contractual cash flows that are solely payments of the principal amount and interest. They are initially measured at fair value including transaction cost and subsequently measured at fair value. Unrealized fair value changes are recognized in OCI, whereas interest income, foreign currency revaluations, and impairment losses are recognized in the income statement. On derecognition, the accumulated gains and losses recognized in OCI are reclassified to the income statement.

Financial assets measured at fair value through other comprehensive income without recycling (FVOCI without recycling) comprise equity instruments not held for trading. They are initially measured at fair value including transaction cost and subsequently measured at fair value. Dividends are recognized in the income statement, whereas unrealized fair value changes and foreign currency revaluations are recognized in OCI. On derecognition, the accumulated gains and losses recognized in OCI remain in retained earnings.

Purchases and sales of financial assets are recognized at trade date. Financial assets are derecognized when the related rights to the resulting cash flows are sold or expire.

Impairment of financial assets

For all debt instruments not classified and measured at FVPL, an allowance for expected credit losses (ECLs) 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. 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 a significant 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, without tracking the changes in credit risks. Instead, the Group recognizes a lifetime expected loss allowance based on a provision matrix. Refer to note 10 for more information about bad debt allowances.

Financial liabilities

Financial liabilities include accounts payable, accrued expenses, lease liabilities, and current and non-current financial debts. Financial liabilities are classified and measured as follows:

Financial liabilities measured at amortized cost comprise all financial liabilities which are not classified and measured at fair value through profit or loss (FVPL). Financial liabilities are initially measured at fair value including transaction cost. Subsequently they are measured at amortized cost using the effective interest method. Interest expenses and foreign currency revaluations are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement.

Financial liabilities measured at fair value through profit or loss (FVPL) include financial liabilities held for trading, derivatives not designated for hedge accounting, contingent consideration from business combination, as well as financial liabilities designated at FVPL at initial recognition. They are measured at fair value. All fair value changes are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement.

Financial liabilities are derecognized when the contractual obligations are fulfilled, cancelled or expire.

The carrying amounts of the Group's financial instruments are classified and measured as follows:

In CHF million	Note	2019					2018				
		Amortized cost	FVPL	FVOCI with recycling	FVOCI without recycling	Total	Amortized cost	FVPL	FVOCI with recycling	FVOCI without recycling	Total
Cash and cash equivalents		2 370				2 370	2 248				2 248
Current financial assets	11	472	1			473	217	7			224
Accounts receivable	10	2 019				2 019	2 004				2 004
Prepaid expenses		85	11			96	80	11			91
Non-current financial assets	11	210	43	5	250	508	294	48	5	450	797
Total financial assets		5 156	55	5	250	5 466	4 843	66	5	450	5 364
Accounts payable	12	809				809	759				759
Accrued expenses	13	897	18			915	902	13			915
Financial debts	14	632				632	636				636
Lease liabilities	18	431				431					
Total financial liabilities		2 769	18			2 787	2 297	13			2 310

Prepaid and accrued expenses include derivatives, see note 9.4.

Financial assets of CHF 21 million are pledged (previous year: CHF 20 million). They serve as security for the Group's own liabilities.

9.2 Net income on financial instruments

In CHF million	2019	2018
Interest income	23	18
Interest expense	-11	-8
Bad debt allowances	-37	-24
Financial instruments at amortized cost	-25	-14
Change in fair value	5	3
Financial instruments at FVPL	5	3
Change in fair value	-	-
Debt instruments at FVOCI with recycling	-	-
Dividend income	3	3
Change in fair value	-154	192
Equity instruments at FVOCI without recycling	-151	195
Total net income on financial instruments	-171	184
thereof recognized in the income statement	-17	-8
thereof recognized in OCI	-154	192

9.3 Fair values

Financial instruments measured at fair value are assigned to one of the following three hierarchy levels according to the input data available to measure them:

Level 1: Fair values are determined by using quoted prices in active markets. The fair values of listed equity instruments and bonds are determined using level 1 fair values.

Level 2: Fair values are determined by using quoted prices in inactive markets or by using the discounted cash flow method based on observable market data. The fair values of derivatives are determined using level 2 fair values.

Level 3: Fair values are determined by using external valuations or by using the discounted cash flow method based on unobservable data. The fair values of private equity instruments are determined using level 3 fair values.

With the exception of lease liabilities and bonds issued by the Group, the carrying amounts of all other financial instruments measured at amortized cost are reasonable approximations of their fair values.

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%. The bonds are listed on the SIX Swiss Exchange. As at December 31, 2019, the carrying amount of bonds issued is CHF 500 million (previous year: CHF 500 million), compared to a level 1 fair value of CHF 508 million (previous year: CHF 502 million).

The fair values of the financial instruments measured at fair value and the hierarchy level for their measurement are as follows:

In CHF million	2019		2018	
	Fair value	Level	Fair value	Level
Financial assets				
Current financial assets	1	1	7	1
Derivatives	11	2	11	2
Non-current financial assets	43	1	48	1
Financial instruments at FVPL	55		66	
Non-current financial assets	5	1	5	1
Debt instruments at FVOCI with recycling	5		5	
Non-current financial assets	242	1	443	1
Non-current financial assets	8	3	7	3
Equity instruments at FVOCI without recycling	250		450	
Financial liabilities				
Derivatives	18	2	13	2
Financial instruments at FVPL	18		13	

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

The reconciliation of the level 3 fair values of non-current financial assets is as follows:

In CHF million	2019	2018
January 1	7	9
Fair value changes recognized in OCI	1	-2
December 31	8	7

9.4 Derivatives 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. Derivatives are measured at FVPL unless the derivative financial instrument was designated for hedge accounting.

To apply hedge accounting, 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 OCI and reclassified to the income statement when the underlying transaction occurs.

When the hedged transaction results in the recognition of a non-financial asset (e.g. 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 as financial income or expenses when they are incurred.

The following table outlines the fair values and nominal amounts of foreign currency derivatives:

In CHF million	2019			2018		
	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount
Without hedge accounting	10	13	1 584	8	8	1 750
Fair value hedges	–	1	18	–	–	20
Cash flow hedges	1	4	305	3	5	367
Total derivatives	11	18	1 907	11	13	2 137

9.5 Financial risk management

The Group is exposed to a variety of general and industry-specific risks, which can have a material impact on the Group's consolidated financial statements. Various risk management and control systems are used to anticipate, measure, monitor, and address risks. The most significant financial risks to which the Group is exposed and the Group's mitigating actions to those risks are as follows:

Type of risk	Sources of risk	Mitigation of risks
Interest rate risk	<ul style="list-style-type: none"> – Large positive net cash position in general – Exposure to negative interest rates for cash held in Swiss francs 	<ul style="list-style-type: none"> – Invest excess cash to mitigate negative interest exposure – Constant monitoring of changes in interest rates – Interest rates for financial liabilities are mainly fixed
Foreign currency risk	<ul style="list-style-type: none"> – Worldwide presence and operations of the Group – Transaction risks from transactions in currencies other than the functional currency 	<ul style="list-style-type: none"> – Natural hedging by matching revenue currency to cost currency – Hedging activities with financial institutions if natural hedging is not possible – Quarterly reporting on foreign currency risk exposure to key management – The Group's internal financing is, whenever possible, executed in the relevant local currency – Obtaining or investing foreign currency cash speculatively is not allowed
Price risk	<ul style="list-style-type: none"> – Excess cash is invested in equity instruments 	<ul style="list-style-type: none"> – Decisions for investments only made by Supervisory and Strategy Committee, Finance Steering Committee, or Corporate Treasury
Liquidity risk	<ul style="list-style-type: none"> – External borrowings cannot be refinanced – Debt obligations cannot be met when required 	<ul style="list-style-type: none"> – Maintaining a substantial liquidity reserve in cash to ensure solvency and flexibility – If necessary, efficient use of markets for financing purposes due to the Group's creditworthiness
Credit risk	<ul style="list-style-type: none"> – Counterparties of accounts receivable, other financial assets, and contract assets are unable or unwilling to fulfill their payment obligation 	<ul style="list-style-type: none"> – Large customer base in various countries – Down payments are received for customer contracts – Active collection management of receivables and contract assets – Liquidity must be placed with broadly diversified counterparties with low default risks – Assets that may be held at any one financial institution are limited

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 management is intended to promote sustainable growth, increase the value of the business, and minimize potential adverse effects on the Group's financial performance. Risk management is monitored by the Supervisory and Strategy Committee and the Finance Steering Committee. The Finance Steering Committee is comprised of internal experts who are not members of the Board of Directors.

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 measure 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.

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 17 million higher or lower (previous year: CHF 20 million higher or lower).

Foreign currency risks

The Group 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.

In CHF million	2019		2018	
	Net position	Sensitivity +/-5%	Net position	Sensitivity +/-5%
EUR	253	+13 / -13	252	+13 / -13
CNY	65	+3 / -3	74	+4 / -4
USD	9	- / -	-9	- / -
GBP	-39	-2 / +2	-34	-2 / +2
AUD	-75	-4 / +4	-67	-3 / +3

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

Translation risks are only hedged in exceptional cases and are not included in the sensitivity analysis above.

Price risks

As at December 31, 2019, the Group is invested in equity instruments totaling CHF 266 million (previous year: CHF 505 million), of which CHF 242 million are represented by the investment in Hyundai Elevator Co. Ltd. (previous year: CHF 402 million).

If the prices of the equity instruments as at December 31, 2019, had been 10% higher or lower, net financial income would have been CHF 2 million higher or lower (previous year: CHF 5 million higher or lower) and OCI would have been CHF 25 million higher or lower (previous year: CHF 45 million higher or lower).

Liquidity risks

Future cash outflows for the Group's financial liabilities are as follows:

In CHF million	Carrying amounts	Total	Cash outflows		
			< 1 year	1–5 years	> 5 years
as at December 31, 2019					
Accounts payable	-809	-809	-809		
Accrued expenses	-897	-897	-897		
Derivatives, net	-7	-7	-7	-	-
thereof cash inflows		1 918	1 829	89	-
thereof cash outflows		-1 925	-1 836	-89	-
Lease liabilities	-431	-484	-121	-238	-125
Bonds issued	-500	-503	-101	-402	
Other financial debts	-132	-132	-94	-10	-28
Total	-2 776	-2 832	-2 029	-650	-153
as at December 31, 2018					
Accounts payable	-759	-759	-759		
Accrued expenses	-902	-902	-902		
Derivatives, net	-2	-2	-2	-	-
thereof cash inflows		2 148	2 105	43	-
thereof cash outflows		-2 150	-2 107	-43	-
Bonds issued	-500	-505	-1	-504	
Other financial debts	-136	-136	-105	-22	-9
Total	-2 299	-2 304	-1 769	-526	-9

The contractual maturities are based on the undiscounted, contractually agreed payments of the principal amount and interest.

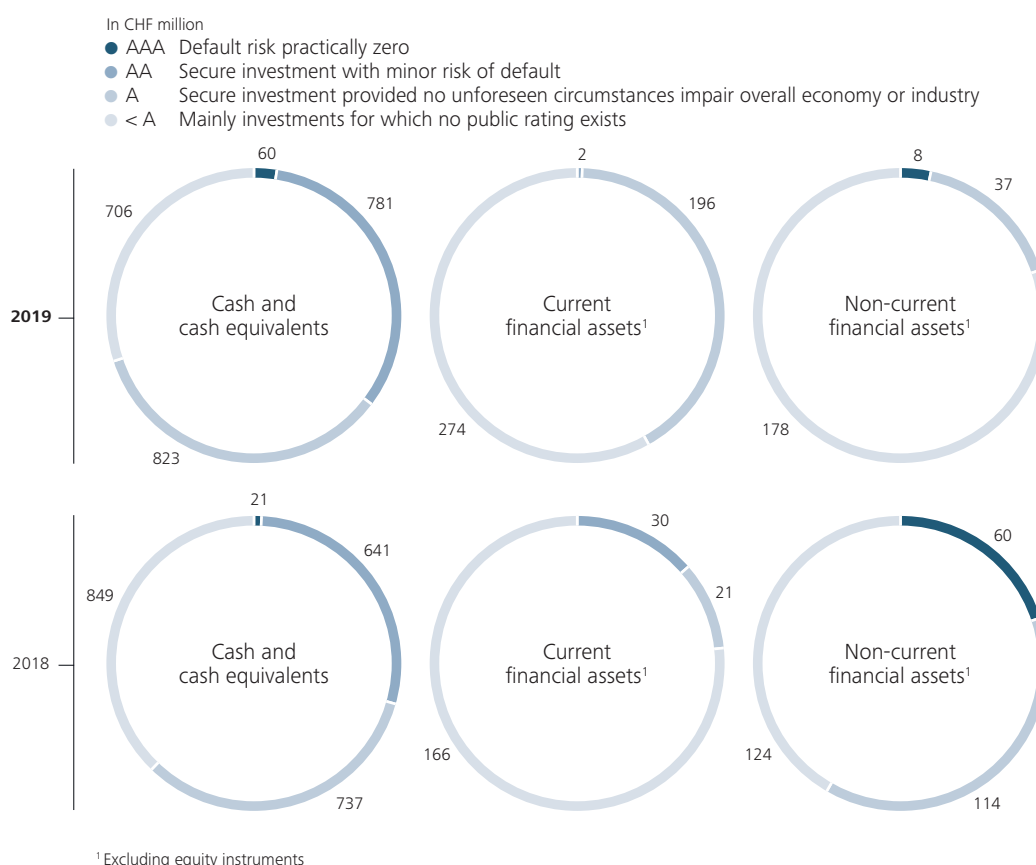
Lease liabilities with future cash outflows in more than five years comprise payments for leases of land and buildings for which the Group assessed contractual extension options as reasonably certain to be exercised. The future cash outflow above ten years is less than CHF 30 million.

Credit risks

In view of the Group's large customer base and global presence, the concentration of credit risk in trade receivables and contract assets is limited. Refer to note 10 for more information on bad debt allowances.

Cash and cash equivalents are invested mainly in time deposits and high-quality, low-risk, liquid securities. Current and non-current financial assets mainly comprise time deposits.

Cash and cash equivalents as well as financial assets are held with counterparties with the following credit ratings:



Investments in equity instruments are subject only to price risks and not to credit risks.

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.

The Group manages capital by monitoring net liquidity and the equity ratio.

In CHF million	2019 ¹	2018
Net liquidity	2 046	2 231
Equity ratio in %	36.6	37.5

¹ The Group implemented IFRS 16 – Leases. Prior-year figures were not restated. See note 2.1 for further information.

The Group defines net liquidity as the sum of cash and cash equivalents, current financial assets, and non-current financial assets, as presented in the balance sheet, excluding the investment in Hyundai Elevator Co. Ltd. less financial debts and lease liabilities.

10 Accounts receivable

A receivable is recognized once the Group has an unconditional right to payment. Initially, accounts receivable are recognized at the transaction value according to contractual terms and conditions. They do not carry any interest. Subsequently, accounts receivable are measured at amortized cost, which equals their transaction value less bad debt allowances.

Bad debt allowances are recognized 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 expected lifetime losses using a provision matrix based on the aging of accounts receivable. 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.

Changes in bad debt allowances and write-offs of accounts receivable are recognized as other operating expenses. Accounts receivable are written off when there is no reasonable expectation of recovery.

In CHF million	2019	2018
Trade accounts receivable – third parties	2 143	2 118
Trade accounts receivable – associates	19	14
Other receivables	184	195
Bad debt allowances	-196	-184
Total accounts receivable	2 150	2 143

The following table outlines the aging of accounts receivable and related bad debt allowances recognized:

In CHF million	2019		2018	
	Gross amount	Bad debt allowance	Gross amount	Bad debt allowance
Not due	1 061	-8	1 069	-5
Overdue by < 90 days	693	-5	724	-6
Overdue by 91 to 180 days	198	-6	166	-7
Overdue by 181 to 360 days	161	-34	156	-33
Overdue by > 360 days	233	-143	212	-133
Total bad debt allowances	-196	-196	-184	-184
Total accounts receivable	2 150		2 143	

Changes in bad debt allowances are as follows:

In CHF million	2019	2018
January 1	-184	-187
Addition	-37	-24
Utilization	20	21
Exchange differences	5	6
December 31	-196	-184

11 Financial assets

In CHF million	2019	2018
Current financial assets		
Time deposits	472	216
Other current financial assets	1	8
Total current financial assets	473	224
Non-current financial assets		
Time deposits	202	264
Equity instruments	266	498
Other non-current financial assets	40	35
Total non-current financial assets	508	797

Time deposits with a maturity of 3 to 12 months are included in current financial assets. Other current financial assets mainly comprise equity instruments that the Group intends to hold on a short-term basis.

As at December 31, 2019, the investment in Hyundai Elevator Co. Ltd. represented CHF 242 million of non-current equity instruments (previous year: CHF 402 million). The Group's interest in this investment remains unchanged at 15.5% as at December 31, 2019 (previous year: 15.5%). In the reporting year, the Group received CHF 3 million in dividend payments from this investment, recognized as financial income (previous year: CHF 2 million).

Furthermore, in the reporting year the Group sold equity instruments measured at FVOCI in the amount of CHF 45 million. The accumulated gain in OCI of CHF 7 million remains in retained earnings.

Other non-current financial assets include debt instruments, such as bonds and loans to associates.

12 Accounts payable

In CHF million	2019	2018
Trade accounts payable – third parties	712	665
Trade accounts payable – associates	21	13
Social security	54	53
Indirect and capital taxes	166	164
Other payables	76	81
Total accounts payable	1 029	976

As at December 31, 2019, contractual commitments for future purchases of material or services amount to CHF 39 million (previous year: CHF 70 million).

13 Accrued expenses

In CHF million	2019	2018
Personnel expenses	492	478
Late cost for customer contracts	268	281
Cost of materials and services	191	171
Other accrued expenses	232	266
Total accrued expenses	1 183	1 196

Late cost accruals for customer contracts include the Group's expected cost for follow-up work on new installations or modernizations after handover to the customer. Late cost accruals are typically used within one year.

14 Financial debts

In CHF million	2019	2018
Current financial debts		
Financial debts – related parties	23	16
Bank overdrafts	46	63
0.00% bond 2018–2020, nominal CHF 100 million	100	
Other current financial debts	26	26
Total current financial debts	195	105
Non-current financial debts		
0.00% bond 2018–2020, nominal CHF 100 million		100
0.25% bond 2018–2023, nominal CHF 400 million	400	400
Liabilities towards non-controlling interests	28	9
Other non-current financial debts	9	22
Total non-current financial debts	437	531

Other current and non-current financial debts comprise bank loans and deferred purchase considerations from business combinations. Information on liabilities towards non-controlling interest is provided in note 24.

Changes in financial debts are as follows:

In CHF million	2019			2018		
	Current financial debts	Non-current financial debts	Total	Current financial debts	Non-current financial debts	Total
January 1	105	531	636	160	20	180
Effect adoption IFRS 16	–3	–4	–7			
January 1, restated	102	527	629			
Cash inflow from increase in financial debts	12	–	12	31	507	538
Cash outflow from repayment of financial debts	–20	–6	–26	–91	–4	–95
Other cash flows	–11	–	–11	–17	–1	–18
Non-cash items						
Reclassifications	107	–107	–	11	–11	–
Others	7	23	30	15	21	36
Exchange differences	–2	–	–2	–4	–1	–5
December 31	195	437	632	105	531	636

Other cash flows comprise payments of deferred purchase considerations from business combinations disclosed in cash flow from investing activities, see note 24 for further information. Other non-cash items mainly include the change in liabilities towards non-controlling interest and changes in deferred purchase consideration from business combinations.

Changes in lease liabilities are disclosed within note 18.

15 Contract balances

Contract assets are recognized in cases where the amount of goods or services transferred to the customer exceeds the amount for which the Group has an unconditional right to payment. Contract assets are regularly reviewed for impairment indicators. Contract liabilities are recognized in cases where the amount of goods or services transferred to the customer is lower than the consideration received or due.

For new installations and modernization contracts, 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.

For maintenance contracts, contract liabilities are recognized for prepaid maintenance services by customers, whereas contract assets are recognized for work performed ahead of the payment being unconditionally due.

In CHF million	2019	2018
Contract assets		
New installation and modernization contracts	673	586
Maintenance contracts	42	38
Total contract assets	715	624
Contract liabilities		
New installation and modernization contracts	-1 685	-1 582
Maintenance contracts	-616	-604
Total contract liabilities	-2 301	-2 186

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 1 350 million as revenue that was included in contract liabilities at the beginning of the reporting year (previous year: CHF 1 300 million). This amount represents new installation and modernization contracts that were completed or made further progress, and the release of contract liabilities related to maintenance contracts.

16 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.

Material costs incurred before the start of installation of an elevator or escalator are recognized as inventory

for customer contracts at the lower of production cost or the net realizable value. With the start of revenue recognition, inventory for customer contracts is transferred to contract balances.

Inventory allowances are recognized for slow-moving stock. Technically obsolete items are written off.

In CHF million	2019	2018
Inventory for customer contracts	580	596
Raw materials, semifinished and finished goods	431	424
Advance payments to suppliers	29	29
Total inventories	1 040	1 049

Inventories include allowances and write-offs of CHF 112 million related to slow-moving and technically obsolete items (previous year: CHF 110 million).

17 Property, plant, and equipment (PPE)

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

Costs are capitalized if they extend the useful life or expand the production capacity of an asset. Non-value-adding maintenance and repair costs are recognized as other operating expenses when they are incurred.

Property, plant, and equipment are depreciated on a straight-line basis over their useful life. Land is not depreciated.

The estimated useful life of property, plant, and equipment is as follows: For buildings: 20 to 40 years, for equipment and machinery: 5 to 10 years, and for other property, plant and equipment: 3 to 10 years.

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.

2019

In CHF million	Land	Buildings	Equipment and machinery	Assets under construction	Other PPE	Total
Net book values 2019						
January 1, 2019	74	515	194	156	147	1 086
Effect adoption IFRS 16					-7	-7
January 1, restated	74	515	194	156	140	1 079
Additions	5	58	53	62	47	225
Disposals	-3	-30	-4	-	-6	-43
Depreciation		-32	-51	-	-52	-135
Business combinations	-	-	-	-	1	1
Reclassifications	-	101	18	-138	19	-
Exchange differences	-2	-17	-6	-3	-3	-31
December 31, 2019	74	595	204	77	146	1 096
Cost	82	933	634	77	449	2 175
Accumulated depreciation and impairment	-8	-338	-430	-	-303	-1 079
December 31, 2019	74	595	204	77	146	1 096

Other property, plant, and equipment comprise vehicles, tools, and IT hardware.

2018

In CHF million	Land	Buildings	Equipment and machinery	Assets under construction	Other PPE	Total
Net book values 2018						
January 1, 2018	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, 2018	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, 2018	74	515	194	156	147	1 086

In the reporting year, the sale of property, plant, and equipment resulted in gains of CHF 8 million (previous year: gains of CHF 9 million). The gains are recognized in other operating income.

As at December 31, 2019, contractual commitments for investments in property, plant, and equipment amount to CHF 26 million (previous year: CHF 34 million).

Investment properties

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

In CHF million	2019	2018
Net book value	16	37
Fair value	16	54
thereof determined by external sources in the reporting year	9	1
Rental income	4	4
Operating expenses	2	2
thereof for investment properties without lease income	1	1

The fair value indicated for investment properties is measured using the discounted cash flow method. Based on the unobservable input data used for the valuation, such as discount rates and expected developments in rental income, it results in a level 3 fair value classification.

18 Leases

Lease liabilities are initially measured at the present value of lease payments to be paid in the future, discounted using the incremental borrowing rate or the interest rate implicit in the lease contract, if available. Lease payments include payments for non-lease components. Subsequently, lease liabilities are measured at amortized cost using the effective interest method. Remeasurements of the lease liabilities are required in case of changes in the lease term, in future lease payments or when options are reassessed.

Right-of-use asset are initially measured at the present value of the corresponding lease liability adjusted by payments made before lease commencement and any lease incentives received. Subsequently, the assets are depreciated on a straight-line basis over the

lease term and are adjusted by remeasurements of the corresponding lease liability. An impairment test is performed whenever impairment indicators are identified.

The incremental borrowing rate is based on the risk-free rates of the underlying countries, adjusted according to the specific risks of the Group company and the underlying asset.

Lease accounting is not applied for short-term leases with a non-cancellable lease term not exceeding 12 months, as well as for leases where the underlying asset is of low value. The lease payments for such leases are recognized as other operating expenses when they are incurred.

The Group leases land and buildings for use as office and warehouse space. Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease terms are typically fixed for a period of three to ten years. In many cases, lease contracts for buildings contain extension options, which provide operational flexibility and security. Such options are considered individually to determine whether the Group is reasonably certain to exercise the option. Furthermore, the Group maintains a fleet of leased vehicles with an average lease term of four years.

The following expenses related to the Group's leasing activities are recognized in the income statement:

In CHF million	2019
Lease payments relating to short-term leases	34
Lease payments relating to low-value leases	7
Variable lease payments	6
Lease-related expenses	47
Depreciation of right-of-use assets	126
Interest expenses on lease liabilities	11
Total amount recognized in the income statement	184

Right-of-use assets

In CHF million	Land	Buildings	Vehicles	Total
Net book values 2019				
January 1, 2019				
Effect adoption IFRS 16	32	272	135	439
January 1, restated	32	272	135	439
Additions	2	59	87	148
Remeasurements	–	12	4	16
Disposals	–	–4	–12	–16
Depreciation	–1	–58	–67	–126
Exchange differences	–1	–5	–5	–11
December 31, 2019	32	276	142	450
Cost				
Cost	33	331	198	562
Accumulated depreciation and impairment	–1	–55	–56	–112
December 31, 2019	32	276	142	450

Lease liabilities

In CHF million	Current lease liabilities	Non-current lease liabilities	Total
January 1, 2019			
Effect adoption IFRS 16	105	311	416
January 1, restated	105	311	416
Payment of lease liabilities including interest	–132		–132
Non-cash items			
Additions	31	115	146
Interest	11		11
Remeasurements	3	13	16
Reclassifications	98	–98	–
Disposals	–5	–11	–16
Exchange differences	–3	–7	–10
December 31, 2019	108	323	431

In the consolidated cash flow statement, the payment of the principal portion of lease liabilities is reported as cash flow from financing activities. Interest paid on lease liabilities is presented as part of interest paid within cash flow from operating activities. Total cash outflows for the Group's leasing activities amount to CHF 179 million in the reporting year.

19 Intangible assets

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

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful life. The estimated useful life of intangible assets is as follows: For maintenance portfolios: 5 to 15 years, and for other intangible assets: 3 to 10 years.

Goodwill is not amortized but is tested for impairment annually or whenever there are indications that an impairment may have occurred.

For all other intangible assets, 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.

In CHF million	Goodwill	Maintenance portfolio	Other intangible assets	Total
Net book values 2019				
January 1, 2019	834	238	119	1 191
Effect adoption IFRS 16			-31	-31
January 1, restated	834	238	88	1 160
Additions			48	48
Amortization		-29	-26	-55
Business combinations	24	36	-	60
Exchange differences	-25	-7	-2	-34
December 31, 2019	833	238	108	1 179
Cost				
Cost	850	581	245	1 676
Accumulated amortization and impairment	-17	-343	-137	-497
December 31, 2019	833	238	108	1 179
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				
Cost	851	574	248	1 673
Accumulated amortization and impairment	-17	-336	-129	-482
December 31, 2018	834	238	119	1 191

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

Goodwill impairment test

The value in use of the cash-generating units to which goodwill has been allocated is determined annually in the third quarter using the discounted cash flow method.

Future cash flows, pre-tax 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 are considered reasonable by management.

An impairment loss is recognized in the income statement if the carrying amount of the cash-generating unit exceeds the value in use. Impairment losses from earlier periods cannot be reversed.

The value in use calculations were based on the following assumptions:

In CHF million	Goodwill	Assumptions used		
		Pre-tax discount rate	Growth rate	Inflation rate
as at December 31, 2019				
China	235	13.4%	3.0%	3.0%
Germany	229	10.0%	2.2%	2.2%
Brazil	133	17.6%	4.0%	4.0%
Switzerland	66	8.5%	1.0%	1.0%
USA	37	10.3%	2.2%	2.2%
Saudi Arabia	33	12.0%	2.1%	2.1%
Others	100			
Total	833			
as at December 31, 2018				
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 in the reporting year (previous year: no impairment). The item others comprise ten individually insignificant cash-generating units (previous year: seven).

Sensitivity analyses performed show, that even if cash flow forecasts used for the discounted cash flow method were based on zero growth, the carrying amount would not exceed the value in use of the cash-generating units. Furthermore, an increase of one percentage point in the assumed discount rate would not alter the results of the impairment test.

Research and development costs

Research and development costs are recognized in the income statement when they are incurred. 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.

In the reporting year, research and development costs of CHF 196 million were recognized in the income statement (previous year: CHF 178 million).

20 Associates

Associates are companies in which the Group has significant influence, but which are not controlled by the Group. They are accounted for using the equity method.

The carrying amount of associates comprises goodwill and the proportionate fair value of the net assets. 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.

The Group's share of the associated profit or loss, as well as impairments, are recognized as result from associates in the income statement. Exchange differences are recognized in OCI.

The Group's share of the results of associates is as follows:

In CHF million	2019	2018
Share of results recognized in the income statement	–	–13
Share of results recognized in OCI	–	–
Share of results recognized in comprehensive income	–	–13

In the previous year, the Group increased its stake in Volkslift Elevator (China) Co. Ltd. from 25% to 49%. Options to purchase the remaining shares are currently not exercisable.

21 Provisions and contingent liabilities

21.1 Provisions

A provision is recognized when a legal or constructive obligation arising from past events exists, if it is probable that a cash outflow will be required to settle the obligation and a reliable estimate of this amount can be made. Provisions are reassessed at every reporting date.

Non-current provisions are discounted at a risk-adjusted interest rate whenever the impact of discounting is material. Subsequently, the increase in the present value is recognized as financial expenses.

In CHF million	Onerous customer contracts	Restructuring costs	Product liabilities and warranties	Self-insurance	Others	Total
Current provisions	28	23	87	13	20	171
Non-current provisions	4	2	181	50	18	255
Total provisions	32	25	268	63	38	426
Statement of changes						
December 31, 2018, reported	29	20	286	64	106	505
Change in presentation ¹					-63	-63
December 31, 2018, adjusted	29	20	286	64	43	442
Addition	22	23	65	19	6	135
Increase in present value	-	-	4	5	-	9
Utilization	-18	-18	-75	-19	-6	-136
Reversal	-1	-	-6	-3	-4	-14
Business combinations	-	-	-	-	1	1
Exchange differences	-	-	-6	-3	-2	-11
December 31, 2019	32	25	268	63	38	426

¹ See note 2.3 for information on the change in presentation

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.

Restructuring provisions are recognized and measured on the basis of the restructuring plans that have been announced. Provisions are used when the related costs are incurred.

The measurement of provisions for product liability is based on actuarial reports by independent experts. Such reports take account of all units under maintenance and include assumptions about the probability of occurrence of future damages based on experience. Product liability 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, so-called assurance-type warranties. The amounts are based on experience.

Provisions for self-insurance mainly cover employee-related risks that are not, or not sufficiently, covered by local or state insurance in individual countries. The measurement of self-insurance provisions is based on actuarial reports by independent experts. The reports take account of all local employees and include assumptions about the probability of occurrence of risks based on experience. The provisions are used as the payments are made, which may be over a period of up to ten years following the occurrence of the event.

Other provisions cover further risks, such as litigation, usually used within five years.

21.2 Contingent liabilities

Guarantees in favor of third parties are reported off-balance sheet as contingent liabilities and are only recognized as a provision if it is probable that an outflow of resources will occur. As at December 31, 2019, guarantees amount to CHF 32 million (previous year: CHF 44 million).

Furthermore, the Group is exposed to a variety of legal risks. In particular, they may include risks associated with employment law, product liability, patent 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 138 million as at December 31, 2019. The Group companies in question consider the claims to be without merit.

22 Income taxes

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.

Deferred taxes

Deferred taxes are recognized using the liability method. Deferred taxes reflect income tax impacts of temporary differences between the balance sheet values relevant for the consolidated financial statements and the values that are relevant for the tax assessments.

Deferred tax liabilities are recognized on all taxable temporary differences, whereas deferred tax assets are only recognized if it is probable that future profits will be available against which these assets can be offset for tax purposes. Forecasts and the interpretation of existing tax laws and regulations serve as the basis for the assumptions of whether such future offsetting is probable.

Changes in deferred tax assets and liabilities are recognized as income tax expenses. If underlying transactions, which lead to a change in deferred taxes, are recognized in OCI or directly in equity, the change in deferred taxes is also recognized in OCI or directly in equity.

Uncertain tax positions

Uncertainties regarding the correct tax treatment can arise from risks resulting from final tax assessments that are only made several years after the end of the reporting year. Where there is uncertainty over whether the Group's tax treatment will be accepted by the tax authority, the Group is required to reflect the uncertainty in the consolidated financial statements. The uncertainty is reflected by an expected value or the single most likely amount, whichever better reflects the uncertainty.

The income tax expenses recognized in the income statement are as follows:

In CHF million	2019	2018
Income taxes for the reporting year	291	268
Income taxes for previous years	-19	-34
Deferred income taxes	-	10
Total income taxes	272	244

The reconciliation of income tax expenses is as follows:

In CHF million	2019	2018
Profit before taxes	1 201	1 252
Weighted average income tax rate – expected	22.9%	22.9%
Expected income tax expenses	275	287
Effects of		
Recognition/utilization of unrecognized tax loss carryforwards	-3	-4
Recognition of future tax impacts	-	-16
Other non-taxable income/Other non-deductible expenses	8	3
Non-refundable withholding taxes	19	17
Income taxes from previous years	-19	-34
Other differences	-8	-9
Total income taxes	272	244
Weighted average income tax rate – effective	22.6%	19.5%

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 usually varies from year to year.

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

In the reporting year, the effective tax rate increased by 3.1% to 22.6%, mainly due to a settlement in an arbitration procedure with regard to the Group's tax position in the previous year. A one-time positive impact of CHF 60 million (income taxes CHF 33 million, net interest income CHF 27 million) was recognized in the income statement. Cash flows related to the tax refund are disclosed in interest received and income taxes paid in cash flow from operating activities.

Furthermore, a Swiss federal tax reform becomes effective as at January 1, 2020, which eliminates certain tax privileges. The expected impact on the Group tax rate is not material.

Deferred taxes

Deferred taxes arise from the following positions in the consolidated balance sheet:

In CHF million	2019			2018		
	Deferred tax assets	Deferred tax liabilities	Net book value	Deferred tax assets	Deferred tax liabilities	Net book value
Current assets	113	-47	66	126	-51	75
Property, plant, and equipment	2	-30	-28	3	-24	-21
Leases ¹	2	-	2			
Intangible assets	28	-111	-83	32	-114	-82
Other non-current assets	-	-13	-13	-	-21	-21
Current liabilities	109	-36	73	133	-70	63
Provisions	70	-15	55	69	-26	43
Employee benefits	93	-	93	85	-	85
Tax loss carryforwards	7		7	9		9
Net deferred taxes			172			151
thereof deferred tax assets			283			282
thereof deferred tax liabilities			-111			-131

¹ Net amount of right-of-use assets and lease liabilities

Changes in net deferred taxes are as follows:

In CHF million	2019	2018
January 1	151	192
Effect adoption of IFRS 16	1	
January 1, restated	152	
Addition and reversal of temporary differences		
recognized in the income statement	–	–10
recognized in OCI	27	–12
Business combinations	–8	–12
Exchange differences	1	–7
December 31	172	151

Tax loss carryforwards

In CHF million	2019		2018	
	Loss carry-forwards	Tax effects	Loss carry-forwards	Tax effects
Total	182	36	197	43
Recognized as deferred tax assets	–25	–7	–34	–9
Total unrecognized	157	29	163	34
thereof expiring				
< 1 year	1	–	5	1
1–5 years	46	6	39	6
> 5 years	110	23	119	27

Unrecognized deferred tax assets

In CHF million	2019	2018
Temporary differences	21	21
Tax loss carryforwards	157	163
Total basis	178	184
Unrecognized deferred tax assets	34	38
Average tax rate	19.1%	20.7%

Deferred tax assets are not recognized for Group companies with a history of tax losses or for which no or only a small taxable profit is expected in the future.

23 Equity and earnings per share

Share and participation capital

	Number	Capital in CHF
Registered shares, nominal value CHF 0.10	67 077 452	6 707 745
Participation certificates, nominal value CHF 0.10	40 716 831	4 071 683
Total	107 794 283	10 779 428

There were no changes in the share and participation capital compared to the previous year.

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.

Earnings per share

	2019	2018
Number of shares and participation certificates	107 794 283	107 794 283
Average number of treasury shares	-435 576	-546 201
Basic average number of outstanding shares	107 358 707	107 248 082
Share-based payment plans	167 666	244 844
Diluted average number of outstanding shares	107 526 373	107 492 926
Net profit attributable to Schindler shareholders in CHF million	863	943
Basic earnings per share in CHF	8.04	8.79
Diluted earnings per share in CHF	8.03	8.77

Shares include registered shares and participation certificates.

Dividends

In 2019, CHF 429 million was paid in dividends (previous year: CHF 428 million). This corresponds to an ordinary dividend of CHF 4.00 per registered share and per participation certificate (previous year: ordinary dividend of CHF 4.00).

The Board of Directors proposes to the General Meeting of Shareholders the payment of an ordinary dividend of CHF 4.00 per share and participation certificate for the reporting year 2019. This represents a total gross dividend payment of CHF 431 million. The dividend payment will be recognized in equity in the period in which the distribution is approved by the General Meeting of Shareholders.

Treasury shares

Treasury shares comprise registered shares and participation certificates of Schindler Holding Ltd. They are reported as a deduction from equity and are measured at acquisition costs.

There is no subsequent remeasurement of treasury shares. Gains and losses from the sale of treasury shares are recognized in equity.

In CHF million	Registered shares		Participation certificates	
	Number	Value	Number	Value
January 1, 2018	489 174	86	211 740	21
Purchases	106 124	19	575	–
Disposals	–11 725	–2	–3 028	–1
Share-based payments				
Allocation of shares	–77 738	–15	–	–
Exercise of PSU and options	–134 989	–16	–66 853	–6
Difference in value		–1		–
December 31, 2018	370 846	71	142 434	14
Purchases	120 000	26	–	–
Disposals	–1 923	–	–1 923	–1
Share-based payments				
Allocation of shares	–77 225	–17	–	–
Exercise of PSU and options	–83 190	–13	–88 477	–7
Difference in value		–2		–1
December 31, 2019	328 508	65	52 034	5

Treasury shares are used for the Group's share-based payment plans, refer to note 6.3.

Other reserves

Other reserves comprise cash flow hedge reserves of CHF –3 million (previous year: CHF 1 million) and the share of OCI from associates amounting to CHF –1 million (previous year: CHF –1 million).

24 Business combinations

General

Business combinations are accounted for using the acquisition method. Acquisition costs comprise the consideration paid, including the fair value of deferred and contingent consideration. Transaction costs are recognized as operating expenses. Businesses acquired in the reporting year are included in the Group's consolidated financial statements from the date on which the Group obtained control.

Net assets acquired comprise identifiable assets, liabilities, and contingent liabilities and are recognized at fair value. Identifiable intangible assets mainly consist of maintenance portfolios. The difference between the acquisition costs and the fair value of the net assets acquired is recognized as goodwill. Goodwill is allocated to those cash-generating units that are expected to benefit from the acquisition and to generate future cash flows. Non-controlling interests are generally recognized according to their proportionate share of the fair value of the net assets acquired.

It is common practice for the Group to acquire call options for interests that were not acquired and to write put options.

Liabilities towards non-controlling interests

Liabilities towards non-controlling interests arise from written put options. Initially, they are measured at the present value of the redemption amount and recognized as financial debts, see note 14. Subsequently, they are remeasured annually, and the impacts are recorded in retained earnings without any impact on the income statement.

Step acquisitions

If the Group obtains control of an associate, 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 OCI are reclassified to the income statement.

In the reporting year and the previous year, 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 business combinations are not significant. The business combinations enable the Group to strengthen its market position and regional coverage.

The impact on the Group's revenue and its operating profit resulting from the business combinations was not material, nor would it be material if all the business combinations had occurred on January 1, 2019, or January 1, 2018, respectively.

The fair values of the net assets acquired through business combinations are as follows:

In CHF million	2019	2018
Assets		
Cash and cash equivalents	3	5
Accounts receivable	7	11
Other current assets	6	4
Maintenance portfolio	36	68
Other intangible assets	–	–
Deferred tax assets	–	1
Other non-current assets	1	4
Liabilities		
Current liabilities	14	19
Deferred tax liabilities	8	13
Non-current liabilities	2	3
Net assets acquired	29	58
Non-controlling interests	–	1
Goodwill	24	52
Total acquisition costs	53	111

Gross trade accounts receivable total CHF 8 million and the related bad debt allowances total CHF 1 million (previous year: gross amount of CHF 12 million and allowances of CHF 1 million).

The Group assumes that CHF 7 million of goodwill is tax-deductible (previous year: CHF 9 million).

A reconciliation of the net cash outflow for business combinations is provided in the following table:

In CHF million	2019	2018
Cash and cash equivalents paid	42	93
Deferred purchase consideration	11	18
Total acquisition costs	53	111
Cash and cash equivalents acquired	–3	–5
Deferred purchase consideration	–11	–18
Paid deferred purchase consideration from previous years	11	18
Net cash outflow	50	106

25 Cash flow statement

The cash flow statement shows the movements in the Group's cash and cash equivalents.

Cash and cash equivalents are defined as cash on hand, current bank accounts, and time deposits with an original maturity of three months or less.

The reconciliation of the Group's net profit to the operating profit which is used as starting point for the cash flow statement is as follows:

In CHF million	2019	2018
Net profit	929	1 008
Income taxes	272	244
Financial result	57	4
Result from associates	–	13
Operating profit	1 258	1 269

Details of specific line items in operating cash flow are included in the following table:

In CHF million	2019	2018
Other non-cash items		
Share-based payments	24	29
Change in provisions	121	94
Change in employee benefits	–14	–7
Change in bad debt allowances	31	4
Others	–4	–4
Total other non-cash items	158	116
Other cash items		
Change in provisions	–136	–124
Change in employee benefits	–12	–20
Total other cash items	–148	–144
Change in net working capital		
Accounts receivable	–90	–142
Contract assets	–106	–223
Inventories	–21	–30
Prepaid expenses	–15	20
Accounts payable	50	58
Contract liabilities	161	236
Accrued expenses	15	–138
Total change in net working capital	–6	–219

26 Related parties

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

As at December 31, 2019, the Schindler and Bonnard families – within the scope of shareholder agreements – and parties related to these families held 47 631 495 registered shares of Schindler Holding Ltd. (previous year: 47 662 664). This corresponds to 71.0% of the voting rights of the share capital entered in the Commercial Register (previous year: 71.1%).

Generally, business transactions with related parties were conducted at arm's length. Transactions in goods and services are based on prices that apply to third parties, including similar general terms and conditions.

Transactions with associates and other related parties consist of the following:

In CHF million	2019	2018
Associates		
Accounts receivable and loans	27	19
Liabilities	21	13
Revenue	52	53
Material and operating expenses	21	27
Other related parties		
Liabilities towards shareholders	23	16
Interest expenses	–	–

The compensation for key management is disclosed within note 6.4.

27 Material Group companies

Country	Head office	Name of company	Participation in %		Nominal capital (in thousands of local currency)	
			2019	2018		
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	●
	Taiwan region	Jardine Schindler Lifts Ltd. ¹	100.0	100.0	100 000 TWD	●
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	24 250 EGP	●
Finland	Helsinki	Schindler Oy	100.0	100.0	100 EUR	●
France	Vélizy-Villacoublay	Schindler S.A.	100.0	100.0	8 594 EUR	●
Germany	Berlin	Schindler Aufzüge und Fahrtreppen GmbH	100.0	100.0	9 715 EUR	●
		BuildingMinds GmbH	100.0	–	100 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	60 000 MAD	●
Netherlands	The Hague	Schindler Liften B.V.	100.0	100.0	567 EUR	●
New Zealand	Auckland	Schindler Lifts NZ Ltd.	100.0	100.0	1 000 NZD	●

● Production ● Sales, installation, maintenance ○ Other services

¹ Participations of Jardine Schindler Holdings Ltd., BVI

Country	Head office	Name of company	Participation in %		Nominal capital (in thousands of local currency)	
			2019	2018		
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.	65.0	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 Digital Group AG	100.0	100.0	1 000 CHF	○
		Schindler IT Services 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	● ○
	Küssnacht a.R.	AS Aufzüge AG	100.0	100.0	7 000 CHF	●
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	270 000 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	● ●
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

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 balance sheet as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 4 to 61) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 2019, 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. 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 4, 15 and 21.1 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. 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 note 22 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 reporting entities 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.

Basel, 13 February 2020

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Simon Zogg
Licensed audit expert

Financial Statements of Schindler Holding Ltd.

67	Income statement
68	Balance sheet
69	Notes to the financial statements
69	Business activities
69	Basis of preparation
69	1 Financial result
69	2 Cash and cash equivalents
69	3 Other receivables
70	4 Prepaid expenses and accrued expenses
70	5 Financial assets
71	6 Participations
71	7 Interest-bearing liabilities
71	8 Other payables
72	9 Provisions
72	10 Equity
73	11 Contingent liabilities
74	12 Release of hidden reserves
74	13 Significant shareholders
74	14 Equity instruments and Performance Share Units allocated
74	15 Levels of participation
77	Appropriation of available earnings
78	Report of the statutory auditor

Income statement

In CHF 1 000	Note	2019	2018
Income from participations	6	603 570	509 867
Financial income	1	52 879	30 515
Total operating income		656 449	540 382
Personnel expenses		-11 908	-19 261
Other operating expenses		-9 416	-11 869
Financial expenses	1	-13 393	-5 863
Total operating expenses		-34 717	-36 993
Extraordinary items	3, 6, 9	-12 171	-
Profit before taxes		609 561	503 389
Taxes		-9 521	-1 123
Net profit		600 040	502 266

Balance sheet

Assets

In CHF 1 000	Note	31.12.2019	%	31.12.2018	%
Current assets					
Cash and cash equivalents	2	1 620 466		1 504 771	
Financial assets	5	1 143		7 473	
Other receivables	3	1 017 515		920 016	
Prepaid expenses	4	18 452		12 125	
Total current assets		2 657 576	48.1	2 444 385	45.7
Non-current assets					
Loans to Group companies		865 871		876 666	
Financial assets	5	118 493		155 633	
Participations	6	1 884 360		1 868 036	
Property, plant, and equipment		1 086		1 132	
Total non-current assets		2 869 810	51.9	2 901 467	54.3
Total assets		5 527 386	100.0	5 345 852	100.0

Liabilities and equity

In CHF 1 000	Note	31.12.2019	%	31.12.2018	%
Current liabilities					
Trade accounts payable		1 355		1 667	
Interest-bearing liabilities	7	1 906 500		1 744 270	
Other payables	8	3 687		7 936	
Accrued expenses	4	25 261		27 665	
Total current liabilities		1 936 803	35.1	1 781 538	33.3
Non-current liabilities					
Interest-bearing liabilities	7	400 000		500 000	
Provisions	9	4 805		63 856	
Total non-current liabilities		404 805	7.3	563 856	10.6
Total liabilities		2 341 608	42.4	2 345 394	43.9
Equity					
Share capital	10	6 708		6 708	
Participation capital	10	4 072		4 072	
Legal reserves	10	317 121		317 121	
Free reserves					
Profit brought forward		122 777		49 709	
Net profit		600 040		502 266	
Other free reserves	10	2 205 341		2 205 341	
Treasury shares	10	-70 281		-84 759	
Total equity		3 185 778	57.6	3 000 458	56.1
Total liabilities and equity		5 527 386	100.0	5 345 852	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, as well as the hedging of transaction-related risks for Group companies.

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 previous year, Schindler Holding Ltd. took over the worldwide financing activities of Group companies from one of its subsidiaries, resulting in increased other receivables, loans, and interest-bearing liabilities to Group companies, and associated financial income and financial expenses.

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, in conjunction with the notes to the financial statements.

1 Financial result

Financial income includes net gains from foreign exchange of CHF 3.7 million (previous year: financial expenses included net loss of CHF 2.0 million). The foreign exchange losses amount to CHF 217.9 million (previous year: CHF 125.3 million) and the foreign exchange gains to CHF 221.6 million (previous year: CHF 123.3 million). These impacts result mainly from hedging of transaction-related risks for Group companies.

2 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.

3 Other receivables

In CHF 1 000	2019	2018
From third parties	366 305	145 375
From Group companies	651 210	774 641
Total other receivables	1 017 515	920 016

Other receivables from third parties mainly comprise time deposits with a maturity of 3 to 12 months totaling CHF 366.0 million (previous year: CHF 143.4 million).

Loans to affiliates were written down by CHF 25.4 million during the year (previous year: nil). The write-down was recognized in extraordinary items in the income statement.

4 Prepaid expenses and accrued expenses

Prepaid expenses and accrued expenses mainly comprise the replacement values of 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.

Prepaid expenses

In CHF 1 000	2019	2018
Positive replacement values of forward exchange transactions to third parties	9 145	4 105
Positive replacement values of forward exchange transactions to Group companies	8 002	6 706
Other prepaid expenses	1 305	1 314
Total prepaid expenses	18 452	12 125

The forward exchange transactions have a nominal amount of CHF 1 294.7 million (previous year: CHF 1 200.9 million).

Accrued expenses

In CHF 1 000	2019	2018
Negative replacement values of forward exchange transactions to third parties	13 594	3 650
Negative replacement values of forward exchange transactions to Group companies	1 524	8 314
Other accrued expenses	10 143	15 701
Total accrued expenses	25 261	27 665

The forward exchange transactions have a nominal amount of CHF 888.9 million (previous year: CHF 1 308.6 million).

5 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. Non-current financial assets are measured at nominal value.

Non-current financial assets mainly comprise time deposits with a maturity of more than 12 months totaling CHF 89.7 million (previous year: CHF 126.7 million) and bonds totaling CHF 25.2 million (previous year: CHF 25.4 million).

6 Participations

Income from participations comprises dividends from Group companies and gains on sale of 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. Write-downs are generally recognized in extraordinary items in the income statement.

In CHF 1 000	2019	2018
January 1	1 868 036	1 658 356
Capital increases	59 528	159 705
Write-downs	-43 304	–
Additions	100	49 975
December 31	1 884 360	1 868 036

The write-down of CHF 43.3 million was recognized in extraordinary items in the income statement.

An overview of the companies that are directly or indirectly controlled by Schindler Holding Ltd. is provided in note 27 to the consolidated financial statements.

7 Interest-bearing liabilities

In CHF 1 000	2019	2018
To Group companies	1 783 118	1 728 087
To shareholders	23 382	16 183
0.00% bond 2018–2020, due June 5, 2020	100 000	–
Total current interest-bearing liabilities	1 906 500	1 744 270
0.00% bond 2018–2020, due June 5, 2020	–	100 000
0.25% bond 2018–2023, due June 5, 2023	400 000	400 000
Total non-current interest-bearing liabilities	400 000	500 000

8 Other payables

In CHF 1 000	2019	2018
To third parties	977	1 472
To pension plans	2 087	5 839
To Group companies	368	337
To shareholders and governing bodies	255	288
Total other payables	3 687	7 936

9 Provisions

In the reporting year, hidden reserves relating to provisions of CHF 58.4 million were released. The remaining provisions to cover financial risks amount to CHF 4.8 million (previous year: CHF 63.9 million). Provisions are raised for treasury shares required to realize share-based payment plans, which have not yet been acquired, as well as the difference between the current market price and the fair value at grant date for treasury shares to be charged to Group companies.

10 Equity

In CHF 1 000	Share capital	Participation capital	Legal reserves	Other free reserves	Available earnings	Treasury shares	Total equity
January 1, 2018	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
Dividend					-429 198		-429 198
Change in treasury shares						14 478	14 478
Net profit					600 040		600 040
December 31, 2019	6 708	4 072	317 121	2 205 341	722 817	-70 281	3 185 778
of which share premiums (unchanged)			311 321				

10.1 Share and participation capital

	Number	Capital in CHF
Registered shares, nominal value CHF 0.10	67 077 452	6 707 745
Participation certificates, nominal value CHF 0.10	40 716 831	4 071 683
Total share and participation capital		10 779 428

There were no changes in the share and participation capital compared to the previous year.

10.2 Treasury shares

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.

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

or charged to the respective Group company, the resulting gain or loss is recognized in financial income or financial expenses. Where the treasury shares are charged to a Group company, the gain or loss is 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.

	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, 2018	489 174		86	211 740		21
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		
Purchases	120 000	212.65	26	–	–	–
Disposals	–1 923	201.20	–	–1 923	214.06	–1
Share-based payments						
Allocation	–77 225	216.40	–17	–	–	–
Exercising of options and Performance Share Units	–83 190	148.75	–13	–88 477	83.07	–7
Difference in value due to allocation and exercise			–2			–1
December 31, 2019	328 508		65	52 034		5
Reserved for share-based payment plans	328 508			52 034		

11 Contingent liabilities

The contingent liabilities of Schindler Holding Ltd. total CHF 1 186.8 million (previous year: CHF 1 164.3 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.

12 Release of hidden reserves

In the reporting year, hidden reserves of CHF 62.9 million were released. Of those reserves, CHF 58.4 million related to provisions and CHF 4.5 million related to valuation of participations. The release of provisions was recognized as an extraordinary item in the income statement, while the release of the participation valuation was recorded directly against participations.

13 Significant shareholders

See note 26 to the consolidated financial statements for information about shareholders agreements.

14 Equity instruments and Performance Share Units allocated

		2019		2018	
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	8 657	1 858	8 862	1 672
Other employees of Schindler Holding Ltd.	Registered shares/Performance Share Units	5 810	1 140	5 595	1 132

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

15 Levels of participation

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

15.1 Board of Directors

As of 31.12.2019	Number	
	Registered shares	Options
Silvio Napoli, Chairman ¹	58 861	–
Alfred N. Schindler, Chairman emeritus ²	⁴	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–
Erich Ammann ¹	31 982	–
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 ⁵
Anthony Nightingale ²	3 000	–
Tobias B. Staehelin ³	^{4, 6}	–
Carole Vischer ²	^{4, 7}	–

¹Member of the Supervisory and Strategy Committee

²Nonexecutive member

³Executive member at Group company level

⁴Alfred 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 47 631 495 shares as of December 31, 2019, corresponding to 71.0% of the voting rights of the share capital entered in the Commercial Register.

⁵Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁶In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares

⁷In addition, a related party (not a member of the shareholder agreement) holds 57 registered shares

As of 31.12.2018	Number		
	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}	–	–

¹Member of the Supervisory and Strategy Committee

²Nonexecutive member

³Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)

⁴Executive member at Group company level

⁵Alfred 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 of December 31, 2018, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.

⁶Fully vested options on participation certificates granted under the Capital Participation Plans 2000/2003: 2010: 291; 2011: 2 145; 2012: 1 859; 2013: 1 533

⁷Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁸In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares

⁹In addition, a related party (not a member of the shareholder agreement) holds 14 registered shares

15.2 Group Executive Committee

As of 31.12.2019	Number		
	Registered shares	Participation certificates	Options ¹
Thomas Oetterli, CEO	37 914	–	–
David Clymo	7 424	–	–
Urs Scheidegger	4 167	8 000	–
Julio Arce	1 754	–	–
Karl-Heinz Bauer	6 295	–	–
Paolo Compagna	9 128	284	–
Carlos Guembe	2 915	–	–
Andre Inserra	5 361	–	–
Christian Schulz	7 187	1 959	252
Robert Seakins	196	–	210
Egbert Weisshaar	5 340	–	–
Daryoush Ziai	3 025	–	–

¹ Fully vested options on registered shares granted under the Capital Participation Plans 2000/2003 (option plan grant 2013)

As of 31.12.2018	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

See note 6 to the consolidated financial statements for information on option conditions.

Appropriation of available earnings

In CHF 1 000	Proposal by the Board of Directors 31.12.2019	Resolution of the General Meeting of Shareholders 31.12.2018 ²
Available earnings		
Net profit	600 040	502 266
Profit brought forward	122 777	49 709
Total available earnings	722 817	551 975
Appropriation of available earnings		
Dividend (gross)		
per registered share	CHF 4.00 (previous year: CHF 4.00)	266 784
per participation certificate	CHF 4.00 (previous year: CHF 4.00)	162 414
Total dividend	431 177	429 198
Allocation to other free reserves	100 000	–
Total appropriation of available earnings	531 177	429 198
Profit brought forward	191 640	122 777

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 26, 2019; 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 67 to 77), for the year ended 31 December 2019.

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 2019 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.

Basel, 13 February 2020

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

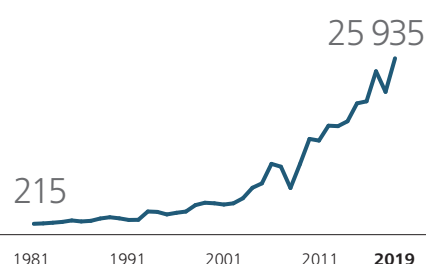
Simon Zogg
Licensed audit expert

Compensation Report

82	Compensation governance
83	Compensation principles
85	Compensation system for the Board of Directors
87	Compensation system for the Group Executive Committee
89	Compensation for the reporting year
92	Compensation for the previous year
94	Benefits for former members of governing bodies
94	Loans and credits
95	Proposals to the General Meeting of Shareholders 2020
96	Levels of participation
99	Report of the statutory auditor

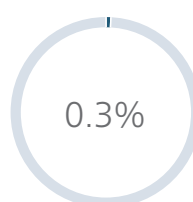
Market capitalization

In CHF million as of December 31

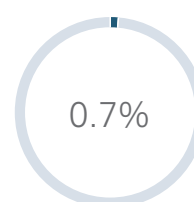


Total compensation¹

Share of Group operating expenses



Share of Group personnel expenses



¹ Members of the Board of Directors and Group Executive Committee

Proposals to the General Meeting of Shareholders 2020

In CHF 1 000

Fixed compensation

Board of Directors	Group Executive Committee
7 000	11 600

Variable compensation

Board of Directors ¹	Group Executive Committee
3 889	11 314

¹ Executive members only

This Compensation Report contains information about the compensation of the members of the Board of Directors and 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 2019 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.

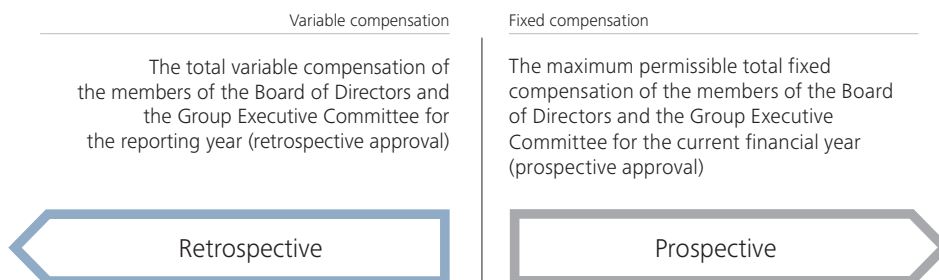
The responsibilities related to compensation matters at the level of the Board of Directors and the Group Executive Committee are defined in the Articles of Association and the Organizational Regulations. The most important functions and responsibilities in this context are summarized in the following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

	Beneficiaries									
	Chairman of the Board of Directors		Executive members of the Board of Directors		Nonexecutive 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	●	●	●	●	●	●	●	●	●	● ¹
Chairman of the Board of Directors			●	●	●	●	●	●	●	●
CEO								●		●
Board of Directors	●	●	●	●	●	●	●	●	●	●

● Proposal
● Decision
¹ Aggregate amount

The members of the Supervisory and Strategy Committee are not allowed to participate in the decision-making regarding their fixed and variable 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:



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.

Corporate Human Resources regularly compares the compensation of the members of the Group Executive Committee and the members of the Supervisory and Strategy Committee with external benchmarks. The results of such benchmarking analyses are discussed with the Compensation Committee and are used as the basis for the proposals to the Board of Directors regarding fixed and target compensation for the Group Executive Committee and the Supervisory and Strategy Committee members. A benchmarking analysis was last conducted in 2018.

1.2 Compensation Committee

The Compensation Committee holds at least two meetings per year. In the reporting year, it met nine times. For details of the composition as well as the roles and responsibilities of the Compensation Committee, refer to the Corporate Governance Report, section 3.5.2 and 3.5.2.3.

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, noncash 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 nonexecutive members. Three members of the Board of Directors are executive members. None of them serves concurrently as a member of the Group Executive Committee.

- Silvio Napoli and Erich Ammann 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 nonexecutive 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 also comprises an annual salary, a representation allowance and a car allowance, as well as pension (pension fund, Schindler Foundation), social, and other benefits. Other benefits mainly comprise health insurance contributions and premiums for management insurance plans. Fringe benefits are included in fixed compensation and are reported as other benefits if any single benefit exceeds CHF 500 or if total fringe benefits exceed CHF 20 000 in the reporting year.

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.

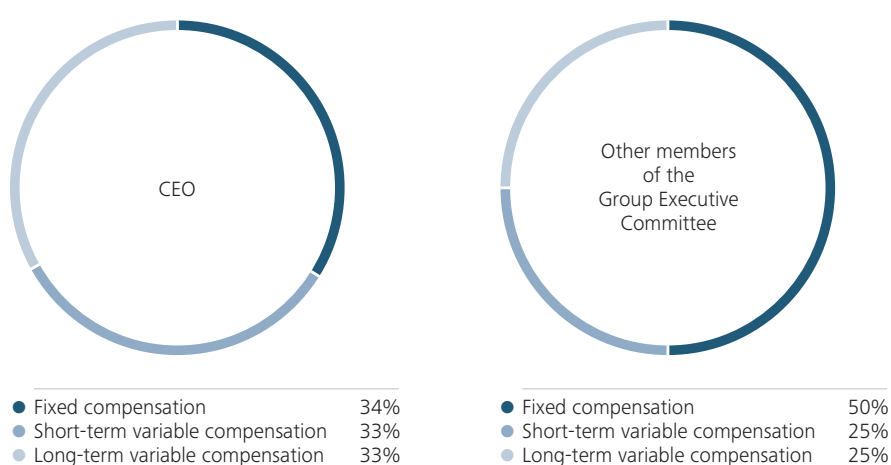
Provisional number of shares	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in December of the reporting year (less discount)
Value disclosed in Compensation Report	=	Volume-weighted average share price in December of the reporting year (less 10%)	×	Provisional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



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. Fringe benefits are included in fixed compensation and are reported as other benefits if any single benefit exceeds CHF 500 or if total fringe benefits exceed CHF 20 000 in the reporting year.

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 2019
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 210.74 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	2019
Performance period	Reporting year plus two years	2019–2021
Conversion date	In the year following the three-year performance period	30.4.2022
Conversion rate	0%–300%, depending on the extent to which the performance targets are achieved	to be determined in 2022
Cap	The maximum value of the converted shares that a participant may receive equals three times the contractual target amount. The market value of the shares at the time of conversion is used to calculate compliance with the cap.	
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). 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	× 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		Variable compensation			Total 2019
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Registered shares	Social and other benefits	
Silvio Napoli, Chairman ¹	1 401	337	1 000	1 125	123	3 986
Alfred N. Schindler, Chairman emeritus ²	353 ⁶	18	–	–	–	371
Prof. Dr. Pius Baschera, Vice Chairman ²	350 ⁷	17	–	–	–	367
Erich Ammann ³	760	229	628	706	77	2 400
Michael Nilles ⁴	423	116	–	–	–	539
Luc Bonnard ²	450 ⁶	22	–	–	–	472
Patrice Bula ²	240 ⁷	14	–	–	–	254
Prof. Dr. Monika Bütler ²	240 ⁸	14	–	–	–	254
Dr. Rudolf W. Fischer ²	240 ⁷	11	–	–	–	251
Anthony Nightingale ²	200	9	–	–	–	209
Tobias B. Staehelin ⁵	462	237	110	27	93	929 ⁹
Carole Vischer ²	240 ⁸	14	–	–	–	254
Total compensation reported	5 359	1 038	1 738	1 858	293	10 286
Total compensation to active members of the Board of Directors	4 936	922	1 738	1 858	293	9 747 ¹⁰

¹ Member of the Supervisory and Strategy Committee, employed on a full-time basis

² Nonexecutive member

³ Member of the Supervisory and Strategy Committee, employed on an 80% basis

⁴ Member of the Supervisory and Strategy Committee (until the General Meeting of Shareholders 2019)

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, 2019

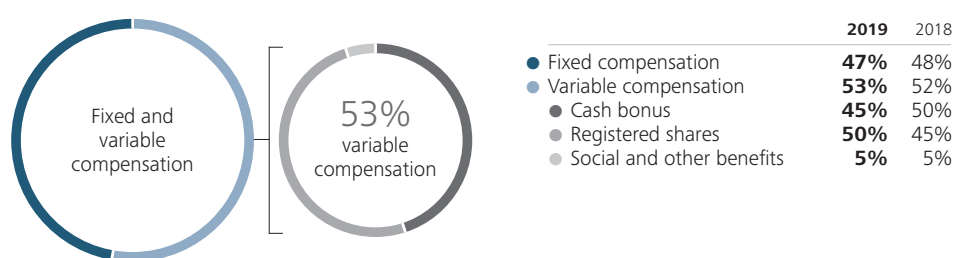
Fees for members of the Board of Directors and committees of the Board

The Board of Directors' fees (including the flat-rate allowance) remain unchanged:

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

The Chairman of the Audit Committee does not receive an additional fee for his work in the Audit Committee in view of the compensation he receives as an executive member of the Board of Directors.

Compensation of members of the Supervisory and Strategy Committee



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

	Registered shares
Silvio Napoli, Chairman	5 239
Erich Ammann	3 290
Tobias B. Staehelin	128

The number of registered shares disclosed is a provisional figure based on the volume-weighted average price in December 2019, with a discount of 20%. The final number is reported in the following year's Compensation Report.

Value per share

In CHF	Performance Share Plan
Participation right	Registered share
Volume-weighted average price in December 2019	238.58
Value for inclusion in variable compensation	214.72

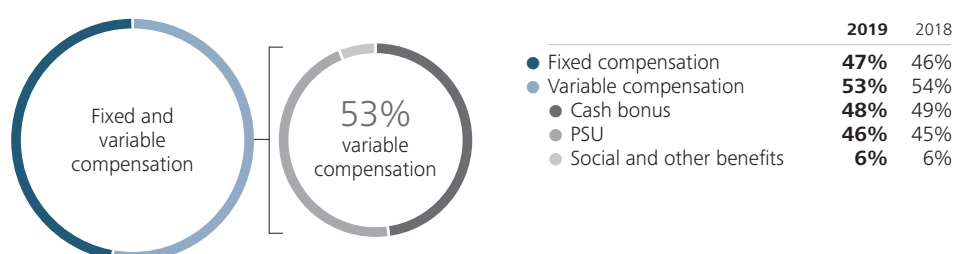
Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2019	7 600
Actual fixed compensation 2019	6 397

5.2 Group Executive Committee

In CHF 1 000	Fixed compensation		Variable compensation			Total 2019
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Social and other benefits	
Total compensation	7 097	2 815	5 438	5 232	644	21 226
Highest individual compensation: Thomas Oetterli, CEO	1 058	217	1 438	1 294	157	4 164

Compensation of members of the Group Executive Committee



Variable compensation reached a maximum of 227% of the fixed compensation (previous year: 231%).

The cash bonus awarded for 2019 reflects an average achievement factor of 115% based on the targets set for the year (previous year: 120%).

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

In April 2019, the PSU granted under the Deferred Share Plan 2015 for the performance period 2016–2018 were converted into registered shares at a conversion rate of 2.5. 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 1.98.

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	27 581
Thomas Oetterli, CEO	6 821

Value per Performance Share Unit

In CHF	Deferred Share Plan
Participation right	PSU on registered share
Volume-weighted average price in March 2019	210.74
Value for inclusion in variable compensation	189.67

Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2019	10 500
Actual fixed compensation 2019	9 912

6 Compensation for the previous year

6.1 Board of Directors

In CHF 1 000	Fixed compensation		Variable compensation			Total 2018
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Registered shares/PSU	Social and other benefits	
Silvio Napoli, Chairman ¹	1 393	338	859	967	106	3 663
Alfred N. Schindler, Chairman emeritus ²	353 ⁷	19	–	–	–	372
Prof. Dr. Pius Baschera, Vice Chairman ²	339 ⁸	16	–	–	–	355
Erich Ammann ³	725	227	551	605	65	2 173
Michael Nilles ⁴	831	202	739	77	46	1 895
Luc Bonnard ²	450 ⁷	22	–	–	–	472
Patrice Bula ²	231 ⁸	13	–	–	–	244
Prof. Dr. Monika Bütler ²	240 ⁹	14	–	–	–	254
Dr. Rudolf W. Fischer ²	231 ⁸	11	–	–	–	242
Prof. Dr. Karl Hofstetter ⁵	796	312	1 657	–	93	2 858
Anthony Nightingale ²	200	9	–	–	–	209
Tobias B. Staehelin ⁶	458	241	92	23	64	878 ¹⁰
Carole Vischer ²	240 ⁹	14	–	–	–	254
Total compensation reported	6 487	1 438	3 898	1 672	374	13 869
Total compensation to active members of the Board of Directors	5 691	1 126	2 241	1 672	281	11 011 ¹¹

¹ Member of the Supervisory and Strategy Committee, full-time basis

² Nonexecutive member

³ Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018), 80% basis

⁴ Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018). Due to his departure from the company, Michael Nilles did not receive any registered shares as part of his variable compensation for his time on the Board of Directors in 2018. The reported compensation was adjusted accordingly.

⁵ Member of the Supervisory and Strategy Committee (until the General Meeting of Shareholders 2018)

⁶ Executive member with executive position at Group company level

⁷ Including fee for consulting services (based on fixed daily fee and number of days actually worked)

⁸ Including fee for work as member of the Compensation Committee or its Chairman

⁹ Including fee for work as member of the Audit Committee

¹⁰ 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

¹¹ Represents compensation of all members of the Board of Directors in office at December 31, 2018

Registered shares granted

	Registered shares	PSU
Silvio Napoli, Chairman	5 097	–
Erich Ammann	2 447	773
Michael Nilles	–	425
Tobias B. Staehelin	120	–

The final number of registered shares was calculated using a grant value of CHF 168.59, which corresponds to the volume-weighted average share price in March 2019, 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 2018, less 20%, resulting in a provisional grant value of CHF 152.62).

6.2 Group Executive Committee

In CHF 1 000	Fixed compensation			Variable compensation		Total 2018
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Social and other benefits	
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

Performance Share Units granted

	Number
Total Group Executive Committee	26 115
Thomas Oetterli, CEO	6 181

7 Benefits for former members of governing bodies

Prof. Dr. Karl Hofstetter stepped down from the Board of Directors at the General Meeting of Shareholders 2018. In 2019, he continued to represent Schindler as Chairman of the Board of SwissHoldings. The compensation paid to him in the reporting year until the end of his employment contract and for his continued activities on behalf of the company amounted to CHF 898 000.

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, 2019.

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, 2019.

9 Proposals to the General Meeting of Shareholders 2020

The aggregate amounts of variable compensation for the reporting year 2019 and the aggregate amounts of fixed compensation for the financial year 2020 for the Board of Directors and for the Group Executive Committee will be proposed separately to the General Meeting of Shareholders in March 2020 for approval.

9.1 Variable compensation for 2019

The aggregate amount of variable compensation for the Board of Directors to be approved is CHF 3 889 000 (amount approved in 2019: CHF 5 988 000).

The change compared to the previous year is primarily based on the reduced number of members of the Supervisory and Strategy Committee in 2019 compared to 2018.

The aggregate amount of variable compensation for the Group Executive Committee to be approved is CHF 11 314 000 (amount approved in 2019: CHF 10 572 000).

The increase compared to the previous year is due to increased target amounts for variable compensation for some members of the Group Executive Committee, following the compensation benchmarking exercise carried out in 2018, partially offset by the reduced achievement factors.

The aggregate amount of variable compensation to be approved for the Group Executive Committee includes an amount of CHF 5 231 000, representing the value of the Performance Share Units granted in 2019, assuming that the Group's targets set for 2021 are achieved (i.e. assuming a 100% conversion rate). In 2022, 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 13 950 000.

9.2 Fixed compensation for 2020

The aggregate amount of fixed compensation for the Board of Directors to be approved is CHF 7.0 million (amount approved in 2019: CHF 7.6 million).

The reduction compared to the previous year reflects the new composition of the Supervisory and Strategy Committee.

The aggregate amount of fixed compensation for the Group Executive Committee to be approved is CHF 11.6 million (amount approved in 2019: CHF 10.5 million).

The increase compared to the previous year reflects primarily the increase in number of members of the Group Executive Committee from twelve to thirteen in 2020.

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

2019

As of 31.12.2019	Number	
	Registered shares	Options
Silvio Napoli, Chairman ¹	58 861	–
Alfred N. Schindler, Chairman emeritus ²	4	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–
Erich Ammann ¹	31 982	–
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 ⁵
Anthony Nightingale ²	3 000	–
Tobias B. Staehelin ³	4, 6	–
Carole Vischer ²	4, 7	–

¹ Member of the Supervisory and Strategy Committee

² Nonexecutive 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 47 631 495 shares as of December 31, 2019, corresponding to 71.0% of the voting rights of the share capital entered in the Commercial Register.

⁵ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁶ In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares

⁷ In addition, a related party (not a member of the shareholder agreement) holds 57 registered shares

2018

As of 31.12.2018	Number		
	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 Nonexecutive 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 of 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

10.2 Group Executive Committee

2019

As of 31.12.2019	Number		
	Registered shares	Participation certificates	Options ¹
Thomas Oetterli, CEO	37 914	–	–
David Clymo	7 424	–	–
Urs Scheidegger	4 167	8 000	–
Julio Arce	1 754	–	–
Karl-Heinz Bauer	6 295	–	–
Paolo Compagna	9 128	284	–
Carlos Guembe	2 915	–	–
Andre Inserra	5 361	–	–
Christian Schulz	7 187	1 959	252
Robert Seakins	196	–	210
Egbert Weisshaar	5 340	–	–
Daryoush Ziai	3 025	–	–

¹ Fully vested options on registered shares granted under the Capital Participation Plans 2000/2003 (option plan grant 2013)

2018

As of 31.12.2018	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

Information on the conditions that apply to options is provided in note 6.3 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 the compensation report of Schindler Holding Ltd. for the year ended 31 December 2019. 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 2019 of Schindler Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Basel, 13 February 2020

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Simon Zogg
Licensed audit expert

Corporate Governance

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

The Corporate Governance Report contains the information required by the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange, effective December 31, 2019, 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, 2019, the market capitalization of Schindler Holding Ltd. amounted to CHF 25.9 billion. Schindler Holding Ltd. has a direct or indirect interest in the consolidated companies listed in note 27 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. The company also offers digital solutions for transit and building management. Its operating structure as at December 31, 2019, 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, 2019, 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, 2019, the Schindler and Bonnard families and parties related to these families held – within the scope of shareholder agreements – 47 631 495 registered shares of Schindler Holding Ltd., corresponding to 71.0% 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 informed on September 30, 2019, on the following changes in the Group Executive Committee, effective as of January 1, 2020:

Julio Arce, previously responsible for Field Quality & Excellence in the Group Executive Committee has taken over the responsibility for Europe South. He succeeded Carlos Guembe who, after more than 30 years with the Schindler Group, stepped down from the Group Executive Committee on December 31, 2019. Mr. Guembe will retire in the course of 2020.

Robert Seakins, previously member of the Group Executive Committee, succeeded Julio Arce and becoming responsible for Field Quality & Excellence.

Jujudhan Jena, previously CEO of Jardine Schindler, the Group’s Joint Venture covering Hong Kong, Taiwan and South East Asia, was appointed to the Group Executive Committee, succeeding Robert Seakins.

Furthermore, the Board of Directors announced on February 14, 2020, that Matteo Attrovio, Chief Information Officer, will join the Group Executive Committee as from April 1, 2020.

Thus, the structure and composition of the Group Executive Committee is as follows, effective April 1, 2020:

	Nationality	Function
Thomas Oetterli (1969)	Swiss	CEO
David Clymo (1961)	British	Corporate Human Resources Deputy CEO
Julio Arce (1968)	Spanish	Europe South
Matteo Attrovio (1972)	Italian	Chief Information Officer
Karl-Heinz Bauer (1958)	German	CTO
Paolo Compagna (1968)	Italian	Europe North
Andre Inserra (1964)	Brazilian	Americas
Jujudhan Jena (1968)	American	Asia-Pacific
Urs Scheidegger (1969)	Swiss	CFO
Christian Schulz (1964)	German	Operations
Robert Seakins (1959)	Australian	Field Quality & Excellence
Egbert Weisshaar (1956)	Swiss	Escalators and Supply Chain
Daryoush Ziai (1963)	American	China

Current information is available at:

www.schindler.com – About Schindler – Corporate Governance (www.schindler.com/internet/en/about-schindler/corporate-governance/group-executive-committee.html).

The following further events were announced on February 14, 2020:

The Board of Directors has decided to propose to the General Meeting of Shareholders in 2020 that Orit Gadiesh (born 1951) be newly elected to the Board of Directors. Following her election, she will become a member of the Supervisory and Strategy Committee. Orit Gadiesh serves as Chairman of Bain & Co. Inc. since 1993. Amongst other degrees, Orit Gadiesh holds a Master of Business Administration from Harvard University, USA.

Anthony Nightingale, non-executive, independent member of the Board of Directors since 2013, will not stand for re-election at the General Meeting of Shareholders in 2020, in consideration of the age limit stipulated in the organizational regulations of Schindler Holding Ltd. All other members of the Board of Directors are standing for re-election at the General Meeting on March 19, 2020, including Luc Bonnard for whom the Board of Directors has decided to extend the age limit in accordance with the exemption foreseen in the organizational regulations of Schindler Holding AG.

The Board of Directors has decided to propose to the upcoming General Meeting of Shareholders that PricewaterhouseCoopers Ltd be newly elected as statutory auditor for the financial year 2020. Ernst & Young Ltd has been serving as statutory auditor of Schindler Holding Ltd. for decades.

2 Capital structure

2.1 Capital

As at December 31, 2019, 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, 2019, Schindler Holding Ltd. had no authorized or conditional capital.

2.3 Changes in capital in the last three years

No changes of the share and participation capital occurred in the time between January 1, 2017, and December 31, 2019.

2.4 Shares and participation certificates

As at December 31, 2019, 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, 2019, 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 2019.

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

Allocation year		Options allocated (number)	Exercise price in CHF	Blocked period ends	Exercise period ends	Number as of 31.12.2019		
						Forfeited	Exercised	Outstanding
2010	A	207 896 ²	53.60	30.4.2013	30.4.2019	–2 848	–205 048	–
2011	A	222 621 ²	85.10	30.4.2014	30.4.2020	–1 389	–202 234	18 998
2011	B	104 854 ²	124.80	30.4.2014	30.4.2020	–	–102 283	2 571
2012	A	162 118 ²	108.20	30.4.2015	30.4.2021	–2 389	–129 264	30 465
2013	A	138 012 ¹	137.84	30.4.2016	30.4.2022	–11 918	–81 368	44 726

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 31.12.2019	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
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 11 members. Three members of the Board of Directors are executive Board members. Silvio Napoli and Erich Ammann constitute the Supervisory and Strategy Committee. Tobias B. Staehelin holds an operational function at a Group company. None of them serves concurrently on the Group Executive Committee. The eight remaining members are nonexecutive members of the Board of Directors.

With the exception of Alfred N. Schindler, all nonexecutive members of the Board of Directors are independent according to the definition set out in the Swiss Code. Hence, in accordance with the recommendations and criteria set out in the Swiss Code, the majority of the Board of Directors – i.e. 7 of its 11 members – is independent. The Board of Directors comprises both male and female members.

In terms of the composition of the committees of the Board of Directors, the company deviates from the recommendations of the Swiss Code. This is mainly due to the fact that major shareholders have their own representation on the Board of Directors, allowing them to safeguard their long-term shareholder interests directly.

3.2 Other activities and vested interests

Silvio Napoli

Executive Chairman of the Board of Directors, Chairman of the Supervisory and Strategy Committee and of the Nomination Committee since 2017, member of the Board of Directors and the Supervisory and Strategy Committee since 2016.

Chairman and President of the Board of Directors of the Swiss-American Chamber of Commerce, Zurich, Switzerland; member of the Board of Directors of Eaton Corporation plc, Dublin, Ireland.

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 Business School, 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, nonexecutive member since 2017, member of the Nomination Committee.

Alfred N. Schindler holds a master's degree in law from the University of Basel, Switzerland, and an MBA from The Wharton School of Finance, University of 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.

In order to focus fully on the business of the Schindler company, Alfred N. Schindler previously resigned from the following mandates: Bank Julius Bär, UBS, Jacobs Suchard (all in Switzerland) and Deutsche Post AG.

Alfred N. Schindler is a Swiss citizen, born in 1949.

Prof. Dr. Pius Baschera

Vice Chairman of the Board of Directors since 2017, nonexecutive, 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; 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; member of the Advisory Board of Vorwerk & Co., Wuppertal, Germany until May 2019.

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 serving as CEO for 13 years and then as Chairman of the Board of Directors for 10 years.

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 and of the Nomination Committee since 2018, Chairman of the Audit Committee since 2019.

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 he was CFO and a member of the Group Executive Committee.

Erich Ammann is a Swiss citizen, born in 1957.

Luc Bonnard

Member of the Board of Directors since 1984, independent member since 2015, 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, as Vice Chairman of the Board of Directors from 1996 to March 2017, and as Chairman of the Audit Committee from 2013 to March 2019. He currently serves as an advisor to Schindler.

Luc Bonnard is a Swiss citizen, born in 1946.

Patrice Bula

Nonexecutive, 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 Boards of Directors of Cereal Partners Worldwide S.A., Lausanne, Switzerland, Hsu Fu Chi Group Companies, China, and 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 Novartis AG, Basel, Switzerland. He was a member of the Board of Directors of Bobst Group SA, Mex, Switzerland, until the General Meeting of Shareholders 2019.

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, he served as Market Head of Nestlé Greater China Region (2007 to 2011), among other roles.

Patrice Bula is a Swiss citizen, born in 1956.

Prof. Dr. Monika Bütler

Nonexecutive, 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 Vice President of the Foundation Board of the Gebert RUF Foundation, Basel, Switzerland. In 2019, she resigned from her post as a member of the Board of Directors of Suva, Lucerne, 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

Nonexecutive, 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 as CEO of various companies and as a partner in a consulting firm, among other roles. 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

Nonexecutive, independent member of the Board of Directors since 2013.

Member of the Boards of Directors of Jardine Matheson Holdings, Bermuda, Vitasoy International Holdings Ltd., Hong Kong, Jardine Strategic Holdings, Bermuda, Dairy Farm International Holdings, Bermuda, Hong Kong Land Holdings, Bermuda, and Mandarin Oriental International, Bermuda, as well as of Jardine Cycle & Carriage, Singapore, Prudential plc, England and Wales, and 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; member of the School Advisory Council of the Hong Kong University of Science and Technology, Hong Kong; and Chairperson of The Sailors Home and Missions to Seafarers, Hong Kong. In 2019, he resigned from the following mandates: Hong Kong representative to the APEC Vision Group 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

Nonexecutive, 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 (charitable foundation), 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, 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 31.12.2019	Supervisory and Strategy Committee	Nomination Committee	Compensation Committee	Audit Committee
Silvio Napoli	● (chairman)	● (chairman)		
Alfred N. Schindler		●		
Prof. Dr. Pius Baschera			● (chairman)	
Erich Ammann	●	●		● (chairman)
Luc Bonnard		●		
Patrice Bula			●	
Prof. Dr. Monika Büttler				●
Dr. Rudolf W. Fischer			●	
Anthony Nightingale				
Tobias B. Staehelin				
Carole Vischer				●

3.5.2.1 Supervisory and Strategy Committee

The Board of Directors appoints from among its members a full-time Supervisory and Strategy Committee, consisting of the Chairman and at least one other member of the Board of Directors.

The 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 whom 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 \(www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html\)](http://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 nonexecutive 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 \(www.schindler.com/com/internet/en/about-schindler/corporate-governance/organizational-regulations.html\)](http://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, including a two-day meeting together with the members of the Group Executive Committee. Ad hoc meetings are held when necessary.

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. The Head Corporate Human Resources regularly attends the meetings of the Compensation Committee.

As of 31.12.2019	Number of meetings	Average duration (hours) per meeting day
Board of Directors	7	7.5
Supervisory and Strategy Committee	full-time	full-time
Nomination Committee	5	3
Compensation Committee	9	1
Audit Committee	4	7

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 two 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 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 31.12.2019	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 Inerra (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 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 was Technical Director of Schindler Spain and Schindler Iberia and he then served as CEO of Schindler Iberia and Area Manager Northwest Africa and Morocco until 2017.

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.

Member of the Advisory Board of Beuth University of Applied Sciences, Berlin, Germany.

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 organización industrial), Madrid, Spain, as well as a master's in business administration from IE Business School, Madrid, Spain.

He began his career in 1978 and held a number of international functions before joining the Schindler Group in 1990. He subsequently occupied 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.

Chairman of the Advisory Board of Athié Wohnrath, São Paulo, Brazil.

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 held various international functions at ABB until 2012, including as Head of the Global Business Unit Mining and Cement in the USA and Switzerland. Andre Inserra joined the Schindler Group in 2012 and served as CEO of Atlas Schindler in Brazil until 2016.

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, where he held various positions. He joined the Schindler Group in 2003, where he initially served as Product Line Manager, Existing Installations, at Schindler Germany. From 2009 to 2014, he was 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 held 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 held 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, nonregistered 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 senior 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 Ltd 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	2019	2018
Audit fee	3 121	3 165
Additional fees		
Additional audit-related services	207	211
Tax advice	428	403
Transaction advice	867	925
Total additional fees	1 502	1 539

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 four times 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 – Results – Reports Library (www.schindler.com/com/internet/en/investor-relations/reports.html). Schindler also presents its annual financial statements at its annual results media and analysts conference and at the General Meeting of Shareholders.

Its Interim Report as at June 30, as well as selected key figures as at March 31 and September 30, are available in electronic form at: www.schindler.com – Investors – Results (www.schindler.com/com/internet/en/investor-relations/reports.html).

Key dates:

	Closing	Publication
Closing of the financial year	December 31	
Annual results media and analysts conference		Mid-February
Publication of the Annual Report		Mid-February
Selected key figures	March 31 and September 30	April and October
Interim Report	June 30	August
General Meeting of Shareholders		2nd half of March

The exact dates for the current year and following year are available at: www.schindler.com – 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 2019 consists of the Group Review and the Financial Statements.

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

**Overall responsibility,
concept, and text**

Schindler Management Ltd.
Corporate Communications
Ebikon, Switzerland

Concept and graphic design

Christoph Stalder
Zürich, Schweiz

Production

Management Digital Data AG
Lenzburg, Switzerland

Printing

Multicolor Print AG
Baar, Switzerland

Photography

Manuel Rickenbacher
Zurich, Switzerland





Front cover: The Circle and Airport Center, Zurich, Switzerland
Back cover: International Airport, Mumbai, India