



ON TRACK FOR GROWTH

ANNUAL REPORT 2014

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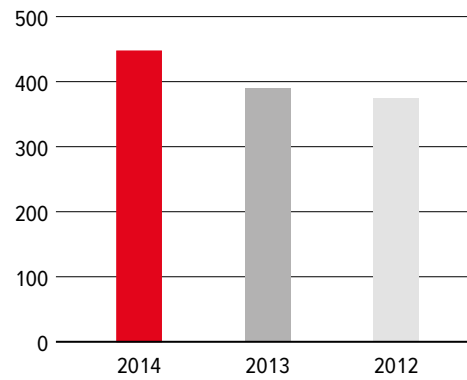
SCHALTBAU GROUP 5-YEAR SUMMARY

Order situation		2014	2013	2012	2011	2010
Order intake	€ m.	449.4	390.7	372.3	342.8	288.7
Order book	€ m.	281.9	228.1	229.8	197.4	171.5
Income statement						
Sales	€ m.	429.6	390.7	362.8	318.4	280.4
Total output	€ m.	440.3	389.9	367.9	324.4	288.6
EBITDA	€ m.	38.3	45.1	37.0	34.7	30.1
EBIT	€ m.	27.3	36.0	29.5	27.5	23.8
EBIT margin	%	6.4	9.2	8.1	8.6	8.5
Group net profit	€ m.	29.1	24.7	22.2	21.7	14.8
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	24.8	21.4	19.0	18.7	12.1
Return on capital employed	%	10.6	18.2	15.8	18.9	18.2
Balance sheet						
Fixed assets	€ m.	134.1	92.4	80.7	74.0	64.0
Capital expenditure	€ m.	15.4	13.1	9.3	8.6	8.0
Amortisation and depreciation	€ m.	7.4	6.7	7.5	7.2	6.4
Working capital	€ m.	122.6	105.9	105.6	71.8	66.8
Capital employed	€ m.	256.7	198.3	186.3	145.8	130.8
Group equity	€ m.	112.5	89.4	71.1	57.8	31.9
Net liabilities to banks	€ m.	78.5	41.7	45.0	27.4	31.5
Balance sheet total	€ m.	361.2	267.4	258.2	214.3	190.1
Cash flow statement						
Cash flow from operating activities	€ m.	26.5	36.5	7.0	25.6	11.1
Cash flow from investing activities	€ m.	-38.4	-20.1	-12.6	-13.4	-5.7
Cash flow from financing activities	€ m.	24.1	-10.8	1.0	-11.7	-2.7
Change in cash funds	€ m.	13.0	5.5	-4.6	0.7	3.0
Personnel						
Employees at 31 December	Number	2,651	2,044	1,972	1,738	1,610
Average number of employees	Number	2,270	1,839	1,742	1,535	1,453
Personnel expense	€ m.	138.2	119.4	112.1	95.4	87.3
Personnel expense per employee	€ 000	60.9	64.9	64.3	62.1	60.1
Total output per employee	€ 000	194.0	212.0	211.1	211.3	198.6
Key fin. figures for Schaltbau Holding AG						
Subscribed capital	€ 000	7,506	7,506	7,506	7,506	6,863
Equity of the AG	€ m.	67.2	72.9	79.9	76.9	66.0
Equity ratio of the AG	%	40.0	52.1	60.1	66.2	60.2
Stock market price at 31 December *	€	42.1	46.0	31.1	23.5	19.1
Market capitalisation at 31 December	€ m.	256.4	282.3	190.6	144.4	107.4
Earnings per share (undiluted) *	€	4.04	3.48	3.09	3.13	2.17
Earnings per share (diluted) *	€	4.04	3.48	3.09	3.13	2.03
Dividend per share *	€	1.00	0.96	0.77	0.60	0.37

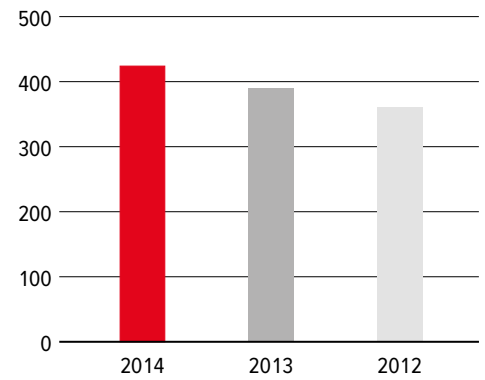
* Adjusted in line with the share split implemented on 20 August 2012

SCHALTBAU GROUP AT A GLANCE

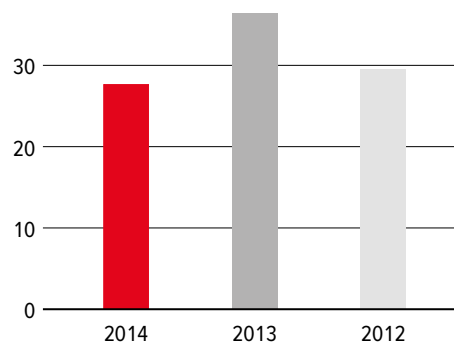
Order intake



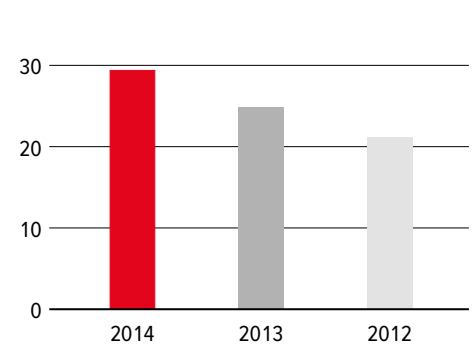
Sales



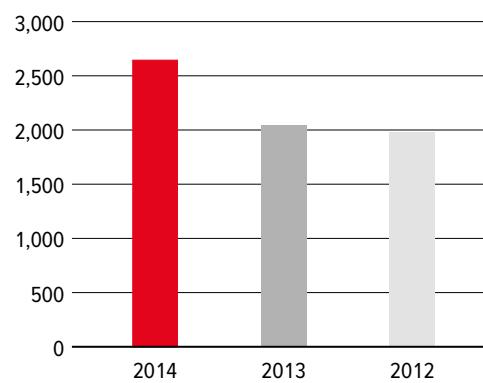
EBIT



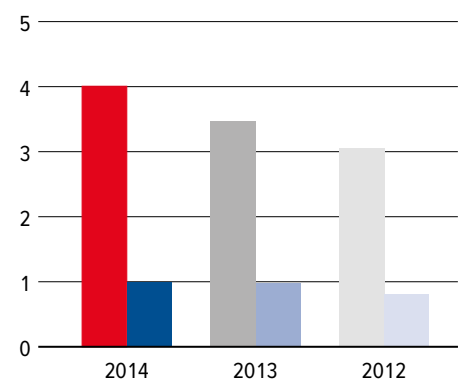
Group net profit



Employees



EPS / Dividend



The Schaltbau Group develops and supplies systems and components for transportation technology and industrial applications worldwide. Global megatrends such as increasing urbanisation, the growth in world trade and rising environmental awareness are driving our sustainable, profit-oriented expansion. The Schaltbau Group's companies are making a firm contribution towards safe, low-emission mobility, the smooth transportation of goods and the widespread use of renewable energy.

With their specialised knowledge and a high degree of product innovation, the companies in our Group have worked hard to win the confidence of their customers and strive continually to strengthen their current market position through well-targeted research and development activities. Organic growth is the result of innovative products and solutions, the concentration on new target groups and greater market penetration. Moreover, the Schaltbau Group is growing through strategic acquisitions in its core markets, thus creating additional potential.

Sustainable growth not only benefits customers and employees, both in Germany and abroad, but also the Group's shareholders.

We aim to increase earnings per share to € 5.00 by 2016.



A handwritten signature in black ink, appearing to read 'J. Cammann'.

Dr Jürgen H. Cammann
Spokesman of the Executive Board,
Baden-Baden



A handwritten signature in black ink, appearing to read 'D. Löhner'.

Dirk Christian Löhner
Bergisch-Gladbach



A handwritten signature in black ink, appearing to read 'E. Prigge'.

Elisabeth Prigge
Düsseldorf

DEAR SHAREHOLDERS



2014 was another year of growth for the Schaltbau Group – but also a year in which we clearly felt the impact of the costs and risks that go with it. Although sales for the year grew by ten per cent to € 430 million, EBIT decreased by € 8.7 million to € 27.3 million. We managed to surpass the earnings target we had revised downwards during the year, but we cannot deny that our expectations had originally been considerably higher. Despite achieving record earnings per share of € 4.04 – positively impacted by revaluation gains – the past fiscal year was anything but satisfactory.

Regardless of some unexpected project postponements and the ensuing delay in recognising sales in a number of areas, we never lost sight of our overriding growth target during

the year under report. Our ultimate aim is to play a major role in shaping the mobility of tomorrow as an equal partner by providing system solutions that help to safely and conveniently transport people and goods in all of the world's key growth markets.

We considerably expanded our international presence in the course of 2014. By purchasing ALTE Technologies and acquiring a significant shareholding in Albatros S.L. we have greatly improved our market access in both Southern Europe and Latin America. We have practically doubled our shareholding in the Poland-based company RAWAG, thus improving our market position in Central and Eastern Europe. The upcoming acquisition of a majority shareholding in Rail Door Solutions will not only bolster our business in the UK, but in other countries as well. All of these transactions are helping us to expand our range of products and services. With ALTE, Albatros and RAWAG, for the first time the Schaltbau Group can now offer customers a comprehensive range of train fittings and equipment, particularly on-board electronics, thereby increasing our importance as a supplier to rail system providers. In view of these bright prospects, we see the current negative impact on earnings caused by operating losses at ALTE and Albatros as part of the necessary cost of growth, which we have to accept in order to accomplish our long-term aims. All things considered, we are convinced that we have taken the right steps.

Apart from increasing the international scale of our business, it is imperative that we continue the process of strengthening our technology position so as to remain firmly on growth course. The integration of safety and convenience functions in boarding systems, the development of more effective lighting technology for rail and logistics applications as well as even more efficient contactors are just three examples of the many innovations that our subsidiaries have come up with that offer new and exciting prospects for the future. Schaltbau's Platform Screen Doors project is capable of providing greater safety on metro routes worldwide. Although its delayed approval has caused a temporary setback, the potential of our innovative PSD technology – which can operate even if the main computer fails – is indisputable.

Our strategy of internationalisation and innovation is flanked by the considerable investments we have made at our various sites. The cost-intensive projects we have undertaken in all three segments are not aimed merely at increasing production capacity, but above all at

making our processes more efficient than ever. For example, our subsidiary Bode has now pooled its entire technological capacity under one roof, enabling it to meet increasingly complex customer requirements (such as for product development, quality testing and documentation) even more comprehensively than before. Moreover, we are not only investing in our production plants, but also in the continual modernisation of our IT infrastructure. We have also begun to adapt our management structures to meet the growing needs of an increasingly international organisation, which is more broadly positioned and derives maximum benefit from cross-segment collaboration.

We have set ourselves ambitious targets for the year 2015. We plan to increase sales year-on-year by € 34 million to € 464 million and – partly by limiting the negative earnings impact from the newly acquired entities – improve EBIT to € 37 million. These targets are based on the expectation that the Mobile Transportation Technology and Components segments will continue to perform well, whereas the order situation in the Stationary Transportation Technology segment is likely to continue to suffer from project delays and only improve to any significant degree in 2016.

After giving due consideration to the wide range of options open to us, we will proceed with our plan to restructure debt capital during the first six months of the current fiscal year with the aim of bolstering the Schaltbau Group's financial situation. In doing so, we are looking to broaden our financial base to enable further expansion in response to the increasingly rapid pace of consolidation taking place throughout the rail industry, a trend we have repeatedly highlighted in this report in previous years. The Schaltbau Group intends to play an active role in this consolidation process, given the increasing extent to which customers – particularly train manufacturers – are increasingly relying on internationally based suppliers that can offer an attractive range of products. Changes in this direction are also inevitable, as the growing demand for local content means that sufficient sales volumes need to be generated, to enable each of the production sites required worldwide to operate profitably. Going into the future, we will continue to pursue the farsighted expansion strategy we have embarked upon in well considered steps and with the necessary caution, avoiding incalculable risks.

With our share buy-back programme, which we have continued during the first quarter of 2015, we intend to build up an “acquisition currency” that will provide us with greater flexibility for strategic acquisitions without diluting shareholder value.

Kind regards



Dr Jürgen H. Cammann
Spokesman of the Executive Board



|| MORE SPACE FOR IDEAS

The Schaltbau Group is investing in the best interests of its customers by expanding its range of products and services, increasing manufacturing capacity and adopting leaner processes to produce goods that offer an optimal price-performance ratio. A strategy of site expansion and strategic acquisition is enabling the Schaltbau Group to offer rail system manufacturers a whole lot more from one source – including completely new business models.

“Bode. The door.” proclaims the resplendent slogan in metre-high letters on the wall of the Schaltbau subsidiary’s new technology centre in Kassel. Visitors to the premises are invited to discover the great diversity of expertise in the field of door and boarding systems that has grown here over decades. Door drives are busy proving their ability to withstand adverse weather conditions in rain, snow and minus temperatures in the climate chamber. Next to that we see the enormous cab of a fire brigade vehicle, ready for the customer to approve its sliding door system. A few steps further we see newly developed bus and metro doors in their testing facilities, being continually opened and closed until they have proven their superb durability. Next to that, a 3D printer is whirring away before presently turning out a

newly developed moulded part needed for an initial prototype at short notice.

The new technology centre at Schaltbau subsidiary Bode is promoting an excellent standard of research and development. In addition, the product development, testing and tool-making departments can now all finally work together under one roof, significantly upping the pace of innovation. Customer approvals can now also be performed far more efficiently. “Previously we had to keep switching from one building to the next and conduct many of the tests outdoors. Now we finally have enough space to develop our ideas,” says Managing Director Thomas Giebisch with satisfaction. And as technology leader and trendsetter in the

“Innovative power, reliability and efficiency are our answers to the competitive pressure.”

Dr Jürgen Cammann, Spokesman of the Schaltbau Executive Board

field of vehicle doors, Bode has quite a few innovative ideas. Schaltbau is currently investing some five million euros in the Bode site in Kassel – in the technology centre and also in new production and warehousing space. As part of the project, a production site of Bode Zustiegssysteme (formerly Werner Kircher), which was previously located in Ahnatal near Kassel, has now been integrated in the main production facilities. Furthermore, additional space has been created to improve material- and workflows.

Schaltbau also needed more space to manufacture its electromechanical components and crane brakes. After years of growth, not only the two Schaltbau GmbH production plants in Velden and Aldersbach to the east of Munich, but also the PINTSCH BUBENZER brake manufacturing plant in Kirchen-Wehbach were practically bursting at the seams. For that reason, in 2013 Schaltbau took the decision to invest around ten million euros in expanding production capacity and rigorously converting to lean processes. “Innovative power, reliability and efficiency are our answers to the competitive pressure,” says Dr Jürgen Cammann, Spokesman of the Schaltbau Executive Board. “We can now retain added value within the Group and also offer employees at our German plants long-term prospects for the future.”



RAWAG

The Polish subsidiary of Bode is based in Rawicz. It develops, produces and distributes boarding systems and windows for railway vehicles and buses as well as doors and walls for vehicle interiors and other fittings. With its core products, RAWAG is market leader in Poland and supplier to numerous large-scale rail projects in Eastern Europe. RAWAG carries out some of the pre-production work for Bode, mainly welding assemblies, and acts as business representative for its parent company in Eastern Europe. After the takeover in April, the company recorded consolidated sales of € 28.8 million in 2014 with a total of 398 employees.

However, the Schaltbau Group is rising to meet the challenges of competition not only by modernising its various sites, but also via strategic acquisition. The Mobile Transportation Technology segment in particular expanded its range of products and services through acquisition in 2014. There is no current shortage of opportunities for corporate takeovers, as smaller suppliers are not always able to match the quickening pace of change in the rail and logistics sectors on their own, and despite manufacturing what are in many cases outstanding products, they need to consolidate their energy by seeking alliance with a strong partner.

This fact is also true for the business of the previously insolvent ALTE Transportation, which was taken over by the Schaltbau Group and is now being developed to new strength under the umbrella of ALTE Technologies. ALTE is technologically well positioned, particularly with its range of complete toilet systems for railway vehicles. Cooperation with the other Schaltbau companies, especially with door manufacturer Bode and its subsidiary RAWAG, will now provide ALTE with the strength it needs in terms of production, development and sales.

Bode had held a minority shareholding in RAWAG since 2005, increasing it to almost 90 per cent in 2014. Similar to its German partner, the Polish company manufactures door systems for railway vehicles and buses, but also has windows and interior fittings in its range. Working together, the two companies will be able to offer major rail system manufacturers an attractive package of products and services going forward.

“These acquisitions are a key factor in establishing the Schaltbau Group as a leading system partner for rolling stock in the long term and they underscore our ability to offer even more attractive ranges of products,” says Dr Cammann. However, the Schaltbau Group does not want to become a full-range supplier at any price. It is much more committed to “optimally supporting system manufacturers with highly sophisticated technological solutions that enhance both safety and convenience”.



This is especially true considering that Schaltbau already owns a 40 per cent shareholding in Albatros, the former parent company of ALTE, and has an option to increase it to a majority. With core products such as inverters, vehicle electronics, communications equipment and safety technology for railway vehicles, Albatros is among the market leaders in its field.

But quite apart from the Albatros option, Schaltbau is heavily involved in the megatrends of digitisation and big data. Intelligent systems that compile, analyse and transmit data as well as monitor themselves are increasingly becoming a part of daily life, not only in state-of-the-art railway vehicles, but in production and supply chains, too. They also present a fine opportunity to expand after-sales business. “If each of our components were to communicate even simple, service-related data such as purchase date, model and place of use, we could provide a far more efficient service and additional customer benefit,” says Dirk Konrad, CFO of Schaltbau GmbH.

At Bode, business models are already being considered that do not necessarily focus on the product itself, but more on a service commitment. The maintenance of a door after the warranty has expired, for example, could be financed via a “penny-per-miles” model – an idea that comes from Rail Door Solutions (RDS), the UK-based Schaltbau Group entity, with the aim of fostering customer loyalty. Here too, the movement data of trains would have to be collected and analysed. Since 2013, Bode has held a 50 per cent stake in RDS, which already generates most of its sales with refurbishment and maintenance services and could therefore play a leading role in growing the after-sales business. Bode has already secured itself the chance to acquire a majority shareholding in RDS via a put/call option. Again, the benefits of this investment are obvious – for customers and the Group’s shareholders alike.



ALTE

The Spanish railway system supplier ALTE is based in Barcelona and manufactures WC modules and air conditioning systems. In the field of train toilets, which makes up some 80 per cent of its sales revenue, ALTE is both market and technology leader and supplies the major European rail manufacturing platforms. ALTE is the only supplier worldwide that develops, produces and distributes complete toilet cabins, including vacuum systems, tanks, doors and fittings. In the air-conditioning sector, ALTE mainly concentrates on refurbishment projects. After the takeover in April, the new Schaltbau subsidiary generated € 16.4 million in sales in 2014 with a staff of 124 people.



DESIGNING MOBILITY

More and more people are on the move worldwide; increasing volumes of goods need to be transported at an ever-faster pace. With the constantly growing streams of traffic, the demands placed on control technology, safety and communications systems also continue to rise. Schaltbau has the crucial technological core competence needed to develop the mobility solutions of tomorrow.

It's 6 p.m. – rush hour in the underground system of a huge city, where a new metro arrives every 90 seconds. Masses of people crowd onto the platforms. Almost without a sound, the platform and train doors open in perfect synchronisation. The passengers have 30 seconds to leave and enter the train, including automatic ticket control and security scan. The driverless train begins to move out of the station. Route maps, real-time connections and the latest traffic information are all indicated by LCDs embedded in the windowpanes. Hundreds of smartphones log into the train's on-board wireless network.

When it comes to even greater safety and convenience for passengers boarding and exiting trains as well as during the journey, the Schaltbau Group has been working on per-

fecting the mobility of the future for a long time. But the Group's work not only covers a broad range of products and services for rolling stock: whether railway crossing systems, master controllers, train formation technology, the next generation of commercial delivery vehicles or even more efficient contactors and brake systems, Schaltbau products fulfil key functions that ensure the safe, smooth running of railway networks for both mass transit and goods logistics. Although you don't usually see them, these sophisticated components reliably make sure that both people and goods are quickly and safely conveyed to their destinations – not only now, but also in the future.

In their continual striving to enhance and broaden their range of products and services, Schaltbau Group companies

“Our innovative lighting technology is setting new standards for train headlights and in the field of signal technology.”

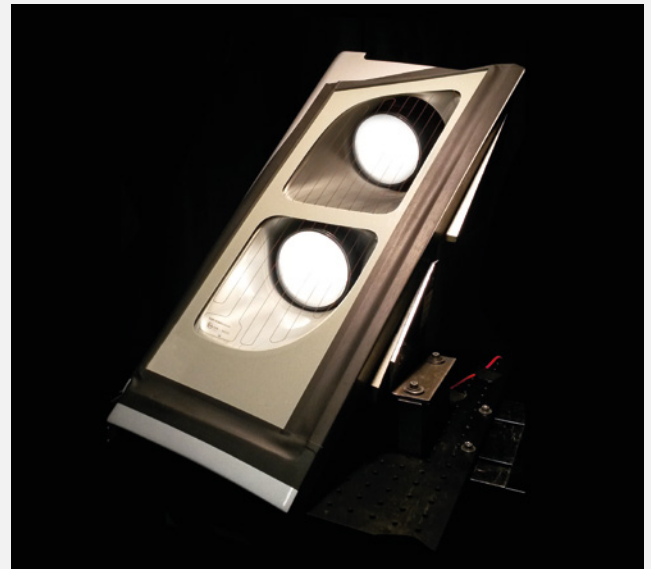
Dr Rolf-Dieter Krächter, Managing Director of PINTSCH BAMAG

are transferring their core competences in safety-related disciplines such as sensors, mechatronics, optics and robotics to new fields of application.

A prime example is the development of Platform Screen Doors (PSD) by PINTSCH BAMAG, a Schaltbau subsidiary specialised in signal technology. The synchronising of railway platform doors, which form a safety barrier between the train and the waiting passengers, is a typical challenge for signal technology experts: as soon as the train has stopped at the platform, the train and platform screen doors need to open simultaneously. In 2014, PINTSCH BAMAG successfully had its PSD system internationally certified in accordance with the Safety Integrity Level (SIL 3) – partly as a result of its profound knowledge of transportation and safety regulations.

“The field of railway crossing systems demands the highest standards of safety and reliability,” says Dr Rolf-Dieter Krächter, Managing Director of PINTSCH BAMAG. But another unique characteristic of Schaltbau’s platform screen doors also guarantees a high level of safety: its backup system, which automatically opens and closes the doors, independent of a centrally controlled signal, ensuring full functionality, even in emergencies.

Safety when boarding and exiting is also a key factor for Bode, the Schaltbau subsidiary that develops and manufactures door systems for trains, buses and small commercial vehicles. In addition to effective anti-trap protection,



ENERGY-SAVING AND PRECISE: LED HEADLIGHTS FOR TRAINS

Headlights based on light-emitting diodes (LEDs) are long-lasting, maintenance-free and consume far less energy than their predecessors, which used conventional light bulbs. For these reasons they are being used more and more frequently for lighting purposes in trains. In 2014, Schaltbau developed a particularly compact light module based on high-power LEDs, greatly increasing the range of train headlights by more effectively concentrating the light. These innovative headlights are now providing greater levels of safety on railway routes – particularly important when travelling at high speeds. A further advantage of LED modules is that the semiconductors of which they are made can be formed to fit practically any shape, making it far simpler to manufacture individually designed headlights.



FAST AND EFFICIENT: LINEAR SLIDING DOORS FOR DELIVERY VEHICLES

In the parcel delivery business, every second counts. Despite this fact, radio-controlled electric sliding doors that can be opened and closed by remote control are not yet in widespread use – because they are simply far too slow. For this reason, couriers often have to be tediously put down the parcels in order to open the door by hand. The new drive system designed by Schaltbau subsidiary Bode is changing all that. It opens and closes the van's sliding door within seconds, enabling parcel couriers to work much more efficiently – without having to let go of the parcels. In view of constantly growing delivery volumes and tight personnel resources, this is a clear competitive advantage. Both Deutsche Post and UPS are already testing vehicles retrofitted with this technology. The doors are also being built into the electrically powered delivery vehicles manufactured by the Aachen-based start-up company Streetscooter, which was taken over by Deutsche Post in December 2014. Streetscooter has now begun series production of this efficient, environmentally friendly delivery van – with Bode as core supplier.

however, the company closely focuses on the monitoring and control of the boarding area. A prototype of the vigilant door was already on display at the InnoTrans 2014 in Berlin: its sophisticated sensor technology needs nothing more than a hand movement to open the door. If a hand is passed between the two wings of the door as they close, the motor stops immediately, without the door having to be touched. “Our doors have been given eyes,” explains Dr Ernst Raphael, Managing Director of the Bode Group with pleasure. “Now we’re working on the brain. With the right software, whole ranges of applications are conceivable.” For example, the door could be developed to communicate with a passenger's smartphone and register a ticket stored on it. These features of safety and convenience are becoming increasingly important – and customers are curious to know more. As early as next year, the basic version of the new sensor technology could be deployed in an initial railway project. And what works for trains is, of course, a viable option for buses and trams as well.

Bode is the only company worldwide to be certified in all fields of vehicle door systems – for trains, buses and automotive applications – and benefits greatly from this fact, particularly in terms of development. The BIDS (Bode Innovative Door System) modular system, for example, which was originally developed for commuter and long-distance trains, has also been adapted for metros, buses and trams,

where it is on the way to opening up new markets. In the automotive industry too, BIDS drive systems have caused a minor revolution. Powered by BIDS motors, the electric doors of commercial vans, which often used to move with painful slowness, now open at the speed of a metro door. Parcel services, for instance, could save a great deal of time with radio-controlled electric doors (see box on left). Moreover, the system does not require a central guide rail, giving vehicle designers far more freedom.

Schaltbau's versatility is equally apparent in the field of components. Snap-action switches, contactors and connectors are in use wherever currents need to be reliably and safely conducted: particularly in railway vehicles, but also in industrial trucks and other electric vehicles, in industrial production and increasingly often in wind turbines and photovoltaic systems. This is where Schaltbau's great wealth of experience in railway technology is really paying off. In order to boost efficiency in generating energy, plant operators principally rely on very high voltages, similar to those used in the traction units of trains. As experts for rolling stock, the specialists at Schaltbau already have plenty of good solutions when it comes to safely controlling these voltages and reliably switching them off in cases of emergency. Last year, for example, a three-pole AC contactor newly developed for railway applications was adapted for use in the photovoltaic system of a leading US manufacturer.

But the ideas don't always come from the rail sector. The chain of innovation can also work in the opposite direction. For example, the Schaltbau Group's expertise in lighting technology stems mainly from experience gained in manufacturing maritime aids such as lighthouses and buoys, originally the core business of Schaltbau subsidiary PINTSCH BAMAG. Today, PINTSCH BAMAG focuses primarily on making headlights for trains, which, just like maritime aids, need to be highly robust and reliable. The products are tested in the company's own laboratory, one of the few accredited testing facilities in Germany. Most recently the key focus has been placed on developing compact light modules based on new high-power LEDs, which will greatly improve the illumination of the track for German Railways' new IC fleet. "Our innovative lighting technology is setting new standards for train headlights and in the field of signal technology," emphasised Dr Krächter.

The basis for growth, however, continues to be the technological expertise behind the products. With their specialised knowledge and a high rate of investment in research and development – equivalent to 6.5 per cent of total out-

put last year – Schaltbau Group companies have repeatedly been successful in developing solutions in line with the needs of their customers and can claim to be technology leaders in numerous fields. That's the crucial point when it comes to designing the mobility of tomorrow.



POWERFUL AND VERSATILE: THE CA CONTACTOR

The high-performance CA-series contactors were specially developed for electrically driven locomotives with operating frequencies of up to 400 Hertz and even higher. In case of failure, such as a short-circuit, the contactor switches off the motor both quickly and reliably. However, due to their technical characteristics, compact design, high switching functionality and dependability, CA contactors can also be deployed in other areas. In 2014, a CA contactor was adapted for use in the solar power industry for the first time, where it serves to safely and reliably disconnect the system from the electricity grid. With the aim of continuing to improve the efficiency of the contactors to handle extremely rugged electrical conditions, Schaltbau has organised a large-scale research project in cooperation with a leading university of applied sciences specialised in this field.



UNLIMITED MOBILITY

Hardly a business in the world is as international as the transportation and rail infrastructure sector. The major rail system manufacturers, logistics companies and automotive manufacturers compete for customers on a global basis – and have a continually growing need for suppliers capable of delivering reliable quality in any given region of the world. Nationally based companies that supply infrastructure technology on a purely local basis are gradually becoming a thing of the past.

Shanghai, Istanbul, São Paulo: three cities, three continents, but the same metro system. The underground systems of international cities are ruled by conformity. The same is true for the high-speed railway lines that connect them as well as for their ports, where standard-sized containers are consigned to customers around the world. The task of conveying both people and goods safely and quickly to their respective destinations is an international business with excellent growth prospects. Across the globe, conurbations continue to expand, more and more people are on the move and an increasing number of products are passed along global supply chains. In the field of rolling stock, where Schaltbau generates the majority of its sales, a hand-

ful of large railway vehicle manufacturers dominate the world market. A mere glance at the world's railway networks puts the dimensions in perspective: 350,000 kilometres in Europe alone, 230,000 in the USA and a similar number in Asia.

An increasing number of goods are being produced within the regions where they are needed, partly in order to meet the demand for local content, which can be as high as 80 per cent. The same applies to the suppliers of major system manufacturers: they need to be where their customers are. The increasing need for international presence is one of the main factors driving consolidation in the sector.

The changing situation offers Schaltbau firstly the opportunity to expand to new regions through acquisition and secondly the chance to broaden its portfolio. On the other hand, the products also need to be adapted to suit a growing number of regional requirements – as quickly and as cheaply as possible. In order to cut development work to a minimum, Schaltbau too is relying more than ever on modular concepts – whether for doors, master controllers or lighting systems. The mainly identical components are configured to precisely meet specific customer requirements. “Our doors fit 90 per cent of trains worldwide,” explains Thomas Giebisch, management team member at Schaltbau subsidiary Bode. At the same time, the modular principle makes it simpler to relocate a certain amount of production work to the customer’s country. In most cases it is possible to produce and assemble standardised components at one of Schaltbau’s subsidiaries.

This proximity not only helps fulfil the requirement for local content, but also actively promotes regional business. Bode has been collaborating closely with the Polish door and window specialist RAWAG, in which the Schaltbau Group now has a majority share. Numerous joint projects in the fields of quality assurance and production optimisation have already been implemented. Meanwhile, the Polish partner carries out some of the pre-production work and acts as Bode’s business representative in Eastern Europe. Last year’s second new subsidiary is also a welcome addition to the Schaltbau Group, both geographically and in terms of sales: ALTE, the Spanish manufacturer of toilet systems for trains, actively partners practically all major railway system manufacturers, particularly in Southern Europe and Latin America – exactly the regions where the Schaltbau Group had previously been underrepresented.

As a result of these acquisitions, Schaltbau’s international network has grown to 29 sales and production locations in 14 countries. Acquisitions such as ALTE and RAWAG, however, which continue to develop their own product portfolios, are exceptions so far. Most Schaltbau companies overseas either adapt products and market them in their various regions or perform assembly work. Interacting with German production sites, they help to maintain added value within the Group. As a rule, only a few basic components are purchased from other manufacturers, such as electrical contacts. “The outsourcing of development and production always means a loss of technological expertise,” says Dr Ernst Raphael, Managing Director of Bode. In the end, that expertise is at the core of the Schaltbau business model.

With its great value-added depth and success in the regionalisation of its products, the Schaltbau Group has risen to become global leader in a number of attractive niche markets. Take components, for example: the Group supplies around 60 per cent of the world market with high-quality snap-action switches, which are essential components in the rail and logistics sectors, in industry, and for generating renewable energy. At the same time, Schaltbau Group subsidiary PINTSCH BUBENZER is the undisputed market leader for container crane brake systems, which are used in all of the world’s major ports. In the fields of railway contactors, vehicle doors and master controllers too, Schaltbau is among the world’s three leading suppliers. Overall, the Group meanwhile generates 61 per cent of its sales in foreign markets – and that figure is on the rise.

In the field of rail infrastructure, however, internationalisation is subject to a completely different set of rules. Level crossing systems and train signals are slightly different from one country to the next and need to meet a whole list of country-specific regulatory requirements. For this reason, PINTSCH BAMAG has primarily tailored its challenging railway crossing technology project business to suit the requirements of Deutsche Bahn AG (German Railways), which, in turn, means that business volume is strongly dependent on the awarding of orders by that company. In order to reduce this dependence and make better use of existing capacities, the Schaltbau subsidiary has meanwhile begun penetrating markets outside Germany, despite the considerable obstacles. Last year, PINTSCH BAMAG was awarded its first orders in Denmark and Egypt. “Without local experts, who we recruit especially for these projects, it wouldn’t be possible,” says Dr Rolf-Dieter Krächter, Managing Director of PINTSCH BAMAG, Schaltbau’s signal technology subsidiary. The company is therefore preparing itself for the foreseeable continued internationalisation of the rail infrastructure market, which has long been the case for other products such as axle counters or point heating systems. Within Europe, at least, work is intensively continuing to arrive at cross-border solutions. “Suppliers capable of coordinating international projects and providing high-quality results already have a clear advantage,” says Dr Jürgen Cammann, Executive Board Spokesman for the Schaltbau Group.

Following its strategy, the Group will be able to achieve a far more international profile, not only in the rolling stock and logistics markets, but also with infrastructure-related products and solutions.

COMBINED COMPANY AND GROUP MANAGEMENT REPORT OF SCHALTBAU HOLDING AG, MUNICH, FOR THE FISCAL YEAR 2014

PROFILE OF THE SCHALTBAU GROUP STRUCTURE AND BUSINESS MODEL

The Schaltbau Group is one of the world's leading suppliers of system solutions for the transportation of both people and goods. Partnering renowned customers in the rail infrastructure, mobility and logistics markets, Schaltbau Group companies supply a wide range of products, including

- Door and boarding systems for trains, stations, buses and commercial vehicles
- High- and low-voltage components, on-board electronics and interior fittings for railway vehicles
- Complete level crossing systems, train formation and signal technology, and industrial brakes for container cranes and wind turbines

During the year under report, the Schaltbau Group expanded its range of products and services in the Mobile Transportation Technology segment by acquiring the operations of ALTE Transportation S.L. under the terms of an asset deal, by acquiring a significant participation in Albatros S.L. and almost doubling its shareholding in the Poland-based RAWAG Sp.z.o.o., thereby bolstering its international presence at the same time.

ORGANISATIONAL STRUCTURE

The operating activities of the Schaltbau Group are divided into three segments: the Mobile Transportation Technology segment (Bode Group and ALTE Technologies), the Stationary Transportation Technology segment (PINTSCH Group), which is sub-divided into the two business fields of Rail Infrastructure and Brake Systems, and the Components segment (Schaltbau GmbH Group). The Group's subsidiaries are individually responsible for their respective fields of business.

Schaltbau Holding AG is based in Munich and, as parent company of the Schaltbau Group, it is responsible for functions that concern the entire Group, such as strategy, IT systems, the appointing of staff to management positions in the Group's five business fields, public relations and investor relations. Schaltbau Holding AG is also responsible for the Group's financial accounting, controlling, compliance, cash management and risk management, including internal auditing.

As the ultimate holding company of the Schaltbau Group, Schaltbau Holding AG has been listed publicly since 1994 and in the SDAX since 2011.

At the end of 2014, around 70 per cent of its shares were in free float.

MANAGEMENT AND CONTROL

The Schaltbau Group is managed by the Executive Board of Schaltbau Holding AG, which currently comprises three members.

- As Spokesman of the Executive Board, Dr Jürgen H. Cammann is responsible for Group strategy and the business fields of doors, rail infrastructure, brakes and components as well as for compliance and investor relations.

See Significant investments
in other entities
on page 27

- Elisabeth Prigge is responsible for finance, controlling, personnel and IT.
- Dirk Löchner focuses on corporate development, business expansion and the coordination of the Group's foreign subsidiaries and their activities, particularly the recently acquired Spanish entities.

The Supervisory Board consists of six members and cooperates closely with the Executive Board. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management.

Any changes in the composition of the Supervisory Board are described in the Supervisory Board report. The principal features of the compensation systems for members of the Executive Board and the Supervisory Board as well as their total compensation are described in the compensation report section of the Group Management Report.

Corporate governance and control within the Schaltbau Group are based on generally accepted standards, which are summarised in the Corporate Governance Statement in accordance with Section 289a of the German Commercial Code (HGB). The statement includes the Declaration of Compliance in accordance with Section 161 of the Stock Corporation Act (AktG) and the Corporate Governance Report in accordance with Section 3.10 of the German Corporate Governance Code.

The current Corporate Governance Statement can be viewed and downloaded at: www.schaltbau.de/investor-relations.

BUSINESS MODEL, MARKETS AND INFLUENCING FACTORS

The Schaltbau Group's sales during the year under report were spread as follows: 63 per cent railway industry; 15 per cent automotive industry; and 22 per cent the investment goods sector, such as port cranes and industrial trucks, which are mainly used in materials handling and logistics. As a supplier of niche products with a limited number of competitors, Schaltbau is positioned among the top three companies worldwide in its primary fields of business. The Group continues to generate the majority of its sales in Germany (2014: 39 per cent) and the rest of Europe (2014: 40 per cent).

The Schaltbau Group features a high degree of added-value depth and generates the majority of its output with its own in-house resources, whether research and development, production or sales. Long-term product life cycles and high standards of quality and safety as well as ready availability require a high level of development activity. R&D expenditure corresponded to 6.5 per cent of total output in 2014. Our systems and components are developed and manufactured worldwide in local and regional units that are capable of reacting swiftly and flexibly to changing market requirements. They also help to satisfy the generally growing demand for local content. The various companies in the Schaltbau Group operate 29 sales and production sites in 14 different countries worldwide. Group companies operate their own sales offices in regions of strategic importance. Moreover, external sales partners ensure optimal market coverage in selected markets.

The Schaltbau Group's markets are hardly affected by seasonal or cyclical fluctuations and are mostly subject to the long-term investment decisions of its customers, who, in turn, as system manufacturers of rolling stock, commercial vehicles and control and safety technology, greatly depend on public-sector demand. Group presence in a broad range of customer sectors and regions means its dependence on economic conditions in indi-

See Compensation report
on page 54

The current Corporate
Governance Statement can be
viewed and downloaded at:
[www.schaltbau.de/
investor-relations](http://www.schaltbau.de/investor-relations).

As a supplier of niche
products with a limited
number of competitors,
Schaltbau is positioned
among the top three
companies worldwide in its
primary fields of business.

See Research and
development
on page 40

vidual market segments is relatively low. In the rail sector, which is of key importance for the Schaltbau Group, sales volume is often indirectly dependent on the awarding of orders by railway companies to railway vehicle manufacturers and directly influenced by investments in rail infrastructure. Demand for door systems for buses relies strongly on demand coming from communal transportation authorities and therefore on the financial situation of cities, towns and local councils. In the industrial sector, demand is more influenced by economic conditions in trade and the logistics industry, although the energy sector also plays a crucial role.

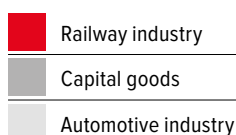
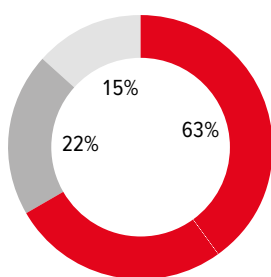
In the opinion of management, medium- to long-term growth in the Schaltbau Group's markets will benefit from the following factors:

- Urbanisation and growing mobility are leading to a greater need for infrastructure for mass public transportation facilities.
- At the same time, there is a growing demand for more safety and convenience, for instance with regard to boarding systems in trains as well as at stations.
- The increasing digitisation of rail infrastructure is leading to the development of new, fast-growing technology and market segments within the field of transportation technology.
- The long-term expansion of world trade and above-average growth rates in emerging markets are leading to increased demand for transportation infrastructure.
- The limited availability of fossil fuels and increasingly strict climate protection measures are calling for energy-efficient methods and systems of transportation as well as the wider use of green energy.

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

The Mobile Transportation Technology segment consists of the Bode Group, including its first-time fully consolidated Poland-based subsidiary RAWAG (Door Systems business field) and the Spanish ALTE Technologies (Sanitary Systems business field), which Bode also acquired in 2014.

Sales by market



The Bode Group, which accounts for the majority of segment sales, is one of the leading suppliers of door and boarding systems for buses, trains and commercial vehicles. Its range of products and services covers development, production, installation, commissioning and maintenance as well as after-sales service.

The Door Systems for Railway Vehicles product group comprises complete systems equipped with innovative safety technology and boarding aids for underground trains, metros, trams, regional trains and railcars as well as high-speed trains. Its range of products makes the Bode Group one of the leading manufacturers in its

The Schaltbau Group's markets are hardly affected by seasonal or cyclical fluctuations and mostly subject to the long-term investment decisions of its customers.

The Bode Group is one of the leading suppliers of door and boarding systems for buses, trains and commercial vehicles.

field in Europe and a key partner for train manufacturers and railway systems suppliers worldwide. The most important innovation and cornerstone of its international success is the Bode Innovative Door System (BIDS) for regional trains, which can be quickly adapted to suit a broad range of international requirements due to its high degree of standardisation.

With its door systems for buses, coaches and commercial vehicles, the Bode Group is market leader in Europe and integrated in many of the platforms of major manufacturers. The product group covers a broad range of complete door systems, including outswinging and inswinging plug doors, swinging-sliding, folding and revolving doors with electronic controls and boarding aids, which can be variously combined to suit customer requirements. The Compact All-round Drive System (CADS) embodies electric door drive technology of strategic relevance as it considerably reduces both maintenance times and operating costs.

The Automotive product group comprises sliding doors with guide systems for box bodies as well as guide systems for the sliding side doors of commercial vans and cars. The Bode Group's customer base consists of well-known manufacturers of commercial vehicles.

The Bode Group covers the entire value-added chain in the field of door and boarding systems. Group entities with their own production facilities in Poland, Turkey, the USA and China as well as a strong focus on engineering in South Korea guarantee direct market access in each of these regions. Particularly noteworthy is RAWAG in Poland, which works in close partnership with the Bode Group, selling door systems for railway vehicles and buses on the Central and Eastern European market. RAWAG's production range also includes windows for railway vehicles in particular, as well as a wide variety of components for the interior fitting of passenger carriages. The UK-based entity Rail Door Solutions Ltd. supplements the Group's range of services to include maintenance and refurbishment. Albatros S.L. completes the portfolio of the Mobile Transportation Technology segment with on-board information and communications systems as well as inverters.

A global network of sales and service partners optimally supports customers in their operations worldwide. Representative offices ensure the required proximity to important sales markets such as Hong Kong, Malaysia and Singapore. The Russian market is handled by an experienced partner.

ALTE Technologies primarily manufactures complete toilet systems (both standard and barrier-free toilet modules, shower cabins, vacuum systems and tanks) as well as air conditioning units for rolling stock.

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

The Stationary Transportation Technology segment is divided into two business fields: Rail Infrastructure and Brake Systems.

In the **Rail Infrastructure** business field, PINTSCH BAMAG specialises in level crossing control and safety systems and is a key supplier to Deutsche Bahn AG (German Railways), with which long-term framework agreements are in place. It also supplies numerous private, company and port railway systems. The computer-controlled RBUET and RBUEP railway crossing safety technologies are key operating components and widely used in all fields of control and safety technology, both in Germany and abroad. Further product groups cover various types of vehicle equipment, including lighting systems for railway vehicles

PINTSCH BAMAG
is a key supplier of control
and safety technology
to Deutsche Bahn AG.

and Platform Screen Doors (PSD). In the Warning Systems product group, throughout Europe PINTSCH BAMAG offers acoustic and visual warning systems for the vehicles of authorities, industry and rescue services as well as for civil management and disaster control. These include strip lighting systems for vehicle roofs, warning systems, LED flashlights and electronic sirens.

PINTSCH TIEFENBACH completes the infrastructure portfolio with railway signalling equipment, train formation facilities and sensor technology for industry and mining in both domestic and foreign markets. PINTSCH ABEN supplies rail point heating systems and tunnel safety illumination equipment. PINTSCH ABEN excels particularly in the manufacture of electrical and gas-infrared point heating systems.

PINTSCH BUBENZER manages the **Brake Systems** business field. These brake systems are installed wherever bulky, heavy loads need to be moved, particularly in cranes for container terminals. Other fields of application are tunnelling and clearing machinery, conveyor systems, bucket-wheel excavators used in mining, steel industry applications, shipping and wind turbines.

Its outstanding technological expertise has made PINTSCH BUBENZER world market leader in the field of brakes designed and produced for cranes in the maritime sector. The company is internationally esteemed as a development partner and systems supplier. PINTSCH BUBENZER operates its own service centres in the strategically important markets of China, Singapore, Malaysia and the USA.

PINTSCH BUBENZER is world market leader for maritime crane brake systems.

SCHALTBAU HOLDING AG

MOBILE TRANSPORTATION TECHNOLOGY	STATIONARY TRANSPORTATION TECHNOLOGY	COMPONENTS
Business Field Door Systems	Business Field Rail Infrastructure	Business Field Electromech. Components
Bode Group	Pintsch Group	Schaltbau GmbH Group
Door Systems for Buses / Coaches	Railway Signal Technology	Connectors
Door Systems for Railway Vehicles	Signal Technology	Switches
Boarding Aids / Ramps	Train Formation Yards	Contactors
Fittings for Sliding Vehicle Doors	Rail Point Heating Systems	Control Devices
Service	Warning Systems	
	Platform Screen Doors	
Business Field Sanitary Systems	Business Field Brake Systems	
ALTE Technologies	Pintsch Bubenzer Group	
Toilet Modules	Crane Braking Systems	
	Industrial Braking Systems	
	Wind Energy Braking Systems	

Snap-action switches are key components particularly in the door systems of railway vehicles, a field in which Schaltbau is world market leader.

THE COMPONENTS SEGMENT

Munich-based Schaltbau GmbH and its subsidiaries make up the Components segment, which develops, produces and distributes connectors, snap-action switches, contactors and control devices for a wide variety of applications.

Connectors, for example, are vital components in the fields of communications and railway transportation technology as well as for industrial trucks. Snap-action switches are key components particularly in the door systems of railway vehicles, a field in which Schaltbau is world market leader. Contactors are required wherever high-voltage applications need to be switched using low voltage. They are installed, for example, in industrial trucks, emergency power systems for telecommunications facilities and data centres, locomotives, and traction units. They are also used for a wide range of applications in the renewable energy sector. Control devices play an important role in the safe, convenient operation of railway vehicles. The product range includes driver's cab and passenger equipment, high- and low-voltage switchgear and electrical brake system monitoring devices.

In addition to its German sites in Munich, Velden and Aldersbach, the Components segment includes eight subsidiaries, two representative offices and over 60 sales partners who are locally based in practically all key international markets. Schaltbau also operates a large production plant in Xi'an (China), which produces railway components for the Chinese market, and a second plant in Shenyang (China) where contactors are manufactured for industrial customers worldwide. Schaltbau GmbH is also present on the growing Indian market with its own non-consolidated subsidiary. A further subsidiary in the UK mainly produces contactors for industrial trucks. Markets in France, North America and Asia are served by nationally based subsidiaries and the Russian and Japanese markets have their own representative offices.

STRATEGY

STRATEGIC AIMS

The backbone of the Schaltbau Group's strategy is sustainable, profitable growth. With specialised knowledge and a high level of investment in the products they manufacture, the Group's companies have worked hard to gain the trust and confidence of their customers and constantly strive to enhance their current market positions with selective research and development activities, by expanding international business and by continually improving their business model. The Group's ultimate aim is to play a key role in shaping the mobility of tomorrow as an equal partner producing system solutions that provide safety and convenience in transporting people and goods across the world's key growth markets.

With this aim in mind, Schaltbau is focusing particularly on rolling stock. The Schaltbau Group intends to significantly expand the range of products and services it offers to rail system suppliers through the coordinated interaction of its various business fields. The strategy includes the increased use of sensor-based solutions in door and boarding systems and the broadening of the Group's product range for interior fittings, lighting technology, on-board electrics and electronic systems for railway vehicles. At the same time, it is intended that product solutions will be successively expanded to include servicing and maintenance.

Furthermore, in the field of rail infrastructure, Schaltbau will continue to offer railway system suppliers a diverse range of products that meet even the most exacting demands in terms of safety, availability and energy efficiency. Apart from its anchor customer DB Netz AG, Schaltbau is looking to leverage its profound knowledge of project-related regulatory requirements to gain a greater number of control and safety technology projects on foreign markets. In this context it is also looking to establish business with platform screen door systems, which ensure safety on railway platforms.

Schaltbau also intends to grow its business with automotive and capital goods manufacturers. In this respect, many of the proven products and system solutions from the rail sector can be adapted to suit the specific requirements of road vehicles and logistics companies.

In order to maintain a balanced level of risk within the Group, Schaltbau endeavours to retain an even structure of customers and industries. The benchmark to aim for is around 60 per cent of Group sales from the railway industry and 15 to 25 per cent from the automotive and investment goods industries respectively.

Customers, shareholders and employees, both in Germany and abroad, all benefit from the sustainable growth of the Group. Based on the assumption of a normalised course of business for the Stationary Transportation Technology segment, positive earnings from the Group's Spanish companies and stable economic conditions, Schaltbau is aiming to increase earnings per share to € 5.00 by 2016.

STRATEGIC MEASURES

The measures required to accomplish these strategic aims can be sub-divided into three categories:

- **Safeguarding Schaltbau's leading technology position:** The Schaltbau Group is safeguarding its technological edge with high levels of investment. Its leading position is based on intensive research and development work as well as product adaptations specially designed to suit regional requirements, for which the Group utilises a high percentage of its sales revenue compared with other many companies in the same industry.
- **International footprint:** Both now and in the future, the companies of the Schaltbau Group will continue expanding their regional production and development units in order to react swiftly to market changes, enter new markets, specifically benefit from advantages related to certain countries or procurement markets and meet the need for local content.
- **Operating excellence:** The Schaltbau Group continually works on improving the efficiency of every link in the value-added chain. With this aim in mind, the Group has adopted a lean approach in the course of expanding production capacities, both in Germany and abroad. Efficiency can be further improved by bundling production and development activities.

Schaltbau aims to increase earnings per share to € 5.00 by 2016.

Organic growth in the Group's five business fields results from developing innovative products and solutions, opening up new customer markets and increasing market penetration. Organic growth is ensured primarily through internally funded investments. Moreover, the Schaltbau Group is growing through strategic acquisitions in its core markets and thereby creating additional potential. The products and services gained through strategic acquisition should not overlap too greatly with Schaltbau's existing portfolio and, as a rule, offer the prospect of a return on investment (ROI) within a five-year period. Schaltbau is particularly interested in companies capable of sustainably improving the Group's technology position with respect to system solutions for customers.

KEY PERFORMANCE INDICATORS

Key financial performance indicators for the Group and its segments are earnings per share and, at operating level, order intake (as an early indicator of performance), sales and profit before financial result and taxes (EBIT).

The key operating performance indicators are recorded on a monthly basis and analysed by segment and entity in the Schaltbau Group's reporting system.

Non-financial performance indicators relate to R&D and personnel.

REPORT ON ECONOMIC POSITION

GENERAL ECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT

The world economy again grew at a slow rate in 2014 (IMF: 3.3 per cent). Above all, the geopolitical risks in Ukraine and the Middle East, combined with renewed growing uncertainty on financial markets, prevented stronger recovery in the eurozone.

Germany too performed less dynamically than expected, Italy remained in recession and the French economy continued to stagnate. The US and UK economies, however, gathered considerable pace. Emerging markets in Asia continued to grow solidly, despite growth in China stabilising at a lower level. In South America, a combination of low raw materials prices and political uncertainty had a decelerating impact on growth.

Global industrial production and world trade both remained sluggish, primarily due to the more sedate performance of the Chinese economy.

The Schaltbau Group generates the vast majority of its sales in euros. Currency exchange rate effects resulted primarily from fluctuations of the US dollar and the Chinese renminbi in relation to the euro. The lower value of the euro did not have a significant impact on the Schaltbau Group's earnings in 2014.

SECTOR-SPECIFIC ENVIRONMENT

Sales markets

The Schaltbau Group's most important sales markets and customer sectors again performed with greatly varied success in 2014.

The Mobile Transportation Technology segment profited from stable demand for railway vehicles.

Despite isolated project delays, demand for rolling stock generally remained stable, which had a positive impact on the Mobile Transportation Technology segment (listed on numerous product platforms with its BIDS drive system for railway vehicle doors) as well as on the Components segment. Both segments reported higher sales volumes, particularly in European countries outside Germany, largely due to the fact that the percentage of railway vehicles fully built in Germany has decreased in recent years. Major railway manufacturers are increasingly producing on an international basis and have relocated the production of large-scale orders to the respective customers' countries. The market continued to stabilise in China's rail sector. The investment backlog that had built up in previous years has now been caught up to a large extent, with the consequence that business is likely to grow moderately over the next few years. Political tension caused by the Ukraine crisis has considerably reduced demand from Russia.

The rail infrastructure sector in Germany continued to be negatively impacted by delays in the awarding of orders for control and safety technology by German Railways. The main focus in Germany is currently on the renewal of superstructure and bridges, with the aim of satisfying the political call to eliminate trouble spots causing long-term slow-moving traffic. The renewal of level crossing systems has therefore been given a lower priority. Demand for branch line equipment remained stable at a moderate level.

General market conditions for industrial customers were characterised by the ongoing economic weakness in the eurozone. Orders from the automotive sector and for industrial trucks in Western Europe picked up slightly after very weak demand the previous year. However, the number of new registrations in the bus market stagnated at a low level, due to tight local government budgets across Europe. At the same time, bus manufacturers placed increasingly high demands on their suppliers, leading to increased downward pressure on prices and stricter requirements in terms of quality and documentation. Investments in photovoltaics and wind power also remained weak in Europe, as investors fear the loss of tax incentives and the curtailment of subsidies. Globally, however, investment levels rose significantly, particularly in China and Japan.

Markets for port cranes and maritime applications profited from the growth in world trade volumes and a considerable need for replacements.

Procurement markets

Procurement markets were primarily characterised by falling prices. The annual average price of copper (upper DEL quotation) was 5.9 per cent down on the previous year. Rolled steel and stainless steel were also slightly cheaper on average over the year. The average price of aluminium rose slightly by 1.4 per cent, although it fell again in the second half of the year. The price of cast iron parts rose slightly.

The prices of gold (10.2 per cent) and silver (20.0 per cent) were considerably down year-on-year. Schaltbau mainly utilises these precious metals to manufacture the contacts of switches and contactors. Although the silver price continued to drop over the course of the year, gold recovered slightly after significant losses in 2013. Prices for printed circuit boards remained at the previous year's levels.

Oil prices in euros fell sharply in the course of the year and were quoted, on average, some 8.6 per cent below the previous year's level. The prices of plastics, however, remained roughly in line with the previous year.

The rail infrastructure sector was negatively impacted by continued delays in the awarding of orders by German Railways.

The number of new bus registrations stagnated at a low level.

Competitive environment

Stagnating market volumes in Europe are responsible for increasing consolidation in the Schaltbau Group's competitive environment. There were more corporate takeovers last year, particularly among rail systems and infrastructure manufacturers. Suppliers such as the Schaltbau Group are therefore confronted with even fewer rail system suppliers with an increasing degree of market dominance. On the other hand, however, the consolidation in the industry also presented opportunities for non-organic growth.

The rail infrastructure market is becoming increasingly international, leading to growing demands on suppliers. The situation is exacerbated by the fact that European railway companies conduct their ordering activities on a more international basis and are therefore keen to test new suppliers.

The indirect competitive environment is also affected by the trend towards consolidation. For example, the merger of the two Chinese companies CSR and CNR is leading to the emergence of a new global supplier in the rail sector, which could cause redistribution of market share and increased pressure on prices.

Nevertheless, the companies of the Schaltbau Group successfully maintained their market positions and entered important new foreign markets, despite tough competition.

REGULATORY CONDITIONS

In terms of safety and compatibility, all products manufactured for the railway signals technology sector as well as other electronic control equipment for railway vehicles in Europe are subject to EU regulations and directives.

Schaltbau products are certified in accordance with the regulations and directives of the referenced European standards CEN/CENELEC and ETSI and therefore fully EU-compliant.

Furthermore, the increasingly international strategy of the Schaltbau Group demands the adaptation of technical processes to meet global standards, local-content requirements and market-specific standards. In particular, certifications in accordance with the China Compulsory Certification (CCC), the Russian GOST standards and those of the Underwriters Laboratories (UL) in the USA are required.

BUSINESS PERFORMANCE

In line with corporate strategy, Schaltbau Group entities continued to expand their international presence during the year under report. The Mobile Transportation Technology segment in particular was strengthened by various acquisitions and participations.

Significant investments in other entities

On 21 April 2014 the operations of ALTE Transportation S.L. were acquired by a newly founded Schaltbau company based in Barcelona, ALTE Technologies S.L. (ALTE). The acquired operations of ALTE, a leading manufacturer of sanitary and air conditioning systems for railway vehicles, have been included in the Schaltbau Group reporting entity since the end of April 2014. On 15 October 2014 Schaltbau sold 10 per cent of the shares of ALTE Technologies S.L. to that entity's management. Schaltbau is contractually entitled to re-acquire the 10 per cent shareholding either when certain specific circumstances are met or after expiry of five years.

In April Schaltbau took over the operations of ALTE and increased its shareholding in the Polish entity RAWAG.

Concurrently, the Schaltbau Group initially acquired a minority shareholding of 5.6 per cent in Albatros S.L., based in Madrid, the former parent company of ALTE. On 9 October 2014 Schaltbau exercised an option to acquire further shares (agreed at the time of the initial purchase of shares) and increased its shareholding to 40.0 per cent. Albatros generates its sales with high-voltage inverters for railway vehicles and with information and communications systems specially designed for use on board trains. The investment in this entity is accounted for in the consolidated financial statements using the equity method.

In addition, the shareholding in the Polish company, RAWAG Sp.z.o.o., was increased by 46.7 per cent to 89.3 per cent. This entity has been fully consolidated with effect from 1 April 2014 (previously accounted for using the equity method).

Significant investments in property, plant and equipment

The Schaltbau Group invested € 15.4 million (2013: € 13.1 million) in property, plant and equipment during the year under report.

The expansion of production facilities at Schaltbau GmbH's German sites in Velden and Aldersbach (Components segment) was completed in July 2014. Capital expenditure for these projects was in the region of € 5.6 million, of which € 2.9 million arose in the year under report. In addition, plant and machinery were invested in at both sites. The expansion of production facilities was necessary on the one hand to create new capacities after a number of years of production concentration, and on the other with a view to moving towards leaner production structures.

The objective is to increase flexibility, reduce throughput times and improve delivery performance in order to meet increasingly demanding market requirements and thus lay the foundation for further growth.

The new Technology Centre of the Bode Group in Kassel was completed in September 2014, significantly increasing Bode's development capacities. Moreover, product development as well as the testing and toolmaking departments are now all under one roof, thus accelerating the pace of innovation, whilst also helping to meet increasingly complex customer requirements for product acceptance and documentation. Investment in conjunction with this project – which, in addition to the Technology Centre, also included a warehouse constructed for glass and aluminium and an office building – was in excess of € 4.0 million, of which € 2.4 million arose in the year under report.

Alongside the major projects specifically referred to, the Schaltbau Group also invested in replacement, re-equipping and rationalisation measures as well as in the purchase of tools for new products.

Investments in intangible assets related primarily to the implementation of SAP modules at various subsidiaries as well as the acquisition of software for production and development.

The construction and expansion projects that were completed in 2014 are boosting efficiency in both production and development.

BUSINESS AND EARNINGS POSITION

OVERALL ASSESSMENT OF FINANCIAL CONDITION

Growth-related expenses had a negative impact on EBIT. At the same time, earnings per share registered an all-time high.

The Schaltbau Group increased order intake and sales significantly in the year under report, albeit to a large extent thanks to the first-time consolidation of RAWAG and ALTE. Organic growth across the Group's various fields of business was evenly balanced, but differed greatly from one field to the next. The Mobile Transportation Technology segment increased sales slightly, mainly on the back of strong demand for standardised door and boarding systems for buses and trains. Within the Stationary Transportation Technology segment, lower sales from control and safety systems were partially compensated by a sharp growth in railway signal technology business on the one hand and the unchanged strong order-book situation for Brake Systems on the other. The Components segment increased sales primarily in Asia and Europe (outside Germany), more than offsetting the decrease in sales in North America.

The Schaltbau Group's full-year sales of € 429.6 million were slightly higher than the revised sales target of € 425 million (as revised upwards after the acquisition of the ALTE operations). By contrast, the full-year EBIT of € 27.3 million fell well short of the original EBIT target of € 36.0 million. The revised earnings target of € 26.8 million announced during the course of the year was, however, achieved. Earnings per share of € 4.04, which represent a new record, were primarily attributable to the valuation gain recognised in conjunction with the increase in the shareholding in RAWAG. At this level, the original target of € 3.50 was easily surpassed.

The overall unsatisfactory EBIT performance was due in part to the PSD project, one of the Schaltbau Group's major growth projects. Project delays meant that sales could not be recognised, while at the same time additional operating expenses were incurred. This combination gave rise to a negative contribution. In addition, a provision of € 2.2 million was recognised for pending losses on onerous contracts. ALTE Technologies, which is still in the process of adopting a new strategic direction, also made a negative contribution to earnings. The purchase price allocation necessary after the acquisition of the majority shareholding in RAWAG gave rise to impairment losses totalling € 1.4 million. Other factors holding down earnings were the higher number of employees and an increased depreciation/amortisation expense attributable to high levels of investment made to promote growth at the Group's German and foreign sites. The weak order-book situation for control and safety systems business within the Stationary Transportation Technology segment also had a negative impact on earnings. By contrast, the Electromechanical Components and Door Systems business fields were able to increase their contributions to Group earnings.

Despite difficult market conditions, order intake for Railway Infrastructure business was slightly up on the previous year (excluding first-time consolidated entities). The target of achieving single-digit growth was therefore accomplished. At the same time, the order book at the end of the reporting period was significantly higher than one year earlier, a clear indication that the Schaltbau Group is on the right track towards achieving international growth, despite some temporary setbacks.

Forecasts for the fiscal year 2014

In € million	Outlook reported on 8.11.2013	Outlook reported on 16.07.2014	Outlook reported on 22.11.2014	Actual 2014
Sales	410	*	425	429.6
EBIT	36.0	31.0	26.8	27.3
Earnings per share	3.50	4.15	4.00	4.04

* No figure disclosed for sales

BUSINESS AND EARNINGS POSITION OF THE SCHALTBAU GROUP**Key performance figures for the Schaltbau Group**

In € million	2014	2013	Δ%
Order intake	449.4	390.7	15.0
Sales	429.6	390.7	10.0
EBIT	27.3	36.0	-24.2

Order intake and order book

Order intake for the Schaltbau Group rose by 15.0 per cent from € 390.7 million in 2013 to € 449.4 million in 2014. The major part of the rise was attributable to the first-time consolidation of RAWAG and ALTE within the Mobile Transportation Technology segment. In addition, good organic growth with Door Systems and in the Components segment also contributed to the increase. Excluding the contributions made by the new entities, order intake grew by 4.5 per cent.

The steep increase in the Schaltbau Group's order book – up by 23.6 per cent to € 281.9 million (31 December 2013: € 228.1 million) – reflects mainly the integration of the new Group entities, outstanding sales to be recognised on the PSD project in Brazil and project delays in the area of signal technology.

Sales

Sales of the Schaltbau Group rose by 10.0 per cent from € 390.7 million to € 429.6 million year-on-year. This increase was also largely attributable to the Group's new entities, which contributed € 39.5 million to total sales. Components business in Europe and China also grew perceptibly during the second half of the year.

Overall, however, organic sales growth was a negative 0.2 per cent. The principal reason for this development was lower demand for Railway Infrastructure business (Stationary Transportation Technology segment). The Components segment reported slightly higher sales than one year earlier, while the Mobile Transportation Technology segment – adjusted for the contributions of the Group's new entities – was able to repeat the previous year's strong performance.

Order intake rose by 15 per cent, mainly due to the consolidation of ALTE and RAWAG.

Declining volumes in the Rail Infrastructure business field are inhibiting sales growth.

Sales outside Germany now account for approximately 61 per cent (2013: 57 per cent) of total sales. 63 per cent of sales relate to the rail sector, 15 per cent to the automotive sector and 22 per cent to the capital goods sector. Based on these percentages, the spread of the Schaltbau Group's business was close to the desired target.

Group earnings performance

EBIT of the Schaltbau Group came in at € 27.3 million, 24.2 per cent down on the previous year's figure (€ 36.0 million). The EBIT margin fell from 9.2 per cent to 6.4 per cent year-on-year.

Cost of materials increased at a slightly more pronounced rate than sales. The cost of materials ratio rose to 50.5 per cent (2013: 49.3 per cent) of total output. In order to counter this increase in the cost of materials, new procurement sources were found, including some in Asia and Eastern Europe, and a number of longer-term framework agreements put in place with major suppliers.

Personnel expenses went up by 15.8 per cent to € 138.2 million, partly due to the first-time inclusion of RAWAG and ALTE employees, and partly reflecting higher staffing levels within the development and selling functions of the two Transportation Technology segments as well as in IT in general. The new positions created are primarily aimed at reinforcing the Schaltbau Group's pre-eminent technology position, improving market engagement outside Germany and ensuring even better cross-segment collaboration. Increases in collectively bargained tariff rates also had an impact. At 31.4 per cent, the personnel expense ratio (as a percentage of total output) was slightly higher than one year earlier (30.6 per cent). Total output per employee (productivity) fell to € 194,000 (2013: € 212,000), mainly due to sales shortfalls in the Stationary Transportation Technology segment on the one hand and the comparatively lower per-head sales at the level of ALTE and RAWAG on the other.

Other operating expenses rose, partly as a result of the first-time consolidation of the Group's new entities. Other factors contributing to the increase were the allocation to a provision for pending losses on onerous contracts (PSD project) and expenses arising from the purchase price allocation in conjunction with the increase in the shareholding in RAWAG. In addition, increases were recorded for consulting expenses in connection with acquisitions and the Group's market engagement in China as well as for increased trade fair activities.

Spending of the Schaltbau Group on research and development totalled € 28.7 million, equivalent to 6.5 per cent (2013: 6.1 per cent) of total output.

EBIT fell by 24.2 per cent, whereas Group net profit rose by 17.7 per cent.

See Employees on page 42

Business and earnings position



Despite the lower EBIT, profit from ordinary activities (EBT) increased by 4.5 per cent to € 35.2 million (2013: € 33.7 million), primarily as a result of the revaluation gain recognised on the 42.6 per cent shareholding in RAWAG already held prior to the acquisition of a majority shareholding. The one-time gain of € 12.4 million is included in the result from investments. The latter was reduced by some moderate valuation-related adjustments on other investee entities amounting to € 1.1 million and the sharp drop in profit from at-equity accounted entities to € 0.7 million (2013: € 2.7 million), mainly due to the full consolidation of RAWAG (previously accounted for using the equity method) and the negative earnings contribution from Albatros. Overall, the result from investments was a net positive amount of € 12.3 million (2013: € 2.4 million).

The net expense reported for financial result improved from € 4.7 million to € 4.3 million, mainly due to lower interest expense following the repayment of participation rights in June 2014. The savings made as a result of this move exceeded the additional cost incurred in the increased utilisation of the Company's credit line.

Income tax expense fell to € 6.1 million in line with the lower EBIT (2013: € 9.0 million). Net Group profit for the year climbed by 17.7 per cent to € 29.1 million (2013: € 24.7 million).

Profit attributable to shareholders of Schaltbau Holding AG amounted to € 24.8 million (2013: € 21.4 million), corresponding to earnings per share of € 4.04 (2013: € 3.48).

Proposed appropriation of profit

The Executive Board and Supervisory Board will propose to the Annual General Meeting, to be held in Munich on 11 June 2015, that the unappropriated profit of Schaltbau Holding AG amounting to € 6.2 million (based on HGB accounting principles) be used to pay a dividend of € 1.00 (2013: € 0.96) per share.

BUSINESS AND EARNINGS POSITION OF THE SEGMENTS

The Mobile Transportation Technology segment

Key performance figures for the Mobile Transportation Technology segment			
In € million	2014	2013	Δ%
Order intake	195.7	141.4	38.4
Sales	185.6	144.3	28.6
EBIT	12.7	11.6	9.5

In the Mobile Transportation Technology segment (Bode Group and ALTE), order intake rose by 38.4 per cent to € 195.7 million (2013: € 141.4 million), mainly as a result of the first-time consolidation of RAWAG and ALTE. Adjusted for consolidation factors, order intake was 9.3 per cent up on the previous year.

By focusing on standardised, intelligent door and boarding systems for railway and road vehicles, the Bode Group was able to strengthen its position on international markets. Order levels rose in particular for railway vehicle doors. The BIDS standardised door drive system

Order intake and sales both increased significantly, due to the first-time consolidation of RAWAG and ALTE.

continued to be the main growth driver. The sale of spare parts also continued to increase year-on-year, helped by the further expansion of a separate after-sales group as well as other factors. Bode was awarded a number of major projects in Poland, South Korea and Germany. Moreover, Bode clinched an order for metro door systems in China. Due to the loss in value of the rouble as well as political and economic sanctions against Russia, one major order for door systems for regional trains in the Moscow area – secured jointly with RAWAG – experienced project delays, which, however, did not have any serious impact in the year under report. Overall, collaboration between the Bode Group and RAWAG has been intensified since the majority acquisition. The two companies are benefiting from synergies in the areas of proposal preparation, production process streamlining and a broader range of products and services.

Order intake in the field of door systems for buses and coaches was slightly down on the previous year's level. Although the first six months of the year were still impacted by advance purchases prior to the introduction of the Euro-6 standard, order volumes decreased over the remainder of the year. Nonetheless, Bode was able to secure one major order extending over several years to equip the next generation of city buses for a leading manufacturer, which will have a positive effect on both order volumes and sales from 2016 onwards. Overall, this product group therefore performed better than the market as a whole, which continued to suffer under the austerity measures taken by public transportation authorities, particularly in Southern Europe.

The order volume in the Automotive product group stabilised at a high level overall, helped primarily by orders from existing customers. Moreover, a sizeable order for sliding door fittings for a large model of commercial van was secured and is also scheduled for initial call-offs in 2016.

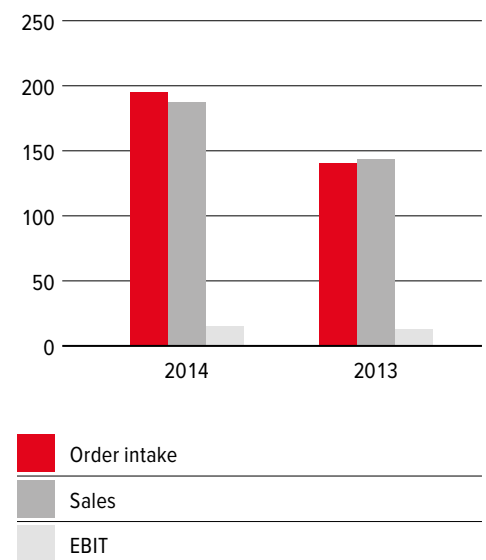
Segment sales rose by 28.6 per cent to € 185.6 million, driven by sales generated by RAWAG and ALTE (2013: € 144.3 million). Adjusted for the figures contributed by the two new companies, sales came close to their previous year's level.

Business volumes on the Polish and Russian markets in particular benefited from closer cooperation with RAWAG. The segment recorded a moderate increase in sales of Door Systems for Buses and Sliding Door Fittings (Automotive). Around 64 per cent of all segment sales were generated on foreign markets, primarily Poland and Switzerland.

At € 12.7 million, EBIT was 9.5 per cent up on the previous year (€ 11.6 million), despite ALTE contributing a significantly negative EBIT and expenses arising in conjunction with the purchase price allocation for RAWAG. Due to these factors, the EBIT margin slipped to 6.8 per cent (2013: 8.0 per cent) during the year under report.

Key performance figures for the

Mobile Transportation Technology segment



EBIT rose by 9.5 per cent, despite the negative EBIT still contributed by ALTE.

The Stationary Transportation Technology segment

Key performance figures for the Stationary Transportation Technology segment			
In € million	2014	2013	Δ%
Order intake	138.9	145.5	-4.5
Sales	139.0	143.1	-2.9
EBIT	2.5	12.7	-80.3

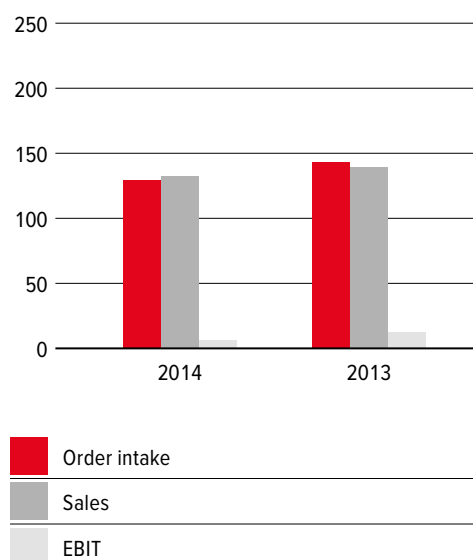
Order intake for the Stationary Transportation Technology segment totalled € 138.9 million, a 4.5 per cent decrease on the previous year's level of € 145.5 million.

In the Rail Infrastructure business field, the major order for Platform Screen Doors (PSD) in the first quarter and the successful export of railway crossing systems contributed to the higher order volume, which included the expansion of an existing framework contract for the delivery of railway crossing systems to Danish Railways. In Germany, signal technology business remained well below budget, as again during the year under report German Railways delayed initiating large-scale projects to modernise its safety and signal technology systems. There were also project delays in the field of transportation technology, which meant that order intake was significantly lower than one year earlier and came in well under budget.

There was no repeat of the large-scale order levels seen the previous year in the field of train formation technology. However, this shortfall was more or less offset by signal technology orders at PINTSCH TIEFENBACH, which nearly doubled as a result of successful export business.

The order volume for point heating systems came very close to the previous year's level. Although the order situation improved on the German market, a number of projects in the Netherlands were postponed due to financial constraints.

Key performance figures for the
Stationary Transportation Technology segment



The Brake Systems business field registered a slight drop in orders during the period under report, although partially compensated by a recovery in demand coming from large-scale container terminals. Several global framework agreements were signed in this field in the course of 2014.

Segment sales fell by 2.9 per cent to € 139.0 million (2013: € 143.1 million), primarily due to lower demand in the field of control and safety technology. The sales gap caused by the lack of incoming orders from German Railways was only compensated to a slight extent by orders for branch line equipment. Sales growth was achieved for train formation equipment and signal technology. Due to the project delays referred to above, the PSD project in São Paulo did not contribute

Signal technology business in Germany was well below budget.

The sharp decline in EBIT resulted principally from a drop in sales in the field of signal and safety technology and upfront expenditure for the PSD project.

significantly to sales figures in 2014. Overall, some 50 per cent of segment sales were again generated in Germany.

The steep drop in segment EBIT to € 2.5 million (2013: € 12.7 million) was principally due to lower-than-expected sales in the field of control and safety technology and expenses incurred in conjunction with the PSD project. The EBIT margin therefore fell to only 1.8 per cent (2013: 8.8 per cent).

The Components segment

Key performance figures for the Components segment			
In € million	2014	2013	Δ%
Order intake	114.7	103.7	10.6
Sales	104.9	103.2	1.6
EBIT	18.9	17.4	8.6

In the Components segment, order intake rose by 10.6 per cent to € 114.7 million (2013: € 103.7 million), mainly driven by increased orders for switches. The brisk recovery of demand in China's rail sector, where the investment backlog from the last few years was practically cleared, provided positive momentum. Demand for components in European countries outside Germany also increased. Order volumes in the USA, however, experienced a slight setback, largely due to technologically driven delays in demand in the solar power industry, which negatively impacted demand for contactors. Overall, the segment order book at the end of the reporting period was slightly down on one year earlier, partly due to shorter project lead times and the greater speed of implementation.

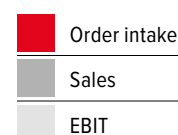
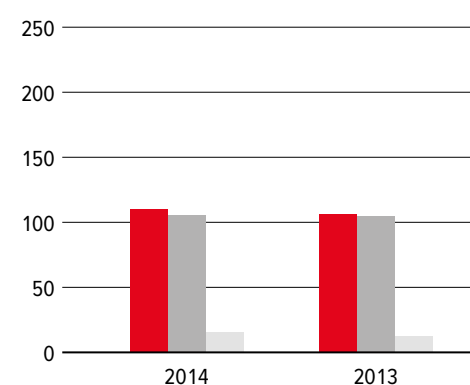
The strong order situation in European countries outside Germany as well as in China enabled segment sales to rise to € 104.9 million, surpassing the previous year's figure (€ 103.2 million) by 1.6 per cent. Sales in North America remained well down on last year's figures, primarily due to a shortage of photovoltaics business, lower order volumes coming from American rolling stock manufacturers and customer-driven delays in projects relating to master controllers. The volume of sales generated in Russia was also lower than one year earlier, mainly reflecting the worsening of the crisis in the fourth quarter, which caused politically related delays in deliveries to one major customer.

EBIT for the Components segment improved to € 18.9 million (2013: € 17.4 million). The EBIT margin came in at a very good level of 18.0 per cent (2013: 16.9 per cent).

Order intake rose, particularly due to increased order volumes for switches and growing demand from China.

The higher EBIT is a result of lower materials procurement prices, improved margins and a favourable product mix.

Key performance figures for the Components segment



FINANCIAL AND NET ASSETS POSITION

Principles of financial management

Schaltbau Holding AG is responsible for the financial management of the Schaltbau Group. It provides the Group's entities with sufficient liquid funds at all times, thus ensuring their ability to organise their operations as planned and develop business. In addition to its liquidity management activities, Schaltbau Holding AG also handles financial relationships with business partners and restricts exposure to the types of financial risk which emanate from the specific business model applied within the Schaltbau Group. The main exposures relate to interest rate, currency, counterparty and country-specific risks.

In order to limit external financing, the Schaltbau Group uses internal sources of financing to the greatest extent possible. Cash flow surpluses of individual entities are used, whenever it makes sense, to cover liquidity requirements at the level of other subsidiaries and participations. In this context, working capital management is subject to regular monitoring throughout the Group. All major units – with the exception of the Bode Group and Xi'an – are covered by these financing arrangements.

Group financing is based on a Syndicated Credit Agreement with a volume of € 110 million (of which € 8 million has already been repaid) and which runs until December 2017. No collateral has been given. The credit agreement is subject to various assurances, guaranties and conditions as well as various defined financial performance indicators (covenants), all of which were fully complied with during the year under report. The Bode Group has access to credit facilities totalling € 31.6 million (31 December 2013: € 17.3 million).

An equity ratio of between 30 and 35 per cent has been set as the target for the Schaltbau Group.

Derivative financial instruments are employed as a hedge against interest rate and foreign currency risks, and, in exceptional cases, to hedge commodity risks. It is not permitted to use such instruments for speculative purposes. Interest rate hedges totalled € 16.2 million (nominal) at the end of the reporting period. Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

Capital measures undertaken during the year under report

In accordance with the authorisation given at the Annual General Meeting held on 9 June 2010, in November Schaltbau Holding AG resolved to repurchase up to 307,609 own shares during the period from 24 November 2014 to 8 June 2015. As a result, the number of treasury shares held increased by 43,112 shares to 56,556 shares at the end of the reporting period. The repurchased shares can be used for all of the purposes stipulated in the authorisation resolved at the Annual General Meeting. They may be offered as consideration in conjunction with equity participations and/or business acquisitions or be used to strengthen the existing shareholder structure.

The transactions carried out are published weekly on the internet at <http://www.schaltbau.de/en/investor-relations/share-buyback>.

43,112 shares were
bought back by the end
of the year.

The transactions carried out are published weekly on the internet at <http://www.schaltbau.de/en/investor-relations/share-buyback>.

Analysis of capital structure

Non-current liabilities were mainly impacted by the financing of transactions and the repayment of participation rights.

The increase in current liabilities results from the utilisation of current account credit lines and from operations.

At € 145.5 million, non-current liabilities were significantly higher than at the end of the previous fiscal year (2013: € 93.5 million), primarily as a result of the utilisation of the credit line to finance acquisitions, and the repayment of profit participation rights. Non-current financial liabilities totalled € 93.0 million (2013: € 49.8 million). Pension provisions also went up by approximately € 6 million as a result of a further reduction in interest rates.

Short-term debt capital increased to € 103.2 million at the end of the period under report (2013: € 84.4 million), mainly reflecting higher payables and advance payments received in conjunction with operations on the one hand and the first-time full consolidation of entities on the other.

Similarly, other payables (current and non-current) were higher than at the end of 2013, also due to a large extent to the first-time full consolidation of entities. The scheduled repayment of participation rights capital amounting to approximately € 7.3 million in June 2014 was matched roughly by the increased use of current account facilities.

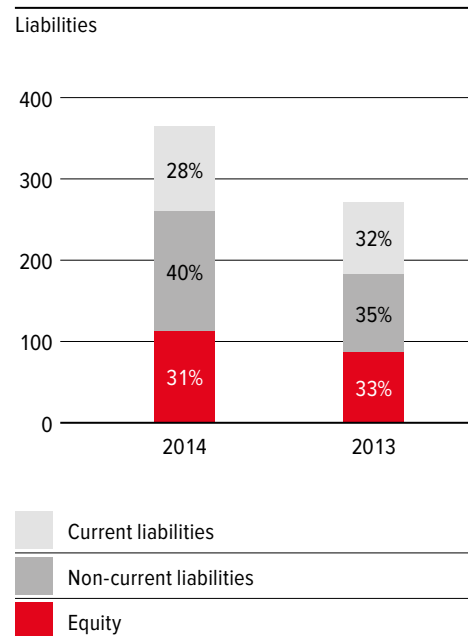
Net liabilities to banks (current and non-current bank liabilities less cash and cash equivalents) amounted to € 78.5 million (31 December 2013: € 41.7 million). The debt ratio (net bank liabilities to EBITDA) at the end of the reporting period was 2.0 compared to 0.9 at the end of 2013. Including participation rights capital, the debt ratio at the end of the previous year was 1.1.

At 31 December 2014, the Group had access to credit lines totalling € 149.2 million (31 December 2013: € 125.8 million), of which € 62.1 million (31 December 2013: € 41.9 million) were drawn down as loans. Current account credit lines amounting to € 87.1 million (31 December 2013: € 68.9 million) were in place at the end of the reporting period, of which € 75.0 million are available until December 2017. € 50.6 million (31 December 2013: € 22.0 million) of the current account credit lines (including guarantee lines) were being utilised at the end of 2014.

The Group was able to meet its liabilities at all times during the fiscal year 2014.

Equity went up from € 89.4 million to € 112.5 million over the twelve-month period, primarily as a result of the net profit for the year. The equity ratio was 31.2 per cent, compared to 33.4 per cent one year earlier and was therefore within the target range.

Balance sheet structure



Liquidity analysis

Cash flows from operating activities totalled € 26.5 million, which represented a significant decrease compared to the previous year (€ 36.5 million). The principal reason for this development, in addition to reduced EBIT, was the increase in working capital, a factor which was also exacerbated by the inclusion of ALTE Technologies and RAWAG.

The higher cash outflow for investing activities – totalling € 38.4 million (2013: € 20.1 million) – includes the purchase price payments for acquisitions made during the year. The purchase price for the operations of ALTE Transportation amounted to € 7.5 million, while the additional 46.7 per cent of shares in RAWAG were acquired for € 7.0 million. In addition, capital expenditure on property, plant and equipment was higher than one year earlier due to capacity expansion in the Mobile Transportation Technology and Components segments. On top of this came capital expenditure incurred by the new entities.

Financing the various transactions undertaken is reflected in the increase in the cash inflow from financing activities to € 24.1 million (2013: cash outflow of € 10.8 million). The utilisation of credit lines and the drawdown of loans contrasts primarily with the repayment of participation rights capital and the dividend payment of € 5.9 million.

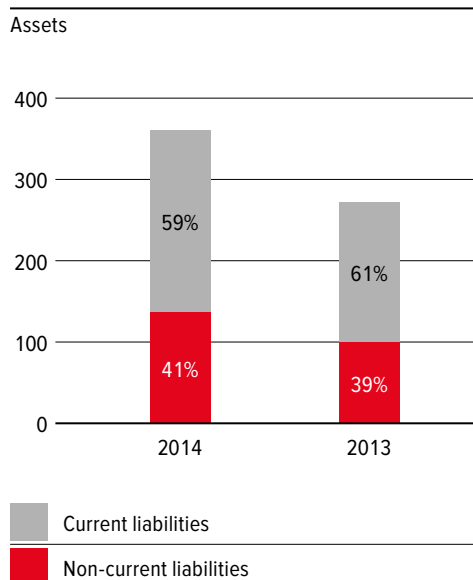
Overall, cash and cash equivalents increased by € 13.0 million to stand at € 26.2 million at the end of the reporting period (31 December 2013: € 13.2 million).

Net assets

Non-current assets increased by 41.5 per cent to € 149.1 million over the twelve-month period. The first-time consolidation of ALTE resulted – as did the shareholding increase and revaluation at the level of RAWAG – in the recognition of goodwill, which is included in intangible assets. Goodwill at the end of the reporting period totalled € 31.8 million (31 December 2013: € 11.3 million). Capitalised development costs arising at the level of the Rail Infrastructure business field also contributed to the increase in intangible assets.

Current and non-current assets increased, primarily due to consolidation effects.

Balance sheet structure



At the same time, the carrying amount of property, plant and equipment was almost € 16 million higher than one year earlier. Capital expenditure at the various sites resulted in the recognition of additions totalling € 15.4 million, compared to depreciation of only € 7.4 million. Changes in the Group reporting entity gave rise to net additions within property, plant and equipment amounting to € 8.3 million.

Within non-current assets, at-equity accounted investments decreased as a result of the full consolidation of RAWAG, the effect of which more than offset the addition relating to the acquisition of the minority interest in Albatros. Overall, non-current financial investments decreased from € 15.2 million to € 13.0 million.

Current assets increased by 31.0 per cent to € 212.1 million at the end of the period under report (31 December 2013: € 162.0 million). Alongside higher cash funds, the main factors here were increases in inventories and receivables, mostly in conjunction with the first-time inclusion of new operations. Working capital increased over the twelve-month period by 15.7 per cent from € 105.9 million to € 122.6 million, whereby increases in inventories and receivables were partially offset by higher advance payments received and trade accounts payable.

The average receivables period increased to 67.3 days compared to 61 days at the end of the previous year.

Capital employed amounted to € 256.7 million at the end of 2014, an increase of € 58.4 million compared to one year earlier (2013: € 198.3 million), mainly reflecting the higher level of working capital and additions to non-current assets. The return on capital employed (ROCE) fell by the same token from 18.2 per cent to 10.6 per cent, also due in part to the lower EBIT.

Deferred tax assets, amounting to € 15.0 million at the end of the reporting period (2013: € 13.0 million), comprised € 11.4 million (2013: € 7.6 million) recognised on timing differences and € 3.6 million (2013: € 5.4 million) recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences amounted to € 8.8 million (2013: € 7.1 million).

EARNINGS, FINANCIAL AND NET ASSETS POSITION OF SCHALTBAU HOLDING AG

The Company Financial Statements of Schaltbau Holding AG for the fiscal year 2014 were drawn up, as in the previous year, in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

Schaltbau Holding AG provides services on behalf of its subsidiaries. Its earnings position is primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries and the net interest result relating to its financing function. Profit and loss transfer agreements are in place between Schaltbau Holding AG and both Schaltbau GmbH and PINTSCH BAMAG GmbH. In turn, PINTSCH BAMAG GmbH has profit and loss transfer agreements in place with PINTSCH BUBENZER GmbH, PINTSCH ABEN geotherm GmbH and PINTSCH TIEFENBACH GmbH.

Schaltbau Holding AG and its German operating subsidiaries are financed by means of the Syndicated Credit Agreement, renegotiated in December 2013.

Sales revenue of € 2.9 million (2013: € 2.2 million) resulted from the provision of services, in particular relating to recharging the cost of centralised IT systems to subsidiaries.

The result from investments improved by € 1.5 million to € 4.0 million, mainly reflecting the extremely good performance of Gebr. Bode GmbH & Co. KG in the fiscal year 2013.

Income resulting from profit and loss transfers fell from € 14.2 million to € 10.8 million year-on-year. Improved earnings at the level of Schaltbau GmbH contrasted with the loss transfer of € 7.3 million from PINTSCH BAMAG.

Other operating expenses were € 1.1 million higher than one year earlier, mainly reflecting increased legal and advisory expenses as well as travel expenses arising in 2014 in conjunction with business acquisitions. Expenses incurred to develop the Chinese market and higher IT expenses also contributed to the increase. Personnel expenses rose mainly due to

the expansion of the IT department, the higher number of employees and bonus payments. The net interest result improved by € 1.3 million compared to 2013 and became positive. The main factors for this turnaround were the repayment of participation rights in June 2014 and improved interest rate conditions.

The profit from ordinary activities amounted to € 2.4 million (2013: € 10.4 million). The tax expense fell by € 2.1 million to € 549,000 as a result of the significant reduction in earnings. Group net profit amounted to € 1.9 million, compared to € 7.8 million one year earlier.

Schaltbau Holding AG's balance sheet grew on both sides by € 28.0 million to € 168.1 million in the year under report. The main reason for the increase on the assets side was the higher level of receivables from affiliated companies in connection with intragroup financing. Current assets rose as a result over the twelve-month period from € 51.9 million to € 75.5 million.

Non-current assets amounting to € 92.3 million (31 December 2013: € 88.1 million) comprise almost entirely investments in affiliated companies, which went up by € 2.8 million as a result of the acquisition of ALTE Technologies. Investments amounting to € 2.1 million relate to the minority shareholding in Albatros. The 137,270 participation rights bought back by the Company in 2006 were derecognised as a result of the repayment of participation rights capital; the amount reported at the end of the previous fiscal year (€ 2.2 million) corresponds to their repurchase amount.

The sharp increase in payables (up from € 55.9 million to € 90.2 million) reflects the higher amount of the syndicated loan being used to finance the acquisitions executed during the year as well as the higher level of working capital. The reduction in participation rights (repaid in full) compares with an increase in payables to banks. The covenants contained in the Syndicated Credit Agreement were again complied with in 2014.

Schaltbau Holding AG's equity fell from € 72.9 million to € 67.2 million as a result of the lower unappropriated profit. The equity ratio deteriorated from 52.1 per cent to 40.0 per cent, but remained nevertheless within the target range.

The Executive Board forecasts that Schaltbau Holding AG's profit before tax for the fiscal year 2015 will be above the level reported for 2014. The expected improvement reflects the improved forecast operating result of PINTSCH BAMAG.

NON-FINANCIAL PERFORMANCE INDICATORS

RESEARCH AND DEVELOPMENT

The Schaltbau Group engages in intensive research and development work across all of its business fields, in order to safeguard its technological leading edge and ensure a solid foundation for sustainable economic success. The Group's organic growth is largely based on the development of new, innovative products.

During the year under report, the Schaltbau Group's spending on research and development was equivalent to 6.5 per cent (2013: 6.1 per cent) of total output, and therefore within the budgeted target corridor. 22.3 per cent of the total cost was recognised as assets (2013: 8.7 per cent). Scheduled amortisation amounting to € 706,000 (2013: € 615,000) was recorded on capitalised development costs. A total of 339 employees were engaged in the various R&D departments at the end of the fiscal year 2014 (2013: 269 employees). More than one tenth of the workforce is therefore involved in enhancing the Schaltbau Group's technological base.

The Schaltbau Group spent 6.5 per cent of total output on research and development.

Enhancements to the BIDS system aroused a great deal of interest.

In the **Mobile Transportation Technology** segment, the focus in 2014 was on developing a new sensor system (Boarding Management Unit) for the boarding areas of railway vehicles. This system monitors the boarding area by means of a sensor that executes key functions such as door actuation, anti-trap protection, passenger counting and the light barrier function. Until now, these functions have been performed by hardware components. Moreover, a new type of door control system was designed for various applications and the use of brushless motors was tested. The Automotive department designed a “BIDS-AM” sliding door system for cars and small commercial vehicles, which is the first not to require a central guide rail, giving vehicle designers far greater scope. A prototype presented at the IAA in September aroused a great deal of interest. Moreover, an electrically powered sliding door based on the BMS drive developed by the Rail Infrastructure business field was tested in parcel delivery vehicles. Initial results show that the system can help parcel services to work considerably more efficiently.

The new “City-BIDS” swinging-sliding door drive has been developed for use in light rail vehicles and buses and was exhibited at a number of trade fairs. The new drive system is not only more compact, it is also lighter and offers a better price-performance ratio than previous comparable systems. A new, standardised door wing concept for this field of application was also brought onto the market. In the bus sector, Bode reacted to pressure to reduce prices and standardise products by developing a low-cost CADS “snap-on” solution, which can be quickly and easily installed to replace pneumatic drives. It is currently in the course of being approved by a major bus manufacturer for series use.

The Bode Group holds 91 patents, 14 of which were newly registered during the year under report. These relate to the Boarding Management Unit, the BIDS-AM, sliding steps and the new door control concept.

The PINTSCH Group is developing LED lights for the new ICx fleet.

In the **Rail Infrastructure** business field of the **Stationary Transportation Technology segment**, the focus was on developing prototypes based on the RBUEP switching system (computer-controlled railway crossing technology), which was introduced for projects in Denmark and Egypt in 2013. The Platform Screen Doors (PSD) were equipped with a back-up system for automated operations in case the signalling system fails, which has obtained approval in accordance with the Safety Integrity Level (SIL 3). The electronic systems for these doors therefore meet the highest safety standards. In addition, work was carried out on converting light signals (for both lines and vehicles) to LED technology. Various approvals were gained, including one for the new ICx fleet operated by German Railways. The PINTSCH Group developed various visualisation and diagnosis systems that are suitable for use in a number of fields.

The Rail Infrastructure business field registered 19 new patents.

In the **Brake Systems** business field the focus was on overhauling standard types of brakes, which are now being marketed in a more compact, powerful and service-friendly version. Other new developments included products for ventilating brakes and a new motor mounted brake for offshore use.

The business field registered 4 new patents during the year under report and holds a total of 16 patent families.

New AC contactors from Schaltbau control frequencies of up to 400 Hertz.

Development activities in the **Components** segment in 2014 focused principally on contactors. The range was enlarged to include a three-pole contactor that safely controls the frequency range up to 400 Hertz. Furthermore, as part of a large-scale research project in cooperation with a leading university of applied sciences, development work is being carried out to increase the efficiency of the contactors in extremely rugged electrical

conditions. The snap-action switches and connector series were also additionally improved as part of the normal process of product updating. The most important project in the field of control devices was the development of a standardised master controller based on a modular concept, which can be individually configured to suit the needs of each customer with very little effort. The development will cut delivery times and minimise qualification costs. The software application utilised is now also suitable for SIL 2-rated safety applications. The new master controller concept is being used for the first time in ICx high-speed trains. New emergency brake switches have also been developed for the ICx series.

The segment holds at least 43 patent families with 278 individual country designations. In 2014, eight new patents were registered, two of which are international, and a utility model.

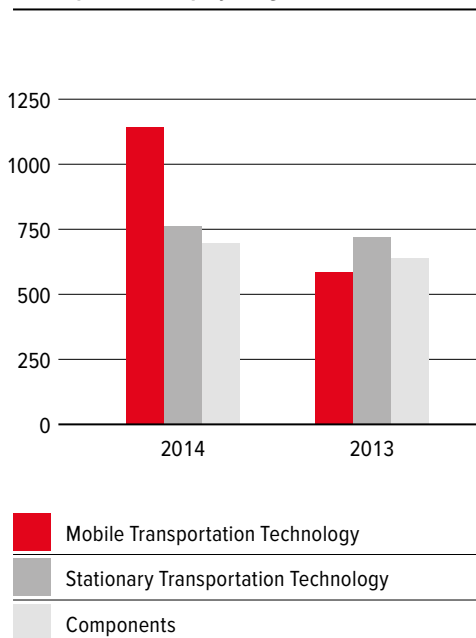
EMPLOYEES

The Schaltbau Group’s workforce increased to 2,651 employees as at 31 December 2014 (2013: 2,044 employees).

The number of employees in the **Mobile Transportation Technology** segment grew from 631 to 1,168. A total of 522 people joined the Group through the consolidation of RAWAG and the acquisition of the operations of ALTE. The head count across the Group’s remaining companies changed very little. The workforce in the **Stationary Transportation Technology** segment increased from 723 to 753 employees, mainly due to new recruitment in the fields of development, logistics and sales. Most of the recruitment in the **Components** segment was limited to the production department. The number of employees in the segment rose to 706 (2013: 668).

Schaltbau has taken over 522 employees from RAWAG and ALTE.

Development of employee figures



Schaltbau views the additional training and qualification of its employees as an important investment in the future. For this reason, again in 2014, the Schaltbau Group invested the considerable sum of € 863,000 (2013: € 798,000) on both in-house and external basic and further training measures. Apart from the need for language knowledge, the main focus was on training related to products, lean production, exports and technical skills.

Needs-based training plays a decisive role in ensuring that suitably qualified staff are capable of rising to meet future market challenges. At 31 December 2014, a total of 94 young people were undergoing training in various Schaltbau Group companies, learning occupations such as industrial mechanic, electronics technician, industrial management assistant and IT specialist. The Mobile Transportation Technology, the Stationary Transportation Technology and the Components segments employed 25, 39 and 30 trainees respectively.

At the end of the reporting year, 34 people (2013: 28) were in pre-retirement part-time working arrangements, 22 of which had already entered the non-working phase. Pre-retirement part-time working arrangements are offered in three German and one foreign Group company.

Due to the greater number of employees and tariff-based pay rises, personnel expense increased to € 138.2 million (2013: € 119.4 million). At € 194,000 per employee, total output per employee, including trainees and executives, was lower than the previous year's level of € 212,000, mainly due to the impact of the companies being consolidated for the first time. On an annual average, 2,270 people were employed by the Group, compared with 1,839 in 2013.

CUSTOMERS

Schaltbau Group companies are regularly represented at important trade fairs, with the aim of fostering good relationships with customers and partners and exhibiting our latest innovations. Fairs are also a good opportunity to carry out customer satisfaction surveys.

In 2014, Bode (Mobile Transportation Technology) was present at the IAA in Hanover, the InnoTrans in Berlin, the APTA in Houston, the Expo Feroviaria in Turin and the Eurasia Rail in Istanbul. A separate sales group for the Rail Infrastructure business field was established in 2014, with the aim of systematically engaging in and expanding the after-sales market. Customer satisfaction, which is measured in regular surveys covering delivery reliability and quality, continued to be at a high level.

In 2014, the Rail Infrastructure business field (Stationary Transportation Technology) organised technology exhibitions in Dinslaken, Nuremberg, Leipzig and Hamburg, where more than 150 decision-makers and planners gathered information on the technical options and innovations being offered by the PINTSCH Group. Due to the excellent response, three more events of a similar nature will be held in spring 2015. This business field was also present with stands at the InnoTrans in Berlin, the APTA in Houston, the RSSI in Texas, the IALA in La Coruña and the Business on Rails in São Paulo.

The Brake Systems business field (Stationary Transportation Technology) presented a new brakes series at the TOC in London and was also represented at seven other trade fairs for shipping, marine technology, container handling and wind power. In June, the business field held a meeting of its sales representatives in Düsseldorf.

Schaltbau GmbH (Components) also had a stand at the InnoTrans in Berlin and increased its trade fair activities in the USA, focusing mainly on the solar power sector. In the second half of the year, the segment carried out a web-based customer satisfaction analysis. Based on the results, Schaltbau GmbH introduced measures to improve its supplier rating with prestigious customers.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of particular significance have taken place since 31 December 2014.

The Mobile Transportation Technology segment established a sales group for the after-sales business.

Schaltbau showcased its products at numerous trade fairs, both in Germany and abroad.

REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

RISK REPORT

RISK MANAGEMENT

Risk strategy and organisation of risk management

The business activities of the Schaltbau Group inevitably entail risks. The responsible handling and prudent management of risks is an essential element of good corporate management. The risk management system implemented within the Schaltbau Group aims to sharpen awareness of risks in all of the Group's companies and operating functions, identify risks at an early stage, limit commercial losses with suitable measures and avoid risks that could jeopardise the going-concern status of the Group's entities. The risk management system therefore makes a vital contribution towards achieving the strategic, operating and financial targets of the Schaltbau Group and towards sustainable growth in the value of the business as a whole.

The risk management system, with its organised structures and workflows, is described and defined in a policy, which applies throughout the entire Group. It includes an appropriately comprehensive system of documentation and reporting. Risks are recorded and evaluated by the Group's various lead companies and subsequently, in a second stage, consolidated and assessed at Holding level. All potential causes of loss are recorded according to their probability of occurrence and possible consequences. The risk management officers at Group Holding level and in the various lead companies of the operating segments are responsible for this task. Irrespective of their probability of occurrence, any risks capable of causing at least a medium level of loss require notification. If they exceed certain entity-specific thresholds, these risks must be notified by means of in-house ad hoc reports without delay. Risks are categorised as jeopardising the going-concern status of an entity if they have a significant impact on the assets, financial and earnings positions of that entity. Risk concentrations and possible consequences (secondary risks) must also be appropriately considered.

Appropriate corrective and monitoring processes are initiated for identifiable risks. To the extent possible, these are covered either by insurance policies or by corresponding provisions in the balance sheet. The same applies to latent risks. Losses can occur, however, that are either not sufficiently covered by insurance or exceed the amount of provision recognised. The extent to which provision for risks is recognised in the balance sheet – in the form of provisions, specific and general allowances/write-downs – is described separately in the section on risk reporting.

The management teams of the various subsidiaries, Group Controlling and the Executive Board of Schaltbau Holding AG are responsible for updating the risk management system on a quarterly, rolling basis. In this context, any necessary organisational measures taken must be documented as part of the quarterly reporting process.

Risk reporting

In addition to ad hoc reporting, the various Group companies are required to report on a quarterly basis on the entire spectrum of risks, as well as on any changes in the risk situation, to the responsible risk management and compliance officers, who, in turn, submit a detailed risk report to the Executive Board of Schaltbau Holding AG on a quarterly basis.

The Executive Board also obtains additional information regarding the Schaltbau Group's risk situation on the basis of the monthly reports submitted by the Group's subsidiaries. These reports show sales performance, earnings, personnel developments, continuous liquidity forecasts and information on quality issues and other operating costs. Furthermore, review meetings take place regularly, in which all risk- and opportunity-related topics as well as the current economic situation are discussed and compared with the budget, the previous year's actual figures and the rolling forecast. Market and competition trends as well as development projects are also thoroughly considered and analysed. The sum of these measures ensures that risks are detected at an early stage, potential opportunities identified for each of the business fields, and that any measures necessary are promptly taken.

The following description of the risk situation shows risks on a net basis, i.e. taking risk-mitigating measures into account. The circle of entities for which risks are reported is identical as a general rule with the Group reporting entity depicted in the Consolidated Financial Statements. Apart from the risks described below, no further significant risks have been identified. The period for which risks are considered corresponds to the period covered by the outlook. The risk situation is described as at 31 December 2014.

Compliance

A Compliance Officer is employed at the level of Schaltbau Holding AG who reports directly to the Executive Board. Schaltbau Holding AG has begun to establish compliance functions in the Group's lead companies (Schaltbau GmbH, Gebr. Bode GmbH & Co. KG and Pintsch BAMAG Antriebs- und Verkehrstechnik GmbH). These functions report both to their management teams and to the Compliance Officer at the Holding.

A set of rules and policies in conjunction with basic and further training activities is in place, which is designed to instil and raise awareness regarding all compliance-related matters. Audits are also conducted with the aim of ensuring compliance with statutory requirements and in-house guidelines at the Schaltbau Group's German and international entities.

RISK CATEGORIES

Macroeconomic risks

Macroeconomic risks can have a wide range of causes. Cyclical risks arise from unfavourable developments on global or regional markets, such as a possible flare-up of the sovereign debt crisis in Europe, the consequences of which have still not been completely overcome. Ever-shorter economic cycles and greater market volatility have the effect of reducing planning certainty. Further macroeconomic risks can arise from price increases for raw materials and supplies – particularly precious metals, steel and energy. Currency exchange

rates can also change for the worse. The devaluation of other currencies against the euro could also have a negative impact on competitiveness in certain sales regions and lead to profit margin losses in existing projects or the insolvency of business partners. Moreover, political unrest and economic sanctions can negatively affect product sales.

The occurrence of such risks could have a seriously negative impact on the sales performance of the Schaltbau Group and result in underutilisation of capacities, with a corresponding negative effect on the Group's earnings and liquidity situation.

Economic market risks are mitigated by the presence of the Schaltbau Group in a variety of markets and regions. Moreover, the majority of the Group's order volume is less dependent on economic cycles than on the awarding of contracts by public authorities, which can be frequently anti-cyclical.

The prices of raw materials are permanently monitored. The effects of price rises can be partially offset by the signing of long-term supply agreements, the group-wide centralisation of materials purchasing requirements, or by passing on the increases to customers. Furthermore, price risks can be individually hedged by means of forward commodity contracts. However, it is not always possible to compensate for such price increases in full or without a delay.

The Schaltbau Group counters currency exchange rate risks by means of geographical diversification and interlinked activities worldwide in order to remain competitive, irrespective of currency developments. In this context, the Group uses a system of "natural hedging" by selectively managing the volume of goods sold and purchased in the same currency. In recent years, however, the impact of exchange risks on earnings has been limited, as the dependency on individual foreign currency regions is low when compared with the total sales generated by the Schaltbau Group. Exchange rate effects are minimised by means of hedging contracts, to the extent considered appropriate.

Sector-specific risks

Changes in the sector-specific environment can also have a negative impact on the Group's earnings, financial and net assets position. For example, increased competition caused by the entry of a new provider to the market can increase pressure on selling prices and margins in certain segments and have a negative impact on earnings. Further risks can arise from a concentration among customers, which can cause the market volume to drop and the buying power of certain customers to increase.

Governmental investment decisions in the rail sector are of particular significance for the Schaltbau Group. Due to the large number of public-sector customers, spending cuts can greatly influence the respective business fields of the Schaltbau Group. The Rail Infrastructure business field is both directly and indirectly dependent on the readiness of Deutsche Bahn AG to invest and also on public spending behaviour in general. Any postponement of orders from public-sector customers, for example due to restructuring or savings measures, can have a direct (e.g. in the field of signal technology) or indirect impact on the order situation via the railway industry. The performance of the Door Systems for Buses product group in the Mobile Transportation Technology segment is directly reliant on the business performance of bus manufacturers and demand patterns, which in turn depend to a large extent on the economic situation of the various communal transport authorities.

Economic market risks are mitigated by presence in a variety of markets and regions.

In addition, an oligopolistic demand structure characterises both the rail and the bus industries. The number of potential customers is therefore limited and has continued to decrease as a result of the growing trend towards consolidation in recent years. These structures lead to a high degree of market transparency, which can result in exacerbated price competition and downward pressure on selling prices.

One factor continually gaining significance in international business is the political call for local production or so-called “local content”. An increasing number of orders are being awarded subject to fulfilment of this condition, which means lucrative projects could be lost in some cases.

Firstly, the Schaltbau Group counters competition risks by continually developing and improving its products to meet customer requirements. The integration of system solutions in customers’ platforms creates reliable, long-term customer relationships that are intensively maintained. Secondly, international activities are additionally promoted and the industrial sector expanded in order to reduce dependency on orders from the public sector. These policies serve to broaden the customer base and promote entry to new fields of application.

As it has expanded the scope of its international activities, the Schaltbau Group has simultaneously reacted to the constantly growing demand for local content. Partly due to its limited resources, the Schaltbau Group makes its decisions selectively, weighing up the opportunities and risks.

Particularly in these cases, risks can also arise from politically motivated demands to limit the awarding of contracts to companies that are majority-owned by local individuals or companies. When controlling interests in fully consolidated companies change, it can have a considerable impact on the earnings, financial and net assets position.

HR risks

Risks can arise due to increasing internationalisation and the accompanying demands made on management in various fields of business. Schaltbau mitigates these risks by permanently searching for qualified, internationally experienced executives capable of taking on international positions.

Risks along the value-added chain

On the one hand, **purchasing risks** can result from the limited availability of raw materials and supplies. Crisis-induced reductions in capacities at the level of raw materials manufacturers and suppliers at times when demand is on the increase can lead to delays and breakdowns in the supply chain. Suppliers of certain materials, components or pre-assembled units can also fail to deliver, due to economic difficulties or for other reasons. Both of these scenarios could result in production delays and impair the ability of the Schaltbau Group to deliver the required volumes, which could in turn lead to sales losses and possible long-term damage to the Group’s reputation.

As part of its supplier management strategy, the Schaltbau Group actively counters purchasing risks by signing long-term supply agreements and finding additional sources of supply.

The integration of our system solutions in customers’ platforms ensures reliable, long-term customer relationships.

Long-term supply agreements limit procurement risks.

Development and design risks can arise for a number of reasons, such as insufficient specifications for newly developed products that fail to take account of differing regional customer requirements or overruns of scheduled development times (time-to-market). Furthermore, products developed by competitors can limit the potential of one's own innovations, particularly in markets such as photovoltaics, which are subject to short innovation cycles. These cases could result in an incorrect allocation of funds, which could in turn lead to write-downs.

Generally, the further development of products and systems is carried out in close cooperation with core customers or even performed on their behalf. The development process itself is efficiently designed and continually improved by means of selective investment.

Product piracy also poses an additional risk, which is particularly pronounced on Asian markets. Conducting business in these markets, including cooperating with local partners, also increases the risk of selective know-how drift. Explicit restrictions in the transfer of technical knowledge and the development of highly comprehensive protective shields help to preserve the Group's technical edge.

Production risks: Within the value-added process, the Group's companies run the risk of business interruptions, quality problems or risks posed by industrial safety and environmental threats. Production breakdowns or interruptions can put pressure on the cost situation and additionally lead to delayed deliveries, while quality problems can result in customer complaints and accordingly lead to warranty risks. The above-mentioned risks can also arise as a result of a relocation and amalgamation of production sites. Industrial safety and environmental risks can endanger the health of employees and give rise to high liability risks.

Production risks are minimised by adhering to comprehensive policies and process requirements regarding quality management, product and industrial safety. Warranty risks are countered by various measures, including the recognition of warranty provisions.

IT risks: Group business processes are highly reliant on the support of IT systems. Any failure of these systems can have a serious effect on workflows.

Schaltbau Group companies counter IT risks related to the availability, confidentiality and reliability of IT systems by taking the appropriate technical and organisational precautions and by ensuring that their IT infrastructure is continuously modernised with state-of-the-art security features, such as the use of encryption technology for end devices.

In addition to the macroeconomic risks previously described, **sales volume and sales risks** can result in particular from the insolvency of individual customers and the corresponding bad debt losses. Restrictions in the granting of credit can also have an impact on customers and impair their liquidity, which can also have an adverse effect on the Group's earnings, net assets and liquidity position.

Given its large percentage of public-sector and major industrial customers, Schaltbau estimates the risk of large-scale bad debt losses for the coming year as low.

The further development of products and systems is generally performed in close cooperation with core customers.

Due to the customer structure, the risk of large-scale bad debt losses is considered as low.

Legal risks

Legal risks can arise principally from customer complaints, guarantee claims, legal disputes, patent law infringements and claims for damages.

Appropriate levels of provision have been recognised to cover identifiable legal risks.

Financial risks

Financial risks primarily comprise liquidity, currency, interest rate, working capital, counterparty and tax risks.

Increased working capital levels caused by long payment periods in a number of foreign markets can lead to corresponding funding requirements and underutilised potential. Our Chinese subsidiaries in particular require a high degree of working capital, which is a widespread phenomenon in China. The situation in this region is closely monitored on a regular basis. However, in view of the great strategic potential of the Chinese market, the risk is currently considered to be at an acceptable level.

In order to safeguard its ability to grow, both organically and by means of acquisition, Schaltbau Holding AG has entered into a Syndicated Credit Agreement, the terms of which are linked to a number of assurances, guarantees and conditions that must be complied with. The Agreement also requires compliance with certain covenants, which give the banks an extraordinary right of termination if the covenants are not fulfilled. Any such termination could curtail the growth of the Schaltbau Group and impair the financing of operating activities. From today's perspective, the risk is assessed as low. Compliance with the relevant covenants is continually monitored and reported on a monthly basis.

Any rise in interest rates in conjunction with financing arrangements would lead to an increase in interest expense in the long term. The Group has countered the risk of rising interest rates by concluding various interest-rate hedging instruments with a total nominal value of € 15.4 million. Swaps for a nominal amount of € 12 million are being used to hedge a variable-interest credit volume of € 68.9 million within the cash pool (as at 31 December 2014). Furthermore, a cross-currency swap is in place to hedge the interest/currency risk relating to a euro loan held by a foreign subsidiary (hedging volume as at 31 December 2014: € 0.3 million nominal). The market value of the interest swaps fluctuates, depending on changes in relevant interest rates.

The hedging transactions entered into are regularly monitored by management.

Currency risks are managed solely by means of marketable instruments used to hedge underlying transactions. All transactions denominated in foreign currencies are hedged. The residual net risk is classified as low.

Tax risks are mitigated by seeking advice from external consultants at an early stage. Potential risks relating to open assessment periods and tax field audits are closely monitored. If the need arises, tax advisors are called in to assess the situation and represent the interests of the Schaltbau Group to the greatest extent possible.

Interest risks are hedged
by means of swaps.

OVERALL RISK SITUATION

The overall risk situation of the Schaltbau Group has not changed significantly compared to the previous year. At the present time, no risks have been identified that pose a threat to the going-concern status of the Group.

OPPORTUNITIES REPORT

OPPORTUNITIES REPORT

The management of opportunities is also an essential component in managing the business. Opportunities are identified in the course of the strategy process and recorded at subsidiary level in a similar way to risks. When assessing opportunities, Schaltbau does not utilise a management system similar to that used for risk management purposes. However, the integration of the risk management system in operating processes helps to identify and make the most of any opportunities that present themselves. Opportunities are reported on as part of the monthly reporting process and in quarterly risk reports, and are also the subject of regular review processes and one-on-one oral reports to the Executive Board.

An element of risk is always involved when the Group endeavours to exploit opportunities. One good example is the increase in working capital needed to engage in the lucrative Chinese market. The decision to accept risks in order to benefit from opportunities is taken by the Executive Board of Schaltbau Holding AG on the basis of thorough analysis. The methods it uses enable the Schaltbau Group to take prompt advantage of opportunities and minimise any related risks.

OPPORTUNITIES SITUATION

The Schaltbau Group sees opportunities as positive deviations from the basic scenario portrayed in the outlook report. These deviations can arise from market developments, but also from strategic and operational measures.

Macroeconomic opportunities can arise in particular from more favourable economic developments on global or regional markets, reductions in the prices of key raw materials, or advantageous exchange rate factors. However, due to long-term supply agreements and partial currency hedging, the potentially positive effects referred to above would only be of a limited nature and only materialise with a time delay.

Sector-specific opportunities can also arise, for example, from the trend towards standardisation, modularisation and digitisation in the rail sector, which is leading to the emergence of new market segments in which the Schaltbau Group intends to play a major role. Cross-segment development approaches for rolling stock, which have increased market potential since the consolidation of ALTE and RAWAG, relate not only to door systems, but also to passenger convenience and on-board electronics as well as digital information and safety systems. Schaltbau's improved bargaining position with railway system manufacturers could result in higher-than-budgeted order volumes.

Further sector-specific opportunities can also arise from the growing trend towards market consolidation. The Schaltbau Group will continue to exploit this situation to generate external growth through acquisition. The deciding factor, however, is that any

Sector-specific opportunities can arise from the general trend towards standardisation, modularisation and digitisation in the rail sector.

Market consolidation provides opportunities for growth through acquisitions.

Digitisation enables the development of new products.

new business is in keeping with the Group's strategies and can be quickly and efficiently integrated within existing structures. The basic forecast (outlook report) does not include any potential positive impact of growth through acquisition.

Further opportunities arise from the continual research and development work being conducted within the various Schaltbau Group subsidiaries. The market success achieved through new solutions can exceed expectations in terms of additional order volume and help to access new customer groups. Furthermore, there is a chance that certain development projects are completed ahead of schedule, enabling sales potential to be exploited sooner than expected. The functional integration of digital data communication and internet protocols will enable Schaltbau to increasingly concentrate on developments that include extended functionality, for instance through sensor technology, and also the required digital data communication going into the future. Schaltbau will therefore increasingly work on developing solutions that directly provide safety-relevant digital information. The development of the required modular hardware concepts will create additional business potential for the companies of the Schaltbau Group. Technological trends too, such as towards the miniaturisation of components, could open up additional fields of application.

A favourable outcome in terms of legal disputes or warranties can make it possible to reduce the amount of provisions recognised for these purposes, with a respective positive influence on the Schaltbau Group's earnings. Financial opportunities primarily exist in the lowering of interest rates for loans. However, any positive effects that could be achieved in this field are limited by the market-compatible rates already provided.

The medium- and long-term prospects for the Schaltbau Group are favoured by global megatrends such as increasing urbanisation, the growing mobility of the population as a whole, the long-term upward tendency in world trade and the above-average growth rates in emerging markets, which are, in turn, leading to an increasing need for mass transportation facilities and transportation infrastructure.

OUTLOOK REPORT

FORWARD-LOOKING STATEMENTS

This Management Report contains facts and forecasts that reflect the future performance of the Company and the Group, based on the assessments of the Executive Board of Schaltbau Holding AG. These assessments are considered to be realistic for the purposes of this report. Underlying assumptions may, however, possibly prove to be incorrect and unforeseen risks or uncertainties may arise. For this reason, the actual outcome may differ considerably from that expected. This may be due to a number of reasons, such as changes in the business and economic environment, major changes in ongoing projects or in the investment behaviour of customers.

EXPECTED CONDITIONS

Expected macroeconomic environment

In view of the expected weak trend in China, Japan and Russia as well as other oil-exporting countries, in its January forecast, the International Monetary Fund (IMF) predicted only a slight increase in the pace of global growth to 3.5 per cent for 2015. Although oil-importing

The IMF expects the pace of worldwide growth to increase only marginally.

countries are generally profiting from the low prices, uncertain medium-term growth prospects in many industrialised and emerging economies are causing marked restraint in investments.

The eurozone is predicted to grow by 1.2 per cent, driven largely by improved performance in Germany (1.3 per cent) as well as by higher growth rates in France, Italy and Spain. The growth rate in emerging and developing economies is forecast to slow down to 4.3 per cent.

The oil price is likely to move sideways during 2015. The prices of copper, aluminium, steel and precious metals are not expected to increase greatly either. The most important early indicators are economic performance in China and the basic prices of iron ore and coal. The market for electronic assemblies and components is estimated to remain generally stable.

Expected sector-related environment

The sector-related environment for the Schaltbau Group is only expected to change to a very minor degree.

The rail sector in Germany is unlikely to gather a great deal of pace in 2015. Although a new service and financing agreement (LuFV II) covering the modernisation of rail infrastructure was entered into between the Republic of Germany and German Railways at the end of 2014, implementation, however, is likely to continue throughout the entire year 2015, which means that specific orders can only be expected in 2016 and 2017.

Uncertainty in Russia is likely to continue and have a negative impact on exports to Russia as well as on local production. The weak rouble is likely to exacerbate this trend. In China, investments in infrastructure are likely to remain high and market growth is predicted to be solid. The USA is also expected to see a range of selective investment. By contrast, investments in the rail sector in France are expected to drop significantly over the next few years.

Overall, the rolling stock sector should continue to develop positively, both in Germany and internationally. Apart from the growing need for trains of various speed categories for long- and short-distance public transportation resulting from the high number of passengers, the modernisation of existing railway vehicles is likely to ensure growing market volumes.

Demand from the bus and automotive sector is expected to remain at last year's level. Demand from industrial customers is likely to continue profiting from the growth in world trade and the wider use of wind and solar power. In view of the difficult economic environment, however, demand is only expected to increase slightly.

EXPECTED BUSINESS AND EARNINGS POSITION

In the fiscal year 2015, Schaltbau expects order intake to grow in the single-digit per cent range and sales to rise by around eight per cent to € 464 million, helped primarily by growing contributions from ALTE Technologies and RAWAG, which will be consolidated for the first time for a full twelve-month period. Secondly, based on the significantly larger order book, Schaltbau predicts organic sales growth in fields such as door systems, railway vehicle interior fittings and maintenance.

Again in 2015, alongside increases in scheduled depreciation and amortisation and the impact of the roll-forward of assets and liabilities in conjunction with purchase price allocations, it is likely that earnings will also be adversely impacted by project delays in the

Specific orders in the Rail Infrastructure business field are only expected in 2016 and 2017.

Rolling stock is likely to increase again in the coming year.

Schaltbau expects sales and EBIT to increase in 2015.

Growth is expected to be achieved primarily in the Mobile Transportation Technology segment.

Stationary Transportation Technology segment. Moreover, ALTE Technologies' contribution to earnings is again expected to be negative.

Profit before financial result and taxes (EBIT) is forecast at € 37.0 million, a significant improvement on 2014. Albatros is predicted to make a negative contribution to the result from investments. Group net profit is therefore forecast at € 22.3 million, equivalent to earnings per share of € 2.91. The deterioration compared to the figure reported for 2014 is primarily attributable to the fact that the 2014 figures include the positive impact of the revaluation gain arising on the takeover of RAWAG (€ 12.4 million).

Expenditure for research and development will be higher than in 2014, due to the numerous projects initiated in the fields of sensor technology and digitisation. After the significant rise in employee figures in 2014, the workforce size here is likely to remain stable in 2015.

Based on the medium- to long-term status of the order book as well as short-term orders for spare parts, the rail section of the **Mobile Transportation Technology** segment is expected to register a moderate increase in sales. Demand from the bus sector is forecast to remain at the level seen in 2014. The Automotive business field expects stable demand for sliding vehicle doors. There is still a degree of uncertainty regarding order volumes for linear sliding doors. Although a framework agreement was signed during 2014, it is not yet possible to determine the resulting sales volume.

Overall, order intake for the **Stationary Transportation Technology** segment is forecast at a similar level to the previous year. In the Rail Infrastructure business field, orders from German Railways are likely to remain modest. The investment backlog for points and level crossing systems is predicted to continue growing, as German Railways delay replacing obsolete equipment on many of their lines. Based on the new financing and service agreement, there is unlikely to be a significant change until 2016. By contrast, business with private rail systems and foreign operators should continue to gather pace, particularly due to a major order received from Denmark, which should lead to initial call-offs in 2015. The PSD project will be rigorously continued. Although order intake is at the previous year's level, as a precautionary measure, sales are expected to remain significantly below incoming orders due to the delayed final approval of the pilot project in São Paulo. Due to the improved order situation in the field of wind turbines, the Brake Systems business field expects to register higher year-on-year order intake and, at a minimum, a stable sales performance.

The **Components** segment expects order-intake and sales levels to be similar to the previous year. Positive impetus is expected from the USA, China and South Africa, particularly for the contactors and snap-action switches product groups. In Russia and France, however, order levels are likely to drop. The continued conversion of production to lean structures will lead to an increase in in-house manufacturing, which should result in higher productivity and reduced costs.

For 2015, Schaltbau Holding AG expects EBIT and net profit to exceed the levels reported for 2014.

EXPECTED FINANCIAL SITUATION

Excluding the potential impact of acquisitions, the Schaltbau Group does not expect any major changes to its financial situation in 2015 compared to 31 December 2014. Due to the existing Syndicated Credit Agreement, Schaltbau Holding AG's financing and that of its subsidiaries is ensured for 2015.

OTHER DISCLOSURES

COMPENSATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD (COMPENSATION REPORT)

The compensation system at Schaltbau Holding AG is based on the principles of performance and earnings and represents a corporate culture of reward for services provided. The total compensation of the Executive Board comprises both fixed and performance-related components. The fixed components consist of a basic salary and benefits in kind. The performance-related part of the compensation comprises annually recurring components that depend on the development of Group net profit. A pension plan is not in place.

Criteria for the appropriateness of compensation include the particular tasks performed by each of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business taking the market environment into due consideration, the customary amount of compensation and the compensation structure compared with the wage and salary structure, both within the enterprise itself and in other companies of comparable size and industry. The compensation structure is oriented on the basis of sustainable corporate development. The variable compensation components contained in the current Executive Board contracts of service are based on multi-year assessment and include rules that provide for an appropriate reduction if the business situation were to worsen to such an extent as to render continued payment of the compensation unfair. Furthermore, the variable compensation components are capped.

The contracts of service and the structure of the compensation system for the members of the Executive Board are reviewed and determined by the full Supervisory Board, in accordance with statutory provisions.

In accordance with a resolution adopted at the Annual General Meeting held on 9 June 2011, the compensation of individual members of the Executive Board is not disclosed.

Compensation for the active members of the Executive Board totalled € 2,193,000 for the fiscal year 2014. The compensation includes benefits in kind relating to the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each member of the Executive Board.

From a legal point of view, the contracts of service drawn up for Executive Board members do not contain any arrangements pertaining to the termination of their positions in the Executive Board that differ greatly to those applicable to employees.

The total compensation received by former members of the Executive Board and their surviving dependents amounted to € 81,700 in 2014. Pension provisions totalling € 640,200 (IFRS) have been recognised for this circle of people.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2014.

The basic compensation for a Supervisory Board member totals € 15,000 per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount, resulting in basic compensation totalling € 112,500 in 2014.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds four per cent of share capital. The dividend paid in 2014 was above this threshold and therefore a total of € 189,000 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 46,400 for additional work performed in 2014.

In accordance with a resolution passed at the Annual General Meeting held on 6 June 2013, since July 2013 the Chairman of the Supervisory Board has been paid a monthly fixed expense allowance of € 2,500 to cover office and secretarial expenses as well as general administrative costs, assuming the Chairman of the Supervisory Board does not utilise offices and secretarial services provided by Schaltbau Holding AG or its subsidiaries on a time-apportioned basis. Costs for the fixed expense allowance totalled € 30,000 in the year under report.

The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view of the amount of compensation paid to the members of the Supervisory Board, a deductible has not been provided for. A deductible has been contractually agreed upon for the Executive Board with effect from 2010.

DISCLOSURES PURSUANT TO SECTION 289 SUBSECTION 4 AND SECTION 315 SUBSECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

1. The subscribed capital comprises the following: The Company's share capital totals € 7,505,671.80. It is divided into 6,152,190 bearer shares (shares without nominal value).
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.
3. The only major shareholder owning either a direct or an indirect share of capital exceeding 10 from 100 share voting rights is the Cammann family, which owned 11.62 per cent of the total number of Group shares as at 31 December 2014.
4. There are no shareholders with special controlling rights.
5. There are no voting right controls relating to shares held by employees.
6. Article 6 of the Articles of Incorporation of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, to appoint deputy members to the Executive Board and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Incorporation. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Incorporation.
7. The Company's subscribed capital (share capital) is divided into 6,152,190 non-par value shares. From this total, 56,556 of the Company's own shares are offset at their arithmetically calculated amount.

In accordance with a resolution passed by the Annual General Meeting held on 9 June 2010, with the agreement of the Supervisory Board, the Executive Board is authorised up to 8 June 2015 to buy back a maximum of 10 per cent of the share capital in place at the date of the resolution for purposes other than trading. 43,112 Schaltbau shares were bought back during the fiscal year 2014.

Based on the resolution taken at the Extraordinary Shareholders Meeting on 19 December 2003, a conditional capital of € 234.24 was still in place on 31 December 2014 (2013: € 234.24). The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable the servicing of option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase should only be implemented to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been accordingly increased by € 1,829,765.76. No options were exercised in 2014.

Based on a resolution of the Annual General Meeting taken on 9 June 2011, a (new) Conditional Capital II was in place at 31 December 2014 totalling € 3,294,000, based on the issuing of up to 2,700,000 bearer shares. Subject to the approval of the Supervisory Board, up to 8 June 2016 the Executive Board is authorised to issue convertible and option bonds as well as participation rights with either conversion or option rights.

Based on a resolution of the Annual General Meeting passed on 6 June 2013, authorised capital of € 3,294,000 was in place at 31 December 2014. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 5 June 2018 by issuing new shares in return for cash or non-cash contributions, which may not exceed a total of € 3,294,000. With the approval of the Supervisory Board, the Executive Board may decide to exclude subscription rights.

8. Schaltbau Holding AG's main loan agreements include change-of-ownership clauses, which grant creditors an extraordinary right of termination.
9. The Company has not entered into any compensation agreements, either with members of the Executive Board or with employees, regarding termination of employment in the event of a takeover offer.

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP'S ACCOUNTING AND FINANCIAL REPORTING PROCESS PURSUANT TO SECTION 289 SUBSECTION 5 AND SECTION 315 SUBSECTION 2 (5) OF THE GERMAN COMMERCIAL CODE (HGB) AND THE EXPLANATORY REPORT OF THE EXECUTIVE BOARD

The objective of the internal control system (ICS) in the Schaltbau Group is to ensure the proper maintenance financial reporting and accounting processes and their related administrative fields (personnel, IT) and that the relevant legal requirements are complied with. The system ascertains that business transactions are fully, promptly and correctly recorded, processed and documented in accordance with legal requirements, the Articles

of Incorporation and in-house policies. Accounting documents must be correct and complete, inventory counts properly conducted, assets and liabilities appropriately recognised, presented and measured in the financial statements, so that timely, reliable and complete information for financial reporting in the financial statements can be provided at all times.

Standardised lines of communication are in place between Schaltbau Holding AG and its subsidiaries. The powers of the managing directors of the various Group entities are governed by rules of procedure. For their part, the managing directors of the entities also exercise a control function in their companies by means of standardised flows of information. Supervisory bodies such as boards of directors are also in place.

The accounting and financial reporting systems utilised are protected from unauthorised access by appropriate IT systems. To the extent possible, standard software is installed to operate these systems.

Various corporate policies and guidelines are in place, both at Group level and for each of the subsidiaries, setting out the exact framework for action. The areas of responsibility within the accounting and financial reporting functions are clearly regulated and organised to ensure an appropriate segregation of duties. The dual control principle is applied as a general rule throughout the financial reporting process.

Any accounting data received or forwarded are continuously tested for completeness and accuracy. The software systems used within the Group also include plausibility checks. All rules and regulations relevant for authorisation and approval processes have been implemented in the authorisation concepts for all relevant IT applications (signature policies, bank powers of attorney, etc.).

The Schaltbau Group's fundamental understanding of the conduct required of its employees is set out in a corporate Code of Conduct. The majority of accounting department employees have worked for the Group for many years and are appropriately qualified. General further training measures (e.g. concerning current IFRS developments) and individualised training courses ensure that employees have a high standard of qualification. The various accounting departments are all situated locally.

The monthly figures of each of the Group's companies are reviewed for plausibility by the Group Controlling department and at the monthly review meetings of Executive Board and managing directors, which are held to discuss the figures.

All processes relevant for financial reporting are regularly examined by the Group's external auditors. The latter prepare and communicate their findings to management and monitor implementation of the measures proposed and agreed upon. A multi-year, risk-oriented audit plan is in place.

As part of the audit work performed, the external auditor is also required to report to the Supervisory Board regarding any risks relevant for financial reporting and control weaknesses, including any weaknesses in the risk management early warning system and accounting or financial controlling-related internal control system that are identified during the audit.

THE SCHALTBAU SHARE

HIGH VOLATILITY

After a great deal of fluctuation during the period under report, the Schaltbau share finished the year at € 42.07 and therefore 8.6 per cent down compared to the end of 2013. During the first quarter the share price generally moved sideways. However, after the takeover of ALTE was announced in April, it rose significantly, reaching its high for the year at € 56.14 on 2 June. Following the downward revision of the Group's earnings target for 2014, on 26 November the share marked its low for the year at € 38.50.

Subsequent to the Annual General Meeting, which was held on 5 June 2014, Schaltbau paid a dividend of € 0.96 per share. Including the dividend, shareholders achieved a negative total shareholder return of 6.5 per cent (2013: positive 50.7 per cent). Based on this total shareholder return, the Schaltbau share underperformed both the SDAX (positive 5.9 per cent) and the DAX Industrial Performance Index (negative 5.6 per cent).

HIGHER TRADING VOLUME

The share capital of Schaltbau Holding AG remained unchanged at € 7,505,671.80 at 31 December 2014. The number of shares has totalled 6,152,190 since the share split on 20 August 2012.

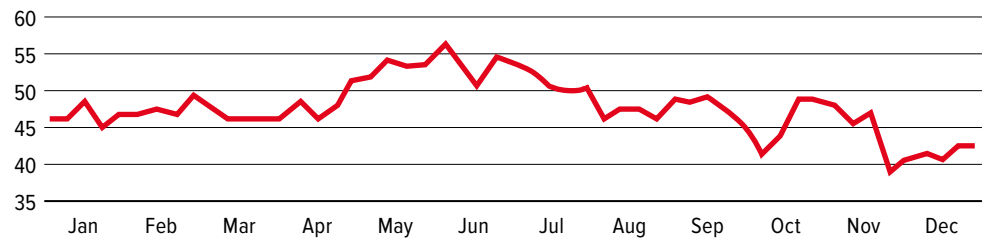
In accordance with the approval granted by the Annual General Meeting on 9 June 2010, in November Schaltbau Holding AG took the decision to buy back up to 307,609 of its own shares during the period between 24 November 2014 and 8 June 2015. By the end of the year under report, 43,112 shares had been bought back, bringing the total number of own shares to 56,556. By 31 March 2015, the number of own shares had risen to 140,306.

The volume of shares traded increased perceptibly during the year under report. A total of 4.2 million Schaltbau shares were traded across all German stock exchanges, 21.7 per cent more than in the previous year. Trading in Schaltbau shares therefore increased at a significantly greater pace than the market as a whole. The volume of shares traded on spot markets of the German stock exchange rose by only 10.8 per cent.

Measured in terms of the SDAX criterion "trading volume", at the end of 2014 the Schaltbau share occupied rank 83 (end of 2013: rank 89) and rank 97 in terms of market capitalisation (end of 2013: rank 85).

Xetra, closing prices				
		2014	2013	2012
High	€	56,14	46,96	31,28
Low	€	38,50	30,71	22,77*
End-of-year price	€	42,07	46,01	31,05
Earnings per share (undiluted)	€	4,04	3,48	3,09
Earnings per share (diluted)	€	4,04	3,48	3,09
Number of shares		6.152.190	6.152.190	6.152.190
Share capital	€ m.	7,51	7,51	7,51
Market capitalisation as at 31 December	€ m.	256,4	282,3	190,6
Trading volume on all exchanges	€ m.	192,0	128,4	81,8
Shares traded		4.202.055	3.452.007	3.096.790*

* Adjusted in line with the share capital split executed on 20 August 2012



CAMMANN AND ZIMMERMANN FAMILIES REMAIN PRINCIPAL SHAREHOLDERS

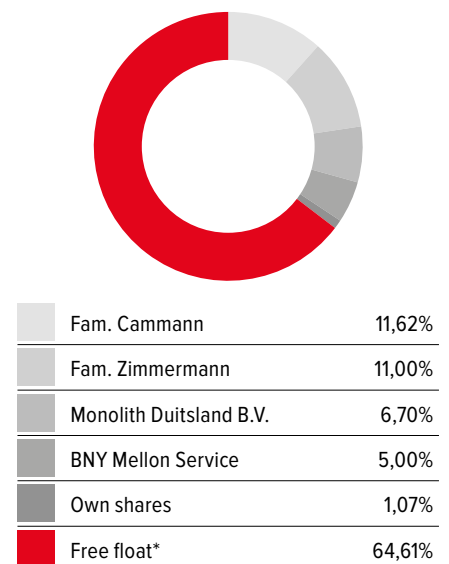
The shareholder structure changed slightly during the first few weeks of 2015. Family shareholdings continue to be a firmly established part of the shareholder structure. At 12 January 2015, the Cammann family, i.e. SATORA Beteiligungs GmbH, held a total of 11.62 per cent of Schaltbau Holding AG shares. The Zimmermann family held 11.00 per cent. The Amsterdam-based Monolith Duitsland B.V. held 6.70 per cent of Schaltbau Holding AG shares, while BNY Mellon Service Kapitalanlage-Gesellschaft mbH held approximately 5 per cent, according to a voting rights notification dated 12 January 2015. The Company itself holds an additional 65,556 of its own shares, which represent 1.07 per cent of the entire share capital. Thus the “free float”, a primary criterion for calculating market capitalisation and therefore the index ranking, stood at 64.61 per cent on 12 January 2015.

INVESTOR RELATIONS

Both the Executive Board and the Schaltbau Group’s investor relations team again maintained an active dialogue with investors and analysts throughout 2014. The German Equity Forum in Frankfurt was just one of numerous opportunities we utilised to present our business performance and answer questions, including a number of one-on-one meetings. Furthermore, Schaltbau participated in the Berenberg and Goldman Sachs German Corporate Conference in Munich. In addition, we regularly arrange road shows, conference calls and numerous personal talks with investors and analysts. The Schaltbau share is currently assessed by six different research institutes.

Around 170 shareholders attended the Annual General Meeting, which was held in Munich in June 2014. We also use the internet as an additional platform for distributing information. All relevant documents are promptly published on www.schaltbau.de, where you will find detailed information on the Schaltbau Group and its subsidiaries as well as the latest figures on the share, the shareholder structure, directors’ dealings and important financial dates. Moreover, annual and interim reports, analysts’ recommendations, ad hoc announcements and press releases, weekly updates on the share buy-back programme, important information regarding the Annual General Meeting, the Corporate Governance Statement and other important documents in both German and English are available to download from the website.

Shareholder structure



* As defined by Deutsche Börse AG, as at 12 January 2015

CONSOLIDATED INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2014

In € 000	Notes	2014	2013
1. Sales	(1)	429,610	390,713
2. Change in inventories of finished goods and work in progress	(2)	3,768	-3,919
3. Own work capitalised	(2)	6,965	3,071
4. Total output		440,343	389,865
5. Other operating income	(3)	5,902	5,031
6. Cost of materials	(4)	222,391	192,044
7. Personnel expense	(5)	138,221	119,384
8. Amortisation and depreciation		10,960	9,056
9. Other operating expenses	(6)	47,376	38,404
Profit before financial result and taxes (EBIT)		27,297	36,008
a) Result from at-equity accounted investments		659	2,737
b) Sundry other result from investments		11,603	-289
10. Results from investments	(7)	12,262	2,448
a) Interest income		169	143
b) Interest expense		4,480	4,865
11. Financial result	(8)	-4,311	-4,722
12. Profit before tax		35,248	33,734
13. Income taxes	(9)	6,120	8,985
14. Group net profit for the year		29,128	24,749
Analysis of Group net profit for the year			
attributable to minority shareholders		4,348	3,378
attributable to the shareholders of Schaltbau Holding AG		24,780	21,371
Group net profit for the year		29,128	24,749
Earnings per share - undiluted	(10)	€ 4.04	€ 3.48
Earnings per share - diluted		€ 4.04	€ 3.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF SCHALTBAU HOLDING AG, MUNICH
1 JANUARY - 31 DECEMBER 2014

In € 000	2014			2013		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the year			29,128			24,749
Items which will not subsequently be reclassified to profit or loss						
Actuarial gains / losses relating to pensions	-6,676	1,994	-4,682	780	-234	546
Acquisition of minority interests			0			-1
Items which may subsequently be reclassified to profit or loss						
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			3,025			-487
- from at-equity accounted companies			69			-555
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	-753	226	-527	123	-37	86
- Realised gains (-) / losses (+)	470	-141	329	334	-100	234
	-283	85	2,896	457	-137	-722
Other comprehensive income			-1,786			-177
Group comprehensive income			27,342			24,572
attributable to minority shareholders			5,548			3,313
attributable to the shareholders of Schaltbau Holding AG			21,794			21,259

CONSOLIDATED CASH FLOW STATEMENT OF SCHALTBAU HOLDING AG, MUNICH

1 JANUARY – 31 DECEMBER 2014

In € 000	Notes	2014	2013
Profit before financial result and taxes (EBIT)		27,297	36,008
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		10,956	9,056
Gains/losses on the disposal of intangible assets and property, plant and equipment		395	115
Change in current assets		-13,352	4,749
Change in provisions		-1,068	-2,963
Change in current liabilities		5,464	-6,093
Dividends received		1,512	901
Income taxes paid		-4,710	-5,276
Other non-cash income / expenses		-20	4
Cash flows from operating activities	a)	26,474	36,501
Payments for investments in:			
- Intangible assets and property, plant and equipment		-23,522	-16,971
- Financial investments		-5,519	-2,304
- Acquisitions of fully consolidated entities less cash acquired		-9,799	-850
Proceeds from disposal of:			
- Property, plant and equipment		50	24
- Investments		399	0
Cash flows from investing activities	b)	-38,391	-20,101
Share buy-backs		-1,761	0
Shares sold in conjunction with share purchase programme		87	0
Dividend payment by Schaltbau Holding AG		-5,892	-4,726
Distribution to minority interests		-2,560	-1,643
Repayment of participation rights capital		-7,255	0
Loan repayments		-5,623	-9,096
New loans raised		8,500	13,600
Interest paid		-4,183	-3,580
Interest received		169	144
Change in current financial liabilities		42,571	-5,478
Cash flows from financing activities	c)	24,053	-10,779
Change in cash funds due to exchange rate fluctuations		911	-152
Change in liquid funds due to changes in the group reporting entity		0	25
Change in cash funds	d)	13,047	5,494
Cash funds at the end of the year		26,204	13,157
Cash funds at the beginning of the year		13,157	7,663
		13,047	5,494

CONSOLIDATED BALANCE SHEET OF SCHALTBAU HOLDING AG, MUNICH
AS AT 31 DECEMBER 2014

ASSETS			
In € 000	Notes	31.12.2014	31.12.2013
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	52,452	24,217
II. Property, plant and equipment	(11)	68,659	52,941
III. At-equity accounted investments	(11)	5,979	10,442
IV. Other investments	(11)	7,003	4,763
V. Deferred tax assets	(9)	15,006	13,043
		149,099	105,406
B. CURRENT ASSETS			
I. Inventories	(12)	85,657	68,514
II. Trade accounts receivable	(13)	80,265	66,187
III. Income tax receivables	(13)	522	274
IV. Other receivables and assets	(13)	20,051	12,612
V. Cash and cash equivalents	(14)	25,654	14,392
		212,149	161,979
		361,248	267,385

EQUITY AND LIABILITIES

In € 000	Notes	31.12.2014	31.12.2013
A. EQUITY	(15)		
I. Subscribed capital	(16)	7,506	7,506
II. Capital reserves	(17)	15,872	15,805
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	40,688	31,833
V. Reserve for income/expenses recognised directly in equity	(17)	1,208	-686
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		24,780	21,371
VIII. Equity attributable to shareholders of Schaltbau Holding AG		93,326	79,101
IX. Minority interests	(18)	19,213	10,317
		112,539	89,418
B. NON-CURRENT LIABILITIES			
I. Pension provisions	(20)	39,072	33,113
II. Personnel - related accruals	(21)	3,924	3,410
III. Other provisions	(21)	535	78
IV. Financial liabilities	(22)	92,989	49,790
V. Other liabilities	(22)	160	15
VI. Deferred tax liabilities	(9)	8,823	7,138
		145,503	93,544
C. CURRENT LIABILITIES			
I. Participation rights capital	(19)	0	7,132
II. Personnel - related accruals	(21)	7,708	6,207
III. Other provisions	(21)	22,325	19,048
IV. Income taxes payable	(22)	965	317
V. Financial liabilities	(22)	12,366	6,350
VI. Trade accounts payable	(22)	31,508	20,961
VII. Advance payments received	(22)	11,827	7,826
VIII. Other liabilities	(22)	16,507	16,582
		103,206	84,423
		361,248	267,385

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SCHALTBAU HOLDING AG, MUNICH

In € 000	Attributable to shareholders of Schaltbau Holding AG					
Note: Rounding differences may arise due to the use of electronic rounding aids.	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves	Revaluation reserve	
				Other	Derivative financial instruments	
Balance at 01.01.2013	7,506	15,805	231	18,109	-1,431	3,041
Profit brought forward	0	0	0	18,980	0	0
Dividends	0	0	0	-4,726	0	0
Other changes	0	0	0	35	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	546	320	0
Group comprehensive income	0	0	0	546	320	0
Balance at 31.12.2013	7,506	15,805	231	32,944	-1,111	3,041
Balance at 01.01.2014	7,506	15,805	231	32,944	-1,111	3,041
Profit brought forward	0	0	0	21,371	0	0
Dividends	0	0	0	-5,892	0	0
Change in group reporting entity	0	0	0	0	0	0
Other changes	0	67	0	-1,744	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-4,682	-198	0
Group comprehensive income	0	0	0	-4,682	-198	0
Balance at 31.12.2014	7,506	15,872	231	41,997	-1,309	3,041

				Minority interests			Group equity
Reserve for income/expenses recognised directly in equity		Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
relating to fully consolidated entities	relating to at-equity accounted entities						
320	-28	18,980	62,533	5,355	3,244	8,599	71,132
0	0	-18,980	0	3,244	-3,244	0	0
0	0	0	-4,726	-1,619	0	-1,619	-6,345
0	0	0	35	24	0	24	59
0	0	21,371	21,371	0	3,377	3,377	24,748
-423	-555	0	-112	-64	0	-64	-176
-423	-555	21,371	21,259	-64	3,377	3,313	24,572
-103	-583	21,371	79,101	6,940	3,377	10,317	89,418
-103	-583	21,371	79,101	6,940	3,377	10,317	89,418
0	0	-21,371	0	3,377	-3,377	0	0
0	0	0	-5,892	-1,698	0	-1,698	-7,590
0	0	0	0	5,046	0	5,046	5,046
0	0	0	-1,677	0	0	0	-1,677
0	0	24,780	24,780	0	4,348	4,348	29,128
1,825	69	0	-2,986	1,200	0	1,200	-1,786
1,825	69	24,780	21,794	1,200	4,348	5,548	27,342
1,722	-514	24,780	93,326	14,865	4,348	19,213	112,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SCHALTBAU HOLDING AG, MUNICH FOR THE FISCAL YEAR 2014

DESCRIPTION OF BUSINESS

Schaltbau Holding AG is a listed stock corporation based in Munich, Germany. The Schaltbau Group is one of the leading manufacturers of transportation technology components and equipment. In addition to electro-mechanical components and equipment, the Group supplies door systems for buses and trains, safety systems for level crossings, shunting and signals technology, equipment and sanitary systems for railway vehicles, point heating systems and industrial braking systems. Its innovative and future-oriented products make Schaltbau a highly influential business partner in the field of transportation technology as well as for specific industrial applications.

BASIS OF PREPARATION

The consolidated financial statements of Schaltbau Holding AG, Munich, have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the additional requirements of the German Commercial Code pursuant to § 315 a (1) HGB. All IFRSs issued by the International Accounting Standards Board (IASB) in London, United Kingdom, applicable at the balance sheet date and endorsed by the EU, and all Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory for the fiscal year under report, have been applied (see also the disclosures made below on “Standards, Interpretations and Amendments issued but not yet applied”).

Items which have been combined in the consolidated balance sheet and consolidated income statement in order to improve clarity of presentation are analysed in the Notes and explained as necessary. The income statement is classified using the type of expenditure format. The reporting currency is the euro, rounded up or down to full thousands (€000s).

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2014 were approved for publication by the Executive Board on 27 March 2015. The consolidated financial statements and group management report will be posted in the Electronic Federal Gazette.

To ensure greater transparency and understanding, the company financial statements of Schaltbau Holding AG are reported separately to the consolidated financial statements. The full annual financial statements of Schaltbau Holding AG will be provided on request.

CONSOLIDATION PRINCIPLES

The financial statements of the companies included in the consolidated financial statements of Schaltbau Holding AG have been drawn up to 31 December using uniform accounting policies.

In accordance with IFRS, all business combinations are accounted for using the purchase method. The purchase price paid for a subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. Measurement is based on values applicable at the date on which the Group gained control over the subsidiary concerned. Assets, liabilities and contingent liabilities that are required to be recognised are measured at their full fair value, irrespective of the Group's shareholding. Any remaining debit difference (excess of cost over the fair value of acquired assets and liabilities) is presented as goodwill on the basis of the Group's shareholding. Credit differences (excess of acquired assets and liabilities over cost) are recognised immediately as income.

In subsequent periods, fair value adjustments are rolled forward, net of deferred taxes, in accordance with the treatment of the corresponding assets and liabilities.

In the event that write-downs have been recognised in the separate company financial statements on the cost of investment of consolidated companies or on intragroup receivables, these write-downs are reversed in the consolidated financial statements.

Intragroup receivables, payables, income and expenses are eliminated on consolidation.

Intragroup profits on goods sold or services provided, gains and losses on sales of tangible and intangible assets and on intragroup provisions are also eliminated with income statement effect (net of the related deferred taxes).

When additional shares of a fully consolidated subsidiary are acquired, the difference between the purchase price and the Group's share of the subsidiary's equity are offset against group revenue reserves.

A subsidiary is deconsolidated when Schaltbau Holding AG ceases to have control over it.

Associated companies accounted for using the equity method are included in the balance sheet at the Group's share of assets, liabilities and contingent liabilities after fair value adjustments, and any goodwill attributable to the Group. An associated company is defined as an entity, over which the Group has significant influence. There is a rebuttable assumption that this is the case when more than 20% of the shares of the entity are held. Goodwill arising on application of the equity method is not subjected to scheduled amortisation.

CONSOLIDATED COMPANIES

In principle, all subsidiaries and associated companies are required to be included in the consolidated financial statements. Subsidiaries are companies that are controlled by Schaltbau Holding AG and are fully consolidated if material.

In addition to **Schaltbau Holding AG**, the following 8 (2013: 8) German and 10 (2013: 8) foreign companies are included in the consolidated financial statements of **Schaltbau Holding AG**:

Company	Registered office	Shareholding
Gebr. Bode GmbH & Co. KG ¹⁾	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (PL)	89%
ALTE Technologies S.L.	Barcelona (ES)	90%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH ¹⁾	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH ¹⁾	Dinslaken	100%
Pintsch Tiefenbach GmbH ¹⁾	Sprockhövel	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	100%
Pintsch Bubenzer GmbH ¹⁾	Kirchen	100%
Schaltbau GmbH ¹⁾	Munich	100%
Schaltbau Austria GmbH ²⁾	Vienna (AT)	100%
Schaltbau France S.A.S.	Argenteuil (F)	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	100%
Schaltbau America Ltd. Partnership	Wilmington (USA)	100%
Schaltbau North America Inc.	Hauppauge (USA)	100%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%

1) In accordance with § 264 HGB and § 264b HGB, these companies are exempted from the requirement to publish separate company financial statements and a management report.

2) New name; previously: Schaltbau Entwicklungs GmbH

Xi'an Schaltbau Electric Corporation Ltd. is fully consolidated due to the fact that Schaltbau holds the majority of the voting rights in that entity's Board.

Associated companies are defined as companies over which Schaltbau Holding AG exercises significant influence and of which it holds between 20% and 50% of the shares. Associated companies are accounted for using the equity method.

The following associated companies are included in the consolidated financial statements at 31 December 2014 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%
Rail Door Solutions Ltd.	Milton Keynes (UK)	50%
Albatros S.L.	Madrid (ES)	40%

The following subsidiaries and equity investments are not consolidated on the grounds of materiality and are reported as other financial investments. Both individually and in aggregate they are, in respect of the volume of their business, not material for the fair presentation of the Group's net assets, financial and earnings position:

Company	Registered office	Shareholding
Machine Electrics Ltd.	Cwmbran (UK)	100%
Trukaids Ltd.	Cwmbran (UK)	100%
Direct Contact Ltd.	Cwmbran (UK)	100%
Electrical Spare Parts & Accessories Ltd.	Cwmbran (UK)	100%
Fabricon Ltd.	Cwmbran (UK)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (P.R.CH.)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (P.R.CH.)	100%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.	Shenyang (P.R.CH.)	100%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
Pintsch Bubenzer Industrial Brakes (Shenyang) Ltd.	Shenyang (P.R.CH.)	100%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bubenzer MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (BR)	75%
Shenyang Bode Transportation Equipment Co. Ltd.	Shenyang (P.R.CH.)	100%
Bode Korea Co. Ltd.	Seoul (KOR)	100%
Bode North America Inc.	Spartanburg (USA)	100%
Kineco Alte Train Technologies Pvt Ltd	Bardez (India)	51%
GEZ Unterstützungsgesellschaft mbH	Munich	100%

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

On 10 February 2014 Schaltbau Holding AG acquired all of the shares of MADIX XXI S.L.U., Barcelona, Spain, for a purchase price of € 6,000. The name of the company was changed subsequently to ALTE Technologies S.L.U.

On 21 April 2014, in conjunction with a share capital increase, Schaltbau Holding AG acquired a 5.6% stake in Albatros S.L., based in Madrid, Spain. Purchase options were also put in place to acquire further shares, giving Schaltbau the opportunity to acquire a majority shareholding of the Spanish manufacturer of railway equipment within a period of five years. On 9 October 2014 Schaltbau Holding AG increased its shareholding in Albatros S.L. to 40%.

Similarly, on 21 April 2014, in conjunction with an asset deal, Schaltbau Holding AG – via ALTE Technologies S.L.U. – acquired the operations of ALTE Transportation S.L., Barcelona (a subsidiary of Albatros S.L.), which specialises in sanitary and air conditioning systems. The total purchase price arising in the reporting period amounted to € 9.2 million. Assets acquired in conjunction with the deal included a 51.0% stake in Kineco Alte Train Technologies Pvt Ltd, Bardez, India. On 15 October 2014 Schaltbau Holding AG sold 10% of the shares in ALTE Technologies S.L.U. to that entity's management at the shares' nominal amount and granted the purchaser a loan to finance the transaction, based on normal market interest rates. The company has changed its name to ALTE Technologies S.L. Schaltbau Holding AG is contractually entitled to re-acquire the 10% shareholding either when certain specific circumstances are met or after expiry of 5 years.

The fully consolidated ALTE Technologies S.L. and the investments accounted at acquisition cost are allocated to the Mobile Transportation Technology segment. In 2013, the former ALTE Transportation generated sales in the region of € 20 million. The acquisitions will enable the Schaltbau Group to broaden its range of products and strengthen its presence, both on the Spanish market and in North and South America.

With the signing of a contract on 5 May 2014, Schaltbau GmbH acquired the remaining 25 per cent of shares in Shenyang Schaltbau Electrical Corporation Ltd., Shenyang, P.R.CH. at a price of € 305,000.

In accordance with a contract dated 25 June 2014, Gebr. Bode & Co. Beteiligungs GmbH acquired a further 46.7 % of the shares of Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. (RAWAG), Rawicz, Poland, for a purchase consideration of € 6,999,000, bringing Bode's investment up to approximately 89.3 %. The sellers transferred their voting rights to Bode Beteiligung on 4 April 2014 and, based on the acquisition of control, RAWAG has been fully consolidated with effect from 1 April 2014. In accordance with IFRS accounting requirements, the previous carrying amount of the investment in RAWAG (accounted for at equity) was increased to the Group's share of the fair value of RAWAG's assets and liabilities and the gain of € 12,420,000 recorded in other results from investments. The non-controlling interest of the minority shareholders (approximately 10.7 %) is valued at their proportionate fair value of the entity's net assets. RAWAG continues to operate as part of the Mobile Transportation Technology segment. Working closely with the Bode Group, RAWAG sells door systems for railway vehicles and buses on the Central and East European market. The production programme also includes, in particular, windows and a broad range of components for interiors of railway vehicles.

As a result of the changes in the group reporting entity, the figures reported in the consolidated financial statements are not fully comparable with the previous year. The principal effects on the consolidated balance sheet at 31 December 2014 due to the acquisition of further RAWAG shares and to the asset deal with ALTE Transportation are disclosed in the table below. In order to achieve better comparability, the amounts shown must be deducted from (or, in the case of amounts shown with a negative sign, added to) the corresponding line items in the consolidated balance sheet as at 31 December 2014.

Balance sheet at 31.12.2014

In € 000			
Intangible assets and property, plant and equipment	31,063	Revenue reserves including translation differences	-773
At-equity accounted investments	-5,937	Group net profit after minority interests	11,529
Other investments	1,824	Minority interests in equity	5,139
Deferred tax assets	527	Deferred tax liabilities	764
Inventories	9,185	Provisions	4,420
Trade accounts receivable	14,113	Liabilities to banks	23,735
Receivables from affiliated companies	252	Other financial liabilities	1,217
Receivables from associated companies	-88	Trade accounts payable	7,741
Other assets	1,222	Sundry other liabilities	5,626
Cash and cash equivalents	7,237		
	59,398		59,398

The following summary shows the impact of these transactions on the income statement after elimination of intragroup items. In order to achieve better comparability, the amounts shown must be deducted from the corresponding line items in the consolidated income statement.

Income statement 01.01. – 31.12.2014

In € 000	
Sales	39,471
Change in inventories	945
Own work capitalised	81
Other operating income	640
Cost of materials	23,640
Personnel expense	9,493
Depreciation and amortization	1,989
Other operating expenses	3,947
Result from investments	10,645
Net interest result	-37
Income taxes	889
Group net profit for the period	11,787
Attributable to minority interests	258
Attributable to Schaltbau Holding AG	11,529
Group net profit for the period	11,787

The following fair values were used at the relevant acquisition dates for the purposes of fully consolidating the newly acquired entities:

In € 000	Carrying amounts at acquisition date	Fair value adjustments	Fair values at acquisition date
Intangible assets	55	3,188	3,243
Property, plant and equipment	8,327	-	8,327
Investments	47	-	47
Deferred tax assets	278	-	278
Inventories	9,148	-	9,148
Trade accounts receivable	10,249	-	10,249
Other assets	1,103	-	1,103
Cash and cash equivalents	4,857	-	4,857
Total assets acquired	34,100	3,188	37,288
Deferred tax liabilities	467	606	1,073
Provisions	5,440	-	5,440
Liabilities to banks	790	-	790
Other financial liabilities	2,352	-	2,352
Trade accounts payable	4,591	-	4,591
Sundry other liabilities	4,823	-	4,823
Total liabilities acquired	18,462	606	19,068
Net assets acquired			18,220
Acquisition cost	14,505		
Fair value of shareholdings previously held	19,028		
Fair value attributable to minority interests ¹⁾	4,795		
			38,328
Goodwill			20,108

1) Calculated using the discounted cash flow equity method based on forecasts for the following three years. The discount rate is determined using the Capital Asset Pricing Model (CAPM).

As part of the process of allocating the purchase price to the assets and liabilities acquired, fair values at acquisition date were derived from carrying amounts previously used for German accounting purposes. Fair value adjustments were determined in connection with RAWAG's order book and customer relationships. The corresponding expenses from rolling these items forward systematically are included in amortisation. A corresponding deferred tax benefit works in the opposite direction. The corresponding adjustments to carrying amounts and the related deferred tax effects are shown in the adjustment column. It should be noted that – in conjunction with the first-time full consolidation of RAWAG – the financial statements of that entity based on local requirements were brought into line with IFRS and that the resulting adjustments are already included in the column “Carrying amounts at acquisition date”. This column also includes the assets and liabilities of ALTE, measured at their fair value, acquired as part of the asset deal. Overall, goodwill amounted to € 20,108,000. It is currently assumed that € 8,166,000 of this goodwill is also deductible for tax purposes.

If the business acquisition of RAWAG had taken place with effect from 1 January, Group sales would have been € 4,470,000 higher. Group net profit after minority interests would not have changed. The at-equity result for RAWAG has been included since 1 January on the basis of a shareholding of approximately 89.3%, since the purchase contracts stipulate that no earnings are attributable to the sellers for the financial year 2014. The impact of executing the asset deal relating to ALTE Technologies at an earlier stage as well as the additional impact of eliminating intragroup profit cannot be quantified, since the necessary information is not available.

USE OF ESTIMATES

For the purposes of drawing up the consolidated financial statements, it is necessary to make estimates and assumptions which affect the carrying amounts of assets, liabilities and contingent liabilities at the balance sheet and the amounts of income and expense recognised in the period under report. Actual results can differ from estimates as a result of changes in the economic situation and due to other circumstances.

Estimates and underlying assumptions are checked regularly. Corrections to estimates are recognised in the accounting period in which the estimate is reviewed.

Goodwill is reported in the consolidated balance sheet as a result of business acquisitions. On the first consolidation on a newly acquired business, all identifiable assets, liabilities and contingent liabilities are recognised, measured at their fair value at the acquisition date. One of the main areas of estimation is therefore the determination of the fair values of those assets and liabilities at the relevant date. For the purposes of determining the fair value of assets and liabilities, independent valuation reports and internal computations using appropriate valuation methods are drawn up, generally involving a forecast of future expected cash flows. These valuations are dependent to a high degree on assumptions taken by management regarding future changes in value and on assumed changes in the discount factor applied.

The Schaltbau Group generates taxable income in various countries around the world subject to different tax legislation. For the purposes of evaluating tax payables and receivables, management believes that it has made reasonable assessments of the various tax issues. It is possible, however, that the outcome of tax issues may differ from the estimates made and thus have an impact on the amounts of taxes recognised. With respect to the future recoverability of tax benefits in situations where deferred tax assets have been recognised on tax losses available for carryforward, it is possible that future events – such as the amount of taxable income that can be generated or changes in tax legislation – may have an impact on the timing or amount of tax benefits that can be recovered.

Other significant estimates relate to capitalised development costs, long-term contract production, trade accounts receivable, other provisions and pension provisions.

FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated companies prepared in a foreign currency are translated using the “functional currency” concept. The financial statements of consolidated companies whose functional currency is not the euro are drawn up in accordance with the modified closing rate method. Under this method, the balance sheet amounts of consolidated foreign companies are translated at the closing spot exchange rate prevailing at the balance sheet date. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences arising on translation are recognised directly in equity (see explanatory comments on the consolidated balance sheet, Note 17). Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at transaction date. In subsequent periods, foreign currency monetary items are translated at the closing rate and exchange differences recognised in the income statement.

Exchange rates relevant for foreign currency translation into euro changed as follows:

	Closing rate		Average rate	
	31.12.2014	31.12.2013	2014	2013
Chinese renminbi yuan	7.5358	8.3491	8.1685	8.2167
US dollar	1.2141	1.3791	1.3291	1.3281
British pound	0.7789	0.8337	0.8064	0.8491
New Turkish lire	2.8320	2.9605	2.9051	2.5313
Polish zloty	4.2732	4.1543	4.1853	4.1947

ACCOUNTING PRINCIPLES AND POLICIES

In accordance with IAS 1, the balance sheet is presented on the basis of the current/non-current distinction. Current assets and liabilities are those that fall due within a period of one year. Regardless of their maturity, inventories and trade accounts receivable/payable are also deemed to be current if they are sold, used or are due within the normal course of a business cycle (which can be longer than one year). Deferred tax assets and liabilities are presented as non-current items.

Intangible assets with a limited useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trademarks and software are amortised over a period of 3 to 5 years and capitalised development costs over a period of ten years. Intangible assets with an indeterminable useful life and capitalised development costs are measured at cost. They are not subjected to systematic amortisation. Instead, they are tested for impairment annually and, where necessary, the carrying amount is reduced to the recoverable amount. This also applies to all intangible assets whenever there is an indication of impairment. The carrying amount of these assets is reduced if the recoverable amount (defined as the higher of an asset's fair value less costs to sell and its value in use) is lower than the carrying amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost.

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This test is carried out at the level of the cash-generating unit to which the goodwill was allocated. If the carrying amount of the cash-generating unit exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a cash-generating unit is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal reporting purposes. It is assumed for the purposes of the calculation that growth of one percent will be achieved after the third year. A post-tax interest rate of 6.8 % (2013: 7.4 %) is currently applied. The discount rate is based on a risk-free interest rate of 1.75 % (2013: 2.75 %) and a market risk premium of 6.75 % (2013: 5.75 %). In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and a capital structure derived for a comparable peer group of entities are taken into account when measuring the recoverable amount of a cash-generating unit.

Research costs are recognised immediately as an expense. Development costs are capitalised if the technical feasibility of completing the intangible asset and its success on the market are assured. After market introduction of the newly developed products, capitalised development costs are amortised over their expected useful life.

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets comprises all costs directly attributable to the asset and an appropriate portion of indirect overheads. Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Moveable assets are generally depreciated using the straight-line method. Impairment losses are determined, in accordance with IAS 36, by comparing the carrying amount of an asset with its recoverable amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost. Depreciation is based on the following useful lives: buildings 10 to 50 years, plant and machinery/other equipment, office fixtures and fittings 2 to 15 years. Investment subsidies and grants received are generally offset against the cost of the relevant asset, resulting in a subsequent lower depreciation expense. This is the case unless the overall circumstances require the subsidies and grants received to be recognised as deferred income. In general, public sector grants are not recognised until all conditions attaching to them have been complied with and there is reasonable assurance that the grants will be received. Current maintenance and repair costs are recognised as expense in the period in which they are incurred.

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as **investments** are stated at cost or, if there is no active market, at their lower fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 6.9 % and 8.5 % for each individual investment. Specific country risks include rates of between 9.1 % and 14.7 % for China, Poland and Turkey. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment. Impairment losses on equity instruments recognised through profit or loss are not reversed even if the reason for the impairment loss no longer exists. Non-current loans receivable are stated at their amortised cost.

In accordance with IAS 12 (Income Taxes), **deferred tax assets and liabilities** are recognised on timing differences between the accounting and tax bases of assets and liabilities, on consolidation procedures affecting net income and on tax losses available for carryforward. Deferred taxes are not recognised on goodwill unless such goodwill is also deductible for tax purposes. Deferred tax assets are only recognised if future tax reductions are probable. Tax losses available for carryforward are only taken into consideration to the extent that sufficient taxable income is expected in the future to enable the deferred tax asset to be realised.

A corporation tax rate of 16 % and a trade municipal tax rate of 14 % (both unchanged from the previous year) have been used to measure deferred taxes for the Group's German companies. Deferred tax assets and liabilities are adjusted accordingly when tax rates change. Deferred taxes for the Group's foreign companies are based on the tax rates applicable in the countries concerned. Changes in deferred taxes relating to items which are recognised directly in equity are also recognised directly in equity.

Inventories are measured at acquisition or manufacturing cost. Cost is determined using either the average or the FIFO (first in first out) method. The valuation of finished products and work in progress comprises all directly attributable material costs, payroll costs and production overheads, determined on the basis of the normal capacity of the production facilities. Financing costs are not included in acquisition or manufacturing cost. Inventories are written down at the balance sheet date if their net realisable value is lower than their carrying amount.

A **financial instrument** is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets consist, in particular, of cash and cash equivalents, trade accounts receivable and other loans and receivables as well as financial assets (derivative or non-derivative) held for trading purposes. For all categories of financial assets, the criterion for recognising and derecognising such assets is the trading date, in other words the date on which the obligation to buy or sell the instrument was entered into. Financial liabilities generally involve a contractual obligation to deliver cash or another financial asset to another entity. This includes, in particular, trade accounts payable, liabilities to banks, finance lease liabilities and derivative financial liabilities. Financial assets and liabilities are recognised initially at their fair value. If a financial asset or liability is not valued through profit or loss at its fair value, transaction costs directly attributable to the acquisition of the financial asset or to the issue of the financial liability are included in the carrying amount. The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All non-derivative financial instruments are stated at their amortised cost.

Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts), to hedge interest rate risks (interest rate swaps) and, in one case, to hedge an interest rate / currency risk (cross-currency swap). The interest rate swaps and the cross currency swap are structured as cash flow hedges. In addition, the Group uses commodity option contracts to hedge against price fluctuations relating to the silver content of intermediate products. The Group applies hedge accounting where appropriate for interest rate risks and significant currency exposures. All other derivative financial instruments qualify as "held for trading". Derivative financial instruments are measured at their fair value which corresponds to the market value. The market value reflects the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. Due to the volatility of market data relevant for measuring the value of an instrument, the market value of a derivative financial

instrument measured at the balance sheet date can differ from the amounts that will actually be realised. The market value of forward exchange contracts is calculated on the basis of the foreign exchange spot rates prevailing at the end of the reporting period and on the basis of the amount of forward premiums and discounts payable in comparison with the contracted forward rate. Fair value gains and losses are recognised as other operating income or expenses. Forward exchange contracts are presented in the balance sheet under the headings “Other receivables and assets” or “Other liabilities”.

The fair value of interest rate swaps, forward commodity contracts and of the one cross-currency swap is determined on the basis of valuation models developed by the Group’s banks; fair value gains and losses are recognised, net of deferred taxes, directly in equity (hedge accounting). The conditions for the application of hedge accounting are fulfilled in the form of a formal documentation of the relationship between the hedged item and the hedging instrument. Each hedging instrument highly effectively offsets the risk from the hedged item. This is measured prospectively using the dollar offset method and retrospectively using a hypothetical derivative.

Trade accounts receivable and other receivables and assets are stated at their amortised cost less allowances for impairment. Allowances take the expected loss on receivables into account and are recorded on separate accounts. For further information, please see the comments made in the section on risk management and hedging activities. In the event of actual losses, the relevant receivable is derecognised.

The **revaluation reserve** comprises the amounts included directly in equity in conjunction with the fair value measurement of land on first-time adoption of IFRS. These amounts are determined as the difference between the expected market values of the plots of land concerned and their acquisition cost (net of deferred tax liabilities). The expected market values are either taken from reports of external property valuers or derived from benchmark tables for comparative plots of land drawn up by valuation committees on behalf of regional and local authorities.

Pension provisions are recognised to cover old-age, invalidity and dependent survivors’ pension benefits promised by Group companies. Old-age pension benefits vary depending on economic circumstances and are based as a rule on the period of employment, the salary of an employee and the position held by the employee within the company. The obligation to pay pensions in the future lies with the individual company in question.

Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. In accordance with IAS 19 (revised 2011), actuarial gains and losses are recognised as remeasurements directly in equity. The service cost is reported as personnel expense and the interest component of the allocation to the pension provision is reported as part of the net interest result.

The biometric tables issued by Prof. Dr. Klaus Heubeck (2005G) were used as the basis for mortality probabilities. The interest rate applied to calculate pension provisions is based on current capital market interest rates.

Other provisions are recognised when the Group has a present obligation (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. They are measured on the basis of the best estimate of the expenditure required to settle the obligation, taking into account all identifiable risks, and – with the exception of entitlements from reinsurance contracts for early retirement part-time working obligations – are not offset against any recourse claims. Warranty provisions are measured on the basis of past warranty expenditure, the length of the warranty period and the volume of sales still subject to warranty. In addition, specific warranty provisions are recognised for known damages. Provisions that contain an interest component are discounted using an appropriate market interest rate.

Provisions for early retirement part-time working arrangements (based on work and work-free phases) are measured at their present value using actuarial principles. Whereas settlement arrears for the working phase are recognised in instalments during the period of the agreements, the expense for top-up amounts is recognised in instalments as the obligation arises. The interest component of the allocation to the provision is reported as interest expense.

Liabilities are stated at amortised cost, measured using the effective interest method.

In the case of **leasing arrangements**, the beneficial ownership of leased items is attributed to the party that bears substantially all the risks and rewards incidental to ownership of an asset. The leased item is measured in accordance with the accounting policies normally applied to such items. If the lessor bears substantially all of those risks and rewards, the lease is classified as an operating lease, and the leased item is accounted for by the lessor. Lease instalments are recognised in profit or loss. If the lessee bears substantially all of those risks and rewards, the lease is classified as a finance lease, and the leased item is accounted for by the lessee. In the latter case, the leased item is recognised as an asset, measured at the present value of the minimum lease payments, and depreciated over the term of the lease. A finance lease liability is recognised initially for the same amount and the discount unwound in profit or loss over the lease term. The lease instalments are recognised as a capital repayment.

The Schaltbau Group is only party to operating leases as the lessee.

Contingent liabilities correspond to contingent obligations existing at the balance sheet date.

Revenue is recognised, net of sales deductions such as settlement discount, bonuses or rebates, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Profit on sales is recognised when it is probable that the economic benefits associated with the transactions will flow to the Group. Revenues are not recognised if the Group is exposed to risks with respect to the receipt of consideration or a possible return of the items sold.

Construction contracts are in place with specific customers in the form of works contracts and fixed price contracts. In these cases, sales and profit are recognised using the percentage-of-completion method when the criteria contained in IAS 11.23 are met. In this context, individual sales components are recognised to the extent that physical components of the construction contract (so-called milestones) are completed.

With the exception of **borrowing costs** recognised as a component of the cost of qualifying assets, all interest and other borrowing costs are recognised immediately as expense.

Standards, Interpretations and Amendments applied for the first time in the fiscal year 2014

In May 2011 the IASB published three new Standards relating to business combinations, namely **IFRS 10** Consolidated Financial Statements, **IFRS 11** Joint Arrangements and **IFRS 12** Disclosure of Interests in Other Entities.

IFRS 10 Consolidated Financial Statements sets out a new definition of control. If one entity controls another entity, the parent company must consolidate the subsidiary company. Under the new concept, an entity controls another entity if it has the ability to direct its activities on the basis of voting or other rights, if it participates in positive and negative variable returns from the controlled entity and if it has ability to influence the amount of returns. The new Standard has no impact on the scope of the Group reporting entity.

IFRS 11 Joint Arrangements specifies new accounting requirements for joint arrangements. Under the new concept, it must be decided whether the joint arrangement is a joint operation or a joint venture. Joint operations exist when the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement. Each entity accounts for its own share of the individual assets and liabilities. In the case of a joint venture, the parties have rights to the net assets of the arrangement. These rights are accounted for in the consolidated financial statements using the equity method; it is no longer permitted to account for such an arrangement proportionately.

The Schaltbau Group does not currently consolidate any entities on a proportionate basis.

IFRS 12 Disclosure of Interest in Other Entities brings together in a single Standard all disclosure requirements which an entity must fulfil when it has shares or an interest in another entity; this includes investments/interests in subsidiaries, associated companies, joint arrangements and structured entities. The new Standard supersedes the previous disclosure requirements contained in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures and SIC-12 Consolidation – Special Purpose Entities.

In June 2012 the IASB published **Amendments to IFRS 10, IFRS 11 and IFRS 12 - Transition Guidance**. The amendments contain a clarification and additional exemptions relevant for the transition to IFRS 10, IFRS 11 and IFRS 12. Adjusted comparative information, for instance, is only required to be presented for the preceding comparative period. In addition, there is no longer a requirement to disclose comparative information for periods prior to first-time application of IFRS 12 for non-consolidated structured entities.

At the same time that IFRS 11 Joint Arrangements was approved, amendments were also made to **IAS 28**. IAS 28 continues to deal with the application of the equity method. As a result of IFRS 11, however, the scope of application of IAS 28 has been expanded significantly, inasmuch that in the future the equity method will not only apply to investments in associated companies, but also to joint ventures (see IFRS 11). The option to use the proportionate method to consolidate joint ventures has been removed.

The Schaltbau Group does not currently consolidate any joint ventures on a proportionate basis.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities: These amendments clarify the criteria for offsetting financial instruments. Under the new rules, the significance of enforceable rights of offset is explained and the situations in which items should be reported on a gross or net basis are clarified.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets: An amendment to IFRS 13 Fair Value Measurement introduced a new mandatory disclosure requirement for the goodwill impairment test pursuant to IAS 36, whereby the recoverable amount of the cash-generating units must be disclosed, irrespective of whether an impairment loss is recognised or not. Since this disclosure requirement was added unintentionally it was removed for 2014 by the May 2013 amendment.

The new amendment does, however, give rise to additional disclosures if an impairment loss was actually recognised and the recoverable amount was determined on the basis of a fair value.

Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting: This amendment stipulates that hedge accounting is not required to be discontinued for existing hedging relationships in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

Standards, Interpretations and Amendments issued but not yet applied

The Schaltbau Group does not plan to apply early any of the following new or amended Standards and Interpretations which do not become mandatory until subsequent fiscal years. Unless stated otherwise and assuming that the new or amended Standards and Interpretations are endorsed by the EU in this form, the impact on the consolidated financial statements of Schaltbau Holding AG is still being investigated.

Already endorsed by the EU:

IFRIC 21 - Levies: This IFRIC is an Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The principal issue covered is when a present obligation arises for levies imposed by governments and when a provision/payable should be recognised. A number of items are excluded from the scope of the Interpretation, in particular fines and other penalties, levies relating to government contracts or outflows of resources that are within the scope of other IFRS, such as IAS 12 Income Taxes. IFRIC 21 requires that a liability is recognised if the so-called “obligating event” – based on the wording of the underlying legislation – has occurred. The specific wording used can therefore be highly relevant for the accounting treatment.

The amendments are mandatory for annual periods beginning on or after 1 July 2014.

Improvements to IFRS 2011 – 2013: Four Standards were amended in conjunction with the IFRS Annual Improvement Project. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs. The Standards affected are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The amendments are mandatory for annual periods beginning on or after 1 January 2015.

Not yet endorsed by the EU:

During 2014 or earlier, the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

The **Amendments to IAS 19 - Plans: Employee Contributions** clarify the requirements relating to the allocation of contributions from employees or third parties to defined benefit plans to periods of employee service, if the contributions are linked to the number of years of employee service. In addition, simplifications have been introduced if the contributions are independent of the number of years of employee service.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after July 1, 2014.

The **Improvements to IFRS 2010 – 2012** amended seven Standards in conjunction with the IFRS Annual Improvement Project. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs. Some amendments also have the effect of changing disclosure requirements. The Standards affected are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 July 2014 or, in the case of the amendment to IFRS 2 to share-based remuneration awarded on or after 1 July 2014.

The **Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

In accordance with IFRS 10, a parent company is required to recognise the gain or loss arising on the sale of a subsidiary in profit or loss in full as soon as the ability to control that entity is lost. By contrast, the currently applicable IAS 28.28 requires that gains or losses on sale transactions between an investor and an entity accounted for at equity – irrespective of whether it is an associated company or a joint venture – are recognised to the extent of unrelated investors' interests in that entity.

In future, the whole of the gain or loss arising on a transaction will only be recognised, if the sold or contributed assets represent an operation within the meaning of IFRS 3. This will apply irrespective of whether the transaction is structured as a share deal or an asset deal. If the assets do not represent an operation, it is only permitted to recognise the proportionate amount of the gain or loss.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations set out the requirements for the balance sheet and income statement treatment of joint ventures and joint operations. Whereas joint ventures are required to be accounted for using the equity method, the treatment envisaged for joint operations is comparable with the proportionate consolidation method described in IFRS 11.

The amendments to IFRS 11 address the accounting treatment of an acquisition of an interest in a joint operation, which constitutes an operation as defined by IFRS 3 Business Combinations. In such cases, the acquirer is required to apply the requirements of IFRS 3 to account for the business combination. The disclosure requirements contained in IFRS 3 must also be complied with.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

The **Amendments to IAS 1** - Disclosure Initiative address various disclosure issues, including clarification that information does not require to be disclosed if it is not material. This also applies explicitly, if an IFRS requires a list of minimum disclosures. In addition, explanatory rules for aggregating and disaggregating items in the balance sheet and the statement of comprehensive income are provided. The presentation of an entity's share of other comprehensive income of equity-accounted entities is also clarified. Finally, it is stressed that there is no standard template for the notes and that the emphasis should be on structuring the notes based on the relevance for the specific reporting entity.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

In its **Amendments to IAS 16 and IAS 38** - Clarification of Acceptable Methods of Depreciation and Amortisation, the IASB provides further guidance on determining acceptable methods of depreciation and amortisation. Revenue-based depreciation methods will no longer be permitted for property, plant and equipment and will only be permitted in specified exceptional cases for intangible assets (rebuttable presumption of inappropriateness).

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

The **Amendments to IAS 27** - Equity Method in Separate Financial Statements reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in their separate financial statements. The existing options to account for such entities at cost or in accordance with IAS 39/IFRS 9 remain unchanged. Since 2005, it has not been permitted to apply the equity method in the separate financial statements of a parent in accordance with IAS 27.

The IASB has issued the amendment in response to various points raised by users, including the high level of expense caused by the requirement to measure investments at their fair value at each reporting date, in particular in the case of associates which are not listed on a stock exchange.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

The **Improvements to IFRS 2012 – 2014** amended four Standards in conjunction with the IFRS Annual Improvement Project. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs/IASs. The Standards affected are: IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers sets out a comprehensive framework for the measurement and timing of recognition of revenue. It replaces the current requirements for revenue recognition, including those contained in IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 requires revenue to be recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services provided to the customer. The timing of revenue recognition (at a specific date or over time) will no longer primarily depend on the transfer of risks and rewards (“risk and reward approach”), but rather on the transfer of control over the goods and services to the customer (“control approach”). The user will be required in future to apply a five-step model to determine when and how revenue should be recognised.

The first step is to identify the contract based on IFRS 15 requirements. Contracts are required to be aggregated if certain conditions are met.

Secondly, it is necessary to identify the performance obligations in the contract. This initially involves assessing the goods or services that have been promised to the customer and determining whether they represent distinct performance obligations. Goods or services, for which there is no distinct performance obligation, must be aggregated until they do represent a distinct performance obligation.

Thirdly, the transaction price must be determined. Among other points to be considered, variable price components (such as rebates) and material financing components must be taken into account.

The fourth step is to allocate the transaction price to the performance obligations in the contracts by reference to their relative standalone selling prices. A distinction is made as to whether these prices are observable or need to be estimated using an appropriate method.

The fifth step requires revenue to be recognised as control is passed. For each performance obligation, various criteria must be applied to determine whether revenue should be recognised over time or at a point in time.

The Standard requires disclosures with respect to the nature, amount, pattern of revenue and cash flows as well as any related uncertainties.

The new Standard – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The new version of **IFRS 9** issued in July 2014 replaces the current requirements contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 sets out the requirements for the classification and measurement of financial instruments, including a new model for expected credit losses for the purposes of determining the impairment of financial assets, as well as the new general requirements for hedge accounting. It also replaces the requirements for the recognition and derecognition of financial instruments contained in IAS 39.

IFRS 9 – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018.

The IASB has published several other pronouncements. Those pronouncements recently endorsed by the EU and those not yet endorsed are either not relevant or will not have a significant impact on the consolidated financial statements of Schaltbau Holding AG.

RISK MANAGEMENT AND HEDGING ACTIVITIES

Risk management for the entire Group is managed centrally by the parent company. Regulations regarding risk management policies, hedging activities and documentation requirements are laid down in guidelines issued by the corporate compliance/ finance department and have been incorporated into relevant processes and procedures. The regulations are reviewed and updated at regular intervals. The guidelines are approved by the Executive Board.

Derivative financial instruments are employed as a hedge against foreign currency risks and, in individual cases, as a hedge against commodity price and interest rate risk exposures. The Schaltbau Group does not hold derivative financial instruments for speculative purposes nor does it issue such instruments.

At 31 December 2014, the Group had 9 forward exchange contracts in place with banks (2013: 13) for a total amount of US\$ 6,042,000 (2013: US\$ 7,317,000), to hedge cash flows with foreign customers. Forward currency contracts comprise 8 sales contracts and one purchase contract (2013: all sales contracts) and all mature in 2015. An unrealised loss of € 451,000 (2013: € 0) has been recognised for contracts with a negative fair value and an unrealised gain of € 2,000 (2013: € 112,000) has been recognised for contracts with a positive fair value.

At 31 December 2014 there were no open positions (2013: two) on silver contracts used to hedge against price fluctuations relating to the silver content of intermediate products.

A cross currency swap running until 31 July 2015 was put in place in 2008 to hedge the interest rate and currency exposure of a euro-denominated loan at the level of a foreign subsidiary. The contract, with a hedging volume of € 275,000 (31 December 2013: € 525,000) had a negative market value of € 3,000 at the end of the reporting period (31 December 2013: positive market value of € 26,000).

The foreign currency risk is shown in the following table. Risks relating to other foreign currencies are not significant. The figures shown represent the impact of a 10 % deterioration of each currency shown against the euro (compared with the balance sheet date). The impact of the hedging transactions described above is taken into account in this presentation.

Foreign currency risk	USD		TRY		KRW	
	2014	2013	2014	2013	2014	2013
In € 000						
Trade accounts receivable	-128	-122	-	-	-	-
Receivables from affiliated companies	-268	-150	-	-	-	-14
Receivables from associated companies	-	-	-	-39	-	-
Trade accounts payable	-1	-1	-	-	-	-
Payables to affiliated companies	-25	-	-	-	-	-
Other liabilities	-	-1	-	-	-	-
Gross risk exposure	-370	-270	-	-39	-	-14
Currency hedging	44	200	-	-	-	-
Net risk exposure	-326	-70	-	-39	-	-14

In addition, six (2013: 7) interest rate swaps were in place at the end of 2014:

No.	Nominal amount in €000	Fair value in €000 31.12.2014	Fair value in €000 31.12.2013	Maturity date
1	6,000	-512	-669	30.12.2016
2	6,000	-1,137	-909	28.06.2019
3	- 1)	-	-10	30.06.2014
4	1,600	-33	-15	31.08.2017
5	800	-21	-14	31.08.2017
6	500	-18	-11	31.08.2017
7	500	-12	-4	31.08.2017
Σ	15,400	-1,733	-1,632	

1) Nominal amount of the swap at 31.12.2013: € 450,000

As a result of obligations relating to interest-rate swaps, an amount of € 291,000 (2013: € 229,000) was reclassified from revenue reserves to interest expense in the income statement. Despite the payments made, a reassessment of market developments resulted in an increase in the negative fair value of the swaps.

As a result of the termination of hedging relationships (hedge accounting), € 329,000 (2013: € 234,000) of amounts previously recognised directly in OCI were reclassified to other operating expenses, interest expense and deferred taxes (see Consolidated Statement of Comprehensive Income).

As part of the Group's receivables management system, creditworthiness information is obtained from credit insurance agencies for all major new customers and the appropriate payment terms and conditions stipulated. The payment behaviour of existing customers is continuously monitored. In the event of any deterioration, payment terms are amended and the payment behaviour of the customer concerned is carefully monitored. In order to limit losses or avoid bad debts, supply restrictions (such as delivery stop and delivery against up-front payment) are put in place. A small volume of rolling receivables balances are insured against loss. Advance payments from customers reduce the risk of bad debts, particularly in the area of project work.

The liquidity risk is managed on the basis of balance sheet and income statement amounts. This is aided by use of the monthly actual/budget comparison, the monthly forecast for the current year (updated monthly) and the annual forecast for the two subsequent years. The overriding objective is to ensure that the Group always has sufficient liquidity to meet its payment commitments, even in the event that some payments from customers are received late.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

Sales by segment	2014	2013
In € 000		
Mobile Transportation Technology	185,619	144,317
Stationary Transportation Technology	138,971	143,128
Components	104,936	103,171
Holding	84	97
	429,610	390,713

Sales include an amount of € 5,394,000 (2013: € 3,013,000) recognised using the percentage-of-completion method. The corresponding expenses recognised in 2014 amounted to € 3,650,000 (2013: € 2,528,000). The income statement impact of using the percentage-of-completion method in 2014 was a profit of € 1,744,000 (2013: € 485,000). Advance payments received from customers at the end of the reporting period amounted to € 0 (2013: € 0).

Contract costs comprise costs that are directly and indirectly attributable to the contract as well as costs that can be charged to customers under the terms of the contract. The stage of completion of a project is determined on the basis of milestones achieved, as measured in conjunction with project controlling. Sales revenue is recognised accordingly. Positive balances on customer contracts at the end of the reporting period amounted to € 1,000 (2013: € 0) and negative balances to € 0 (2013: € 0).

Sales by market	2014	2013
In € 000		
Germany	167,309	167,145
Other EU countries	137,967	97,526
Other European countries	34,818	35,037
China / Hong Kong	62,362	52,117
North America	15,707	20,824
Other countries	11,447	18,064
	429,610	390,713

83.0 % (2013: 87.4 %) of sales were billed in euros, 7.3 % (2013: 7.3 %) in Chinese renminbi yuan, 5.0 % (2013: 0.0 %) in Polish zloty and 3.7 % in US dollars (2013: 4.9 %); other currencies accounted for 1.0 % (2013: 0.4 %). On the expense side, 88.9 % (2013: 94.4 %) of personnel, material and other non-personnel expenditure were settled in euros, 5.1 % (2013: 0.0 %) in Polish zloty, 3.7 % (2013: 3.3 %) in Chinese renminbi yuan, 1.5 % in US dollars (2013: 1.4 %) and 0.8 % (2013: 0.9 %) in other currencies. Sales generated with the five largest customers amounted to € 133,700,000 or 31.1 % (2013: € 120,327,000 or 30.8 %).

**(2) CHANGE IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS
AND OWN WORK CAPITALISED**

In € 000	2014	2013
Change in inventories	3,768	-3,919
Own work capitalised	6,965	3,071
	10,733	-848

(3) OTHER OPERATING INCOME

In € 000	2014	2013
Reversal of allowances	282	386
Reversal of provisions	1,625	2,618
Public-sector grants	129	239
Exchange gains	1,709	431
Gains on derivatives	15	140
Sundry other operating income	2,142	1,217
	5,902	5,031

Other operating income includes income of € 2,379,000 (2013: € 3,329,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

In € 000	2014	2013
Cost of raw materials, supplies and purchased goods	188,523	164,953
Cost of purchased services	33,868	27,091
	222,391	192,044

Cost of materials was increased in 2014 by € 13,000 (2013: € 642,000) as a result of forward commodity contracts on silver. Information regarding the Schaltbau Group's procurement markets and purchasing strategy is provided in the Combined Company and Group Management Report.

(5) PERSONNEL EXPENSE / EMPLOYEES

In € 000	2014	2013
Wages and salaries	116,269	100,196
Social security, pension and welfare expenses	21,952	19,188
	138,221	119,384
Number of employees		
Development	317	259
Purchasing and logistics	218	187
Production	1,205	931
Sales and marketing	284	258
Administration including Executive Board members and Group company directors	222	182
Trainees	24	22
	2,270	1,839

The above disclosures show the weighted average number of employees of fully consolidated companies based on month-end figures. Under the weighting approach used, trainees are only included in the calculation at a level of 30%.

Information with respect to the Schaltbau Group's workforce is provided in the Combined Company and Group Management Report.

(6) OTHER OPERATING EXPENSES

In € 000	2014	2013
Operating costs	5,170	4,291
Administrative costs	16,075	14,542
Selling costs	16,638	14,736
Employee-related costs	1,852	1,533
Losses on the disposal of non-current assets	415	87
Allowances on receivables	1,287	813
Exchange losses	661	626
Losses incurred on derivative instruments	26	31
Other taxes	879	859
Sundry other expenses	4,373	886
	47,376	38,404

Expenses relating to prior periods totalled € 669,000 (2013: € 418,000). Sundry other expenses include primarily allocations to provisions for pending losses in onerous contracts and for penalty payments.

Research and development expenditure in 2014 amounted to € 28,736,000 (2013: € 23,980,000), of which € 22,316,000 (2013: € 21,905,000) was recognised as expense. Accordingly, a total of € 6,420,000 (2013: € 2,075,000) was capitalised as development costs.

The Group has various rental and leasing agreements in place – in particular for property, electronic data processing, vehicles and other office equipment – that are due to expire in the coming years. Rental and lease expense in 2014 and 2013 was € 4,125,000 and € 3,949,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 3,163,000 (2013: € 2,849,000) payable in up to one year; € 6,076,000 (2013: € 5,176,000) payable in up to five years and € 206,000 (2013: € 324,000) payable later than five years.

Purchases from the five largest suppliers accounted for 7.0 % (2013: 6.8 %) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

In € 000	2014	2013
Result from equity accounted investments	659	2,737
Sundry other result from investments	11,603	-289
	12,262	2,448

The financial statements of the Group's foreign entities were drawn up in accordance with the accounting rules applicable in the relevant countries. There were no significant differences in the results as compared with financial statements drawn up in accordance with IFRS, as applicable in the EU.

The positive result from equity accounted investments relates to the Group's share of the results for the year of BoDo Bode-Dogrusan (Turkey) and Rail Door Solutions Ltd (UK), as well as the time-apportioned share of the results for the year of Albatros S.L. (Spain) and RAWAG (Poland).

Sundry other result from investments includes impairment losses of € 1,142,000 (2013: € 289,000) recognised on investments in two (2013: one) non-consolidated foreign subsidiaries. This line item also includes a gain of € 12,420,000 arising in conjunction with the first-time full consolidation of RAWAG (Poland).

Impairment losses were calculated using the DCF method described in the section on accounting policies (intangible assets). Impairment losses relate to non-consolidated foreign subsidiaries whose financial condition required adjustments to the carrying out of the investment or whose prospects, contrary to expectations, cannot be reliably determined.

If exchange rates had been 10 % more / less favourable, the result from equity accounted investments would have been € 818,000 / € 529,000 (2013: € 3,004,000 / € 2,518,000).

(8) FINANCIAL RESULT

In € 000	2014	2013
Other interest and similar income	169	143
(of which from affiliated companies)	(51)	(21)
Interest and similar expenses	-4,480	-4,865
(of which to affiliated companies)	(-12)	(-42)
	-4,311	-4,722

Interest expenses include the interest portion amounting to € 1,255,000 (2013: € 1,237,000) arising on the allocation to personnel-related provisions and an interest expense of € 43,000 (2013: € 20,000) in conjunction with writing down receivables to their net present value. Also included is an interest expense of € 123,000 (2013: € 1,116,000) for participation rights capital. The interest expense for the year was increased by € 405,000 (2013: € 327,000) as a result of the deployment of interest rate swaps.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1 % in the interest rate), would have the following impact on the balance sheet as at 31 December 2014 and on cash flows in the following year (assuming for cash flow purposes that there would be no other changes to balances of cash at bank/ liabilities to banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In € 000	Balance at 31.12.2014		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	- 1,733	2.96 %	457	-	320	-143	-	-100
Bank interest				-492			492	
Sundry other interest				-20			20	
Total cash flow sensitivity				-512			512	

In € 000	Balance at 31.12.2013		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	- 1,632	3.17 %	589	75	412	- 560	- 75	- 392
Bank interest				- 203			203	
Sundry other interest				- 8			8	
Total cash flow sensitivity				- 136			136	

(9) INCOME TAXES

In € 000	2014	2013
Income tax expense	5,078	6,471
Deferred tax expense	1,042	2,514
	6,120	8,985

Tax pooling arrangements are in place between Schaltbau Holding AG and the German operating companies for corporation, municipal trade and value added tax purposes wherever the conditions for such arrangements are met.

Deferred taxes related to the following balance sheet items:

In € 000	31.12.2014			31.12.2013		
	Deferred tax assets	Deferred tax liabilities	Result	Deferred tax assets	Deferred tax liabilities	Result
Fixed assets	1,198	8,618	-2,111	1,729	6,048	-319
Inventories	1,740	8	829	888	-	-6
Other current assets	564	133	-45	484	65	243
Pension provisions	5,509	-	38	3,451	-	-102
Other provisions	1,568	-	850	586	37	-26
Liabilities	857	64	1,190	542	988	-184
Tax losses available for carryforward	3,570	-	-1,794	5,363	-	-2,120
	15,006	8,823	-1,043	13,043	7,138	-2,514

Deferred tax assets were recognised on all corporation tax and municipal trade tax loss carryforwards. No deferred tax assets were recognised on foreign tax loss carryforwards at the end of the reporting period amounting to € 5,776,000 (2013: € 4,136,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 28,039,000 (2013: € 22,397,000) due to the fact that these profits have been left in the companies concerned to enable them to maintain their substance and expand business. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

Reconciliation of expected and actual expense in the income statement

In € 000	2014	2013
Profit before tax	35,248	33,734
Expected tax expense (30 %)	10,574	10,120
- different computation of taxes outside Germany	-1,706	-891
- tax-exempt income	-222	-45
- non-deductible expenses	515	486
- associated companies and interests accounted for using the equity method	-3,627	-681
- tax expense and reimbursements for prior years	-455	72
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	502	-610
- foreign withholding taxes	135	290
- other differences	404	244
Income tax expense	6,120	8,985
Effective tax rate	17.4%	26.6%

The line item “Associated companies and interests accounted for using the equity method” includes the impact (expense of € 3,726,000) arising on the change in the method of consolidation of RAWAG Sp.z.o.o.

(10) EARNINGS PER SHARE

Undiluted earnings per share are calculated as a quotient resulting from dividing the group net profit for the year attributable to shareholders of Schaltbau Holding AG by the weighted average number of ordinary shares in circulation during the fiscal year.

Earnings per share can be diluted when the average number of shares is increased for potential Schaltbau Holding AG shares that could be issued in conjunction with share options or when shares are bought back. Share options have a diluting effect when the conditions for their exercise are met.

Share capital comprises 6,152,190 shares at the end of the reporting period (2013: 6,152,190 shares). The Company began to repurchase own shares during the year under report (see explanatory comments in Note 17 Capital/ Revenue/ Other Reserves).

	2014	2013
Shares in circulation at beginning of year	6,152,190	6,152,190
Share buy-back	-56,556	-15,000
Calculated weighted number of shares at end of fiscal year	6,134,929	6,137,190
Further potential shares from share options (diluted)	192 (186)	192 (186)
Actual and potential shares at end of year (diluted)	6,135,115	6,137,373
Weighted shares - undiluted	6,134,929	6,137,190
Weighted shares - diluted	6,135,115	6,137,376

	2014	2013
Earnings per share		
Group net profit for year (€000)	29,128	24,749
Profit attributable to minority shareholders (€000)	4,348	3,378
Profit attributable to shareholders of Schaltbau Holding AG (€000)	24,780	21,371
Earnings per share - undiluted	€ 4.04	€ 3.48
Earnings per share - diluted	€ 4.04	€ 3.48

	2014	2013
Weighted shares - undiluted	6,134,929	6,137,190
Weighted shares - diluted	6,135,115	6,137,376
Earnings per share - undiluted	€ 4.04	€ 3.48
Earnings per share - diluted	€ 4.04	€ 3.48

	2014	2013
Reconciliation of undiluted and diluted weighted shares		
Weighted shares - undiluted	6,134,929	6,137,190
192 (2013: 192) share options not exercised by 31.12.2014; weighted	186	186
Weighted shares - diluted	6,135,115	6,137,376

NOTES TO THE CONSOLIDATED BALANCE SHEET

(11) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

Goodwill totalling € 31,812,000 (2013: € 11,348,000) comprises goodwill amounting to € 5,970,000 (2013: € 5,970,000) allocated to the Stationary Transportation Technology segment, € 5,635,000 (2013: € 4,997,000) allocated to the Components segment – of which € 5,635,000 (2013: € 4,997,000) relates to Schaltbau North America Inc. – and € 20,207,000 (2013: € 381,000) allocated to the Mobile Transportation Technology segment – of which € 11,654,000 relates to RAWAG Sp.z.o.o. and € 8,172,000 to ALTE Technologies S.L. There was no requirement to recognise any impairment losses on goodwill during the year under report. Even after reducing forecast free cash flows by 10 % for sensitivity analysis purposes, no impairment losses were necessary.

Intangible assets include **capitalised development costs** with a carrying amount of € 14,473,000 (2013: € 8,411,000) and relate primarily to the Stationary Transportation Technology segment.

Measurement at fair value was only applied to land at the time when IFRS were adopted for the first time. This can be reconciled to the carrying amount before revaluation as follows:

In € 000	31.12.2014	31.12.2013
Carrying amount including fair value adjustments	10,294	10,294
less revaluation reserve	3,041	3,041
less acquired minority interest in revaluation reserve	7	7
less deferred taxes	1,307	1,307
Carrying amount before revaluation	5,939	5,939

Debit differences arising on the consolidation of **associated companies accounted using the equity method** represent goodwill and are included as part as the carrying amount of those companies. No scheduled write-downs are recorded. Instead, the assets are tested annually for impairment. An impairment loss of € 354,000 was recognised in 2014 for one investment. No impairment losses were recognised in the previous year.

Negative at-equity values are not recognised in the consolidated balance sheet.

Investments accounted for using the equity method and goodwill attributable to those companies developed as follows:

In € 000	31.12.2014			31.12.2013		
	Name	Share-holding	Carrying amount thereof goodwill	Share-holding	Carrying amount thereof goodwill	thereof goodwill
BODO	50.0%	2,955	-	50.0%	3,401	354
BOUK	50.0%	1,381	1,243	50.0%	1,079	1,243
ALBA	40.0%	1,643	1,913	-	-	-
BORA	-	-	-	42.6%	5,962	-
		5,979	3,156		10,442	1,597

BODO: BoDo Bode-Dogrusan A.S.
 BOUK: Rail Door Solutions Ltd.
 ALBA: Albatros S.L.
 BORA: RAWAG Sp.z.o.o.

The following summary shows aggregated key data relating to investments accounted for using the equity method:

In € 000	31.12.2014		31.12.2013	
	100 %	Group's share	100 %	Group's share
Non-current assets	13,526	5,930	11,092	5,127
Current assets	37,796	15,825	22,300	9,965
Non-current liabilities	21,229	8,492	1,070	456
Current liabilities	24,317	10,307	11,967	5,499
Sales	35,518	20,208	54,107	24,266
Net profit for the year	1,104	930	6,464	2,737
Other comprehensive income	0	0	0	0
Total comprehensive income	1,104	930	6,464	2,737
Total distribution / Group's share	1,477	768	1,086	519

Mortgages totalling € 27,994,000 (2013: € 26,765,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 1,123,000 (2013: € 0).

Other investments include loans receivable (reported as "Other non-current loans receivable"), granted to Coinvestor S. L., Madrid (€ 1,500,000) and Corporate Advisor S.L., Madrid (€ 252,000) in conjunction with the asset deal relating to ALTE Technologies S.L. and the purchase of shares in Albatros S.L. The loans are subject to interest at market rates.

(12) INVENTORIES

In € 000	31.12.2014	31.12.2013
Raw materials and supplies	38,104	29,899
Work in progress	33,870	27,877
Finished products, goods for resale	12,969	10,309
Advance payments to suppliers	714	429
	85,657	68,514

None of the Group's inventories are pledged as collateral. Write-downs totalling € 2,126,000 (2013: € 1,660,000) were recognised on inventories in 2014. Sell-offs and changes in customer ordering patterns resulted in reversals of write-downs on inventories amounting to € 740,000 (2013: € 82,000). Write-downs on inventories at the end of the reporting period totalled € 16,582,000 (2013: € 14,692,000), of which € 1,582,000 related to first-time consolidation.

**ANALYSIS OF CHANGES IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT
AND INVESTMENTS**
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

In € 000

	Acquisition/manufacturing cost						
Note: Rounding differences may arise due to the use of electronic rounding aids.	01.01.2014	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2014
I. Intangible assets							
1. Concessions and similar rights	6,385	-62	3,195	420	-14	0	9,924
2. Software	8,248	20	216	555	-284	40	8,795
3. Goodwill	39,502	357	20,107	0	0	0	59,966
4. Capitalised development costs	6,933	0	0	467	0	125	7,525
5. Ongoing development projects	2,095	0	0	6,176	0	0	8,271
6. Payments in advance	216	0	0	482	0	-165	533
	63,379	315	23,518	8,100	-298	0	95,014
II. Property, plant and equipment							
1. Land and buildings	40,696	-86	4,798	5,976	-181	4,704	55,907
2. Plant and machinery	34,431	23	2,411	3,634	-633	915	40,781
3. Other plant and equipment	45,197	164	1,632	3,753	-3,184	174	47,736
4. Leased property, plant and equipment	0	-4	170	0	0	0	166
5. Assets under construction	4,920	-41	1,757	2,058	-248	-5,793	2,653
	125,244	56	10,768	15,421	-4,246	0	147,243
III. Investments							
1. Investments in subsidiaries	7,782	0	0	1,328	0	-2	9,108
2. At-equity accounted investments	4,081	0	-791	2,142	0	0	5,432
3. Non-current loans receivable from Group companies	149	0	0	380	-149	0	380
4. Non-current marketable securities	0	0	47	4	0	0	51
5. Other loans	20	0	0	1,753	0	0	1,773
	12,032	0	-744	5,607	-149	-2	16,744
	200,655	371	33,542	29,128	-4,693	-2	259,001

Accumulated amortisation, depreciation and impairment losses							Carrying amounts		
01.01.2014	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2014	31.12.2014	31.12.2013	
4,581	-15	0	1,844	-3	0	6,407	3,517	1,804	
5,810	18	169	965	-284	0	6,678	2,117	2,438	
28,154	0	0	0	0	0	28,154	31,812	11,348	
615	0	0	706	0	0	1,321	6,204	6,318	
2	0	0	0	0	0	2	8,269	2,093	
0	0	0	0	0	0	0	533	216	
39,162	3	169	3,515	-287	0	42,562	52,452	24,217	
16,849	15	232	1,197	-175	0	18,118	42,143	28,201	
23,589	25	869	2,310	-558	0	26,235	14,546	10,842	
36,219	141	1,335	3,923	-3,059	0	38,559	9,177	8,978	
0	-1	16	11	0	0	26	140	0	
0	0	0	0	0	0	0	2,653	4,920	
76,657	180	2,452	7,441	-3,792	0	82,938	68,659	52,941	
3,167	0	0	1,142	0	0	4,309	4,799	4,615	
-6,361	0	18,237	0	0	-12,423	-547	5,979	10,442	
21	0	0	0	-21	0	0	380	128	
0	0	0	0	0	0	0	51	0	
0	0	0	0	0	0	0	1,773	20	
-3,173	0	18,237	1,142	-20	-12,423	3,762	12,982	15,205	
112,646	183	20,858	12,098	-4,099	-12,423	129,262	134,093	92,363	

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:

4,354	4,354
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**ANALYSIS OF CHANGES IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT
AND INVESTMENTS**
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

In € 000	Acquisition/manufacturing cost					
Note: Rounding differences may arise due to the use of electronic rounding aids.	01.01.2013	Translation differences	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2013
I. Intangible assets						
1. Concessions and similar rights	6,007	1	377	0	0	6,385
2. Software	6,616	-2	1,178	-82	538	8,248
3. Goodwill	39,706	-204	0	0	0	39,502
4. Capitalised development costs	0	0	223	0	6,710	6,933
5. Ongoing development projects	6,953	0	1,852	0	-6,710	2,095
6. Payments in advance	497	0	216	0	-497	216
	59,779	-205	3,846	-82	41	63,379
II. Property, plant and equipment						
1. Land and buildings	38,611	-2	2,160	-157	84	40,696
2. Plant and machinery	31,900	-18	2,741	-784	592	34,431
3. Other plant and equipment	41,709	-10	3,700	-878	676	45,197
4. Assets under construction	1,788	0	4,525	0	-1,393	4,920
	114,008	-30	13,126	-1,819	-41	125,244
III. Investments						
1. Investments in subsidiaries	6,518	0	1,264	0	0	7,782
2. At-equity accounted investments	3,191	0	890	0	0	4,081
3. Investments in other companies	0	0	149	0	0	149
4. Other loans	20	0	0	0	0	20
	9,729	0	2,303	0	0	12,032
	183,516	-235	19,275	-1,901	0	200,655

Accumulated amortisation, depreciation and impairment losses					Carrying amounts		
01.01.2013	Translation differences	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2013	31.12.2013	31.12.2012
3,705	1	875	0	0	4,581	1,804	2,302
4,977	0	884	-82	31	5,810	2,438	1,639
28,154	0	0	0	0	28,154	11,348	11,552
0	0	615	0	0	615	6,318	0
0	0	2	0	0	2	2,093	6,953
0	0	0	0	0	0	216	497
36,836	1	2,376	-82	31	39,162	24,217	22,943
15,990	0	948	-89	0	16,849	28,201	26,975
22,777	-10	1,869	-777	-270	23,589	10,842	9,123
32,941	-9	3,863	-815	239	36,219	8,978	8,768
0	0	0	0	0	0	4,920	1,788
71,708	-19	6,680	-1,681	-31	76,657	52,941	46,654
2,878	0	289	0	0	3,167	4,615	3,640
-4,268	0	0	0	-2,093	-6,361	10,442	7,459
0	0	21	0	0	21	128	0
0	0	0	0	0	0	20	20
-1,390	0	310	0	-2,093	-3,173	15,205	11,119
107,154	-18	9,366	-1,763	-2,093	112,646	92,363	80,716

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:

4,354	4,354
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(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

In € 000	31.12.2014	31.12.2013
Trade accounts receivable	80,265	66,187
Receivables from affiliated companies	10,576	5,445
Receivables from associated companies	1,291	761
Income tax receivables	522	274
Positive fair values of derivative instruments	0	164
Sundry other assets	8,184	6,242
	100,838	79,073

In addition to receivables relating to trading, receivables from affiliated and associated companies also include loan receivables totalling € 1,194,000 (2013: € 619,000).

Allowances comprised the following:

In € 000	1.1.14	Group reporting entity	Utilised	Reversed	Allocated	Currency/ other	31.12.14
Trade accounts receivable							
Specific allowances	862	364	131	268	930	-13	1,744
Additional risk allowance	1,784	0	0	14	176	184	2,130
	2,646	364	131	282	1,106	171	3,874
Other allowances	4	0	0	0	0	0	4
Total	2,650	364	131	282	1,106	171	3,878

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 15,144,000 (2013: € 15,642,000).

The age-structure of trade accounts receivable is shown in the following table:

In € 000	31.12.2014			31.12.2013		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	7,613	-104	7,509	7,481	-98	7,383
31 to 60 days	3,124	-91	3,033	4,472	-147	4,325
61 to 90 days	2,372	-99	2,273	2,638	-113	2,525
91 to 180 days	4,698	-311	4,387	4,135	-215	3,920
181 to 365 days	5,428	-749	4,679	3,955	-646	3,309
more than one year	2,935	-2,246	689	1,936	-1,216	720
	26,170	-3,600	22,570	24,617	-2,435	22,182
Not yet due	57,969	-274	57,695	44,216	-211	44,005
	84,139	-3,874	80,265	68,833	-2,646	66,187

Of the trade accounts receivable total reported at 31 December 2014, 31.9 % (2013: 22.3 %) relate to the five largest debtors. 65.6 % (2013: 69.6 %) of total receivables are denominated in EUR, 20.5 % (2013: 22.4 %) in CNY, 6.6 % in PLN and 6.4 % (2013: 6.6 %) in USD.

No trade accounts receivable have been pledged as collateral for liabilities to banks at the end of the reporting period.

(14) CASH AND CASH EQUIVALENTS

In € 000	31.12.2014	31.12.2013
Cheques and cash on hand	36	25
Cash at bank	25,618	14,367
	25,654	14,392

The amounts shown have a maturity of up to three months and comprise mainly positive cash balances with banks.

(15) CHANGES IN GROUP EQUITY

Details relating to the line items presented in the balance sheet are shown in the **Statement of Changes in Group Equity**.

(16) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 6,152,190 (2013: 6,152,190) non-par value shares and is fully paid up.

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2013: € 234.24) remained in place at 31 December 2014; the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 192 new ordinary bearer shares (**Conditional Capital I**). This conditional capital was resolved to allow shares to be issued for share options issued by the Company on 15 March 2004 in conjunction with participation rights (see also Note (19)). The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements for the year ended 31 December 2003 and, like the participation rights themselves, have a term of 10 years. The conditional capital increase may only be carried out to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been increased by € 1,829,765.76; no options were exercised in 2014.

In accordance with the resolution passed at the Annual General Meeting on 9 June 2011, a (new) Conditional Capital II amounting to € 3,294,000 is in place at the end of the reporting period following the conditional issue of up to 2,700,000 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue – up to 8 June 2016 – bearer convertible bonds and bonds with warrants as well as participation rights capital with conversion or option rights.

An **authorised capital** of € 3,294,000 is in place at the end of the reporting period on the basis of the resolution taken at the Annual General Meeting on 6 June 2013. The Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to a maximum of € 3,294,000 by the issue of new shares in return for cash or non-cash contributions through to 5 June 2018.

(17) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 13,701,000 (2013: € 13,701,000). In addition, it was necessary to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 1,251,000) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to € 258,000 (net of deferred tax of € 172,000) as well as the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to € 595,000. The sale of shares at selling prices higher than their purchase cost (i.e. as part of bonus arrangements) resulted in € 67,000 being transferred to capital reserves (see also Note (19) Participation rights capital).

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In addition, net of deferred tax, there was a negative impact of € 198,000 (2013: positive impact of € 320,000) from the fair value measurement of interest rate and currency swaps and a negative impact of € 4,682,000 (2013: positive impact of € 546,000) from pension provisions.

In 2008 the Company acquired a total of 15,000 treasury shares (after share split) in conjunction with a share purchase programme for Schaltbau Group management. In addition, in accordance with the share buy-back programme resolved on 20 November 2014, based on the authorisation resolved by the Annual General Meeting on 9 June 2010, the Company has repurchased 43,112 shares up to 31 December 2014. These shares may be offered as consideration in conjunction with equity participations and/or business acquisitions or be used to strengthen the existing shareholder structure. At € 69,000 (2013: € 18,000), the nominal amount of the treasury shares corresponds to 0.92 % (2013: 0.24 %) of the Company's share capital.

Treasury shares developed as follows:

	Price in EUR	Number of shares
Balance at beginning of year		15,000
Purchase / sale date		
7 August 2014	47.00	- 1,556
28 November 2014	40.73	11,233
5 December 2014	40.44	19,629
12 December 2014	41.05	1,750
19 December 2014	41.37	7,500
26 December 2014	42.37	3,000
Balance at end of year		56,556

1,556 shares were transferred to Schaltbau Group management in conjunction with bonus arrangements, under which management's bonus entitlements are converted into the right to purchase shares.

Overall, treasury shares held at the end of the financial year under report gave rise a surplus of € 1,866,000 – i.e. the amount by which the treasury shares exceed their arithmetically calculated value (including transaction costs) – which has been offset against other revenue reserves.

The proposed appropriation of results for the fiscal year 2013 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 1,900,000 was transferred to revenue reserves and a dividend of € 5,892,000 (€ 0.96 per share) paid.

The reserve for income/expenses recognised directly in equity includes translation differences.

The revaluation reserve includes the fair value adjustments (net of deferred taxes) recognised on land at the date of first-time adoption of IFRS.

For further details, please refer to the disclosures in the Consolidated Statement of Changes in Equity.

(18) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd., ALTE Technologies S.L.U. and Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.

(19) PARTICIPATION RIGHTS CAPITAL

In € 000	31.12.2014	31.12.2013
Participation options: 362,730 (number)	-	7,132

The participation rights capital was repaid in full on 11 June 2014.

(20) PENSION PROVISIONS

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the Group and their dependants. Retirement pensions are provided in the form of defined benefit pension plans. These are based in principle on the number of years of service worked by employees and the salary received. The measurement date for the computation of the present value of the defined benefit obligation of the various pension plans is 31 December.

The accounting policy for the recognition of actuarial gains and losses was changed with effect from the beginning of 2013 in accordance with IAS 19. Actuarial gains and losses are now recorded in the year in which they arise by recognition directly in equity (revenue reserves). These amounts will not be recognised in profit or loss in subsequent accounting periods.

Reinsurance policies are in place for some of the pension benefits payable. Claims against insurance companies were as follows:

In € 000	31.12.2014	31.12.2013
Claims under reinsurance policies relating to pension commitments	97	104

Group entities are also obliged to pay into defined contribution state pension insurance plans. Employer contributions to these plans for each year were as follows:

In € 000	2014	2013
Employer contributions to state pension insurance schemes	7,554	7,541

Pension provisions developed as follows:

In € 000	2014	2013
Balance at 1.1.	33,113	34,248
Service cost	183	380
Interest expense	1,125	1,098
Benefit payments	-2,236	-1,833
Remeasurements	6,677	-780
Foreign currency translation	-5	-
Change in group reporting entity	215	-
Carrying amount of provision at 31.12.	39,072	33,113

The pension provision at the end of the reporting period relates to current employees (€ 10,774,000; 2013: € 7,923,000), former employees with vested entitlements (€ 3,977,000; 2013: € 3,197,000) as well as pensioners and surviving dependants (€ 24,321,000; 2013: € 21,993,000).

The main actuarial assumptions applied were as follows:

	31.12.2014	31.12.2013
Interest rate	1.8 %	3.5 %
Salary trend	2.5 %	2.5 %
Pension trend	1.7 %	2.0 %
Fluctuation rate	1.8 %	1.5 %

The discount factor was determined, as in the previous year, on the basis of the updated Mercer Pension Discount Yield Curve Approach (MPDYC).

If the other assumptions used in the calculation were kept constant, the extent to which the defined benefit obligation would have been affected by changes in one of the relevant actuarial assumptions that were reasonably possible at the end of the reporting period would have been as follows:

In € 000	Change	Increase	Decrease
Discount rate	0.50 %	-2,701	3,057
Salary trend	0.25 %	277	-350
Pension trend	0.25 %	1,120	-1,162
Fluctuation trend	0.43 %	-161	69

As of 31 December 2014 the weighted average period of defined benefit plan pension obligations is 13.5 years (2013: 12.9 years).

Pension expense comprised the following:

	2014	2013
Current service cost	383	380
Past service cost/income	88	0
Gains / losses arising from settlements	-288	0
Total service cost (personnel expense)	183	380
Interest expense	1,125	1,098
Pension expense recognised in the Consolidated Income Statement	1,308	1,478
Effect of changes in financial assumptions	7,212	-863
Effect of experience adjustments	-536	83
Remeasurements recognised in the Consolidated Statement of Comprehensive Income	6,676	-780
Total pension expense	7,984	698

Future cash flows: Contributions for pension obligations in the fiscal year 2015 are expected to amount to € 1,182,000 and benefit payments to € 1,835,000.

(21) OTHER PROVISIONS

Other provisions developed as follows:

In € 000	01.01.14	Group reporting entity	Utilised	Reversed	Allocated	Interest impact	Currency / other	31.12.14
Non-current provisions								
Personnel	3,410	478	-919	-1	844	127	-15	3,924
Warranties	78	197	-78	0	87	0	0	284
Sundry other provisions	0	251	0	0	0	0	0	251
	3,488	926	-997	-1	931	127	-15	4,459
Current provisions								
Personnel	6,207	713	-6,145	-200	7,119	3	11	7,708
Taxes	2,851	0	-805	-266	1,110	0	37	2,927
Warranties	7,336	1,551	-3,279	-624	3,409	0	30	8,423
Outstanding supplier invoices	5,877	99	-5,391	-254	6,885	0	171	7,387
Sundry other provisions	2,984	1,832	-2,719	-547	2,031	0	7	3,588
	25,255	4,195	-18,399	-1,891	20,554	3	256	30,033
Total	28,743	5,121	-19,336	-1,892	21,485	130	241	34,492

Tax provisions were recognised mainly to cover the expected income tax expense in Germany. It is expected that most of the amounts provided will be utilised in 2015. As a result of the “minimum taxation” rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60 % of any remaining tax losses may be offset against taxable income for the current year.

Warranty provisions comprise general and specific components. Warranty provisions are utilised over time on the basis of actual warranty expense incurred. This is difficult to predict and can sometimes relate to more than one accounting period.

Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards and pre-retirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 803,000 (2013: € 819,000) and are offset against non-current personnel-related provisions.

It is expected that almost all the sundry other current provisions and most of the current personnel-related provisions will be utilised in the course of the next year.

Sundry other provisions comprise mainly provisions for external group and separate company audit costs, legal disputes, supervisory board remuneration, pending losses on onerous contracts and miscellaneous other items.

(22) LIABILITIES

In € 000	31.12.2014	31.12.2013
Non-current liabilities		
Liabilities to banks	91,853	49,790
Finance lease liabilities	51	-
Other financial liabilities	1,085	-
Financial liabilities	92,989	49,790
Other liabilities	160	15
	93,149	49,805
Current liabilities		
Current income tax liabilities	965	317
Liabilities to banks	12,285	6,350
Finance lease liabilities	35	-
Other financial liabilities	46	-
Financial liabilities	12,366	6,350
Trade accounts payable	31,508	20,961
Advance payments received	11,827	7,826
Liabilities to affiliated companies	388	1,543
Liabilities to other group companies	311	720
Liabilities relating to derivative instruments	2,187	1,643
Sundry other liabilities	13,621	12,676
(of which for taxes)	(2,227)	(2,018)
(of which to employees)	(6,774)	(5,927)
(of which for social security)	(632)	(208)
Other liabilities	16,507	16,582
	73,173	52,036
Total liabilities	166,322	101,841

The expected cash outflows for the liabilities are spread over the coming years as follows (excluding interest payments). The carrying amounts of the relevant items are shown as a basis for comparison.

In € 000	Carrying amount	Total cash outflows	within 1 year	1 to 5 years	more than 5 years
Financial liabilities	105,356	105,744	12,395	81,582	11,767
Trade accounts payable	31,508	31,508	31,508	-	-
Derivate instruments	2,187	2,187	2,134	53	-
Other liabilities	15,432	15,432	15,325	104	3
	154,483	154,871	61,362	81,739	11,770

The age-structure of trade accounts payable is shown in the following table:

In € 000	31.12.2014	31.12.2013
Overdue		
up to 30 days	6,078	4,842
31 to 60 days	1,547	1,532
61 to 90 days	1,087	362
91 to 180 days	2,031	1,154
181 to 365 days	93	481
more than 1 year	118	177
	10,954	8,548
Not yet due	20,554	12,413
Carrying amount	31,508	20,961

Collateral of € 29,642,000 (2013: € 27,290,000) has been given to cover **liabilities to banks**; of this amount, € 525,000 (2013: € 525,000) relates to pledges and pledge-like collateral and € 27,994,000 (2013: € 26,765,000) to mortgages.

Credit lines totalling € 149,183,000 (2013: € 125,758,000) are available. The weighted average interest rate as at 31 December 2014 for liabilities to banks during the past year was 2.2 % (2013: 2.3 %). The Group's main external financing revolves around a syndicated credit agreement with a volume of € 110 million. The agreement runs for 5 years (until December 2017). No collateral has been given. The credit agreement is subject to various assurances, guaranties and conditions which must be complied with. The financing arrangements are also subject to compliance with various defined financial performance indicators (covenants) based on the IFRS consolidated financial statements, which – in the event of non-compliance at the relevant reporting date (for a rolling 12-month period up to the quarter-end) – give the lending banks extraordinary rights of termination; these covenants relate to the equity ratio, the EBITDA-interest-coverage ratio and a specifically defined debt to EBITDA ratio. All key performance indicators were complied with for the fiscal year 2014.

Interest rates payable on credits that are subject to variable interest rates are fixed for 1 or 3 months. Owing to the short period involved, differences between carrying amounts and fair values are small.

Liabilities to banks fall due in the next five years and thereafter as follows:

In € 000	
2015	12,285
2016	12,459
2017	61,299
2018	4,112
2019	3,213
thereafter	10,770
	104,138

Liabilities to banks due for repayment in the year 2015 include current account liabilities amounting to € 2,588,000 (2013: € 791,000) which are extended from year to year.

Finance lease liabilities comprised the following:

In € 000	Present value at 31.12.	Discounting	Total	due within 1 year	1 to 5 years	more than 5 years
Minimum lease payments	86	-13	99	41	58	-
Discounting			-13	-6	-7	-
Present value / Carrying amount			86	35	51	-

Other **financial liabilities** includes trade accounts payable, which were assumed in conjunction with first-time consolidation and which are to be repaid in instalments over the next 10 to 15 years. These amounts are reported at their present value, with interest being unwound at 3.75 % p.a.

Of the **trade accounts payable** total reported at 31 December 2014, 13.6 % (2013: 10.2 %) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 90.6 % (2013: 91.2 %) in EUR, 5.2 % (2013: 7.6 %) in CNY and 2.7 % in PLN.

Other liabilities for taxes relate mainly to value added tax and payroll taxes. Liabilities to employees relate to holiday entitlements, overtime and production pay not yet paid at the balance sheet date.

OTHER DISCLOSURES

The following notifications have been announced by the Company pursuant to § 26 (1) of the Securities Trading Act (WpHG):

Announcement on 19 January 2015: BNY Mellon Service Kapitalanlage-Gesellschaft mbH, Frankfurt, Germany notified us on 14 January 2015 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 5% on 12 January 2015 and amounted to 5.002% at that date (corresponding to 307,759 voting rights).

Announcement on 18 December 2014: BNY Mellon Service Kapitalanlage-Gesellschaft mbH, Frankfurt, Germany notified us on 18 December 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 3% on 12 December 2014 and amounted to 3.45% at that date (corresponding to 212,043 voting rights).

Announcement on 23 June 2014: Stichting Administratiekantoor Monolith, Amsterdam, Netherlands notified us on 19 June 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the thresholds of 3% and 5% on 1 May 2014 and amounted to 5.37% at that date (corresponding to 330,565 voting rights). 5.37% (this corresponds to 330,565 voting rights) are to be attributed to Stichting Administratiekantoor Monolith pursuant to § 22 (1), sentence 1, no. 1 WpHG. The voting rights attributable to Stichting Administratiekantoor Monolith are held through the following company which is controlled by it and whose voting rights in Schaltbau Holding AG exceed 3%: Monolith Duitsland B.V.

Announcement on 14 May 2014: Monolith Duitsland B.V., Amsterdam, Netherlands notified us on 13 May 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 3% and 5% on 1 May 2014 and amounted to 5.37% at that date (corresponding to 330,565 voting rights).

Announcement on 14 May 2014: Monolith N.V., Amsterdam, Netherlands notified us on 13 May 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went below the thresholds of 5% and 3% on 1 May 2014 and amounted to 0% at that date (corresponding to 0 voting rights).

Announcement on 8 February 2013: FPM Funds SICAV, Luxembourg, Luxembourg notified us on 6 February 2013 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the threshold of 3% on 31 January 2013 and amounted to 2.99% at that date (corresponding to 183,926 voting rights).

Deutsche Bank AG advised us the following:

Correction to the notification of voting rights pursuant to § 21 para 1 WpHG dated 4 January 2011

Pursuant to § 21 (1) WpHG (German Securities Trading Act) we hereby notify in the name and on behalf of FPM Funds SICAV, Luxembourg, Luxembourg, that the percentage of voting rights of FPM Funds SICAV in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany, went over the threshold of 3% on 27 December 2010 and amounted to 3.20% (60,000 voting rights) at that date.

Announcement on 13 December 2012: SATORA Beteiligungs GmbH, Baden-Baden, Germany, notified us on 13 December 2012 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 10% on 13 December 2012 and amounted to 10.0829% at that date (corresponding to 620,319 voting rights).

Announcement on 16 August 2011

1. Kreissparkasse Biberach, Biberach, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich, went over the threshold of 3 % on 10 August 2011 and amounted to 3.0536 % at that date (corresponding to 62,622 voting rights).

2. The Landkreis Biberach, Biberach, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich, went over the threshold of 3 % on 10 August 2011 and amounted to 3.0536 % at that date (corresponding to 62,622 voting rights). Of these voting rights 3.0536 % (62,622 voting rights) are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG.
3. BayernInvest Kapitalanlagegesellschaft mbH, Munich, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich, went over the threshold of 3 % on 10 August 2011 and amounted to 3.0536 % at that date (corresponding to 62,622 voting rights). Of these voting rights 3.0536 % (62,622 voting rights) are attributable to it pursuant to § 22 (1) sentence 1 no. 6 WpHG.

Announcement on 10 January 2011: On 04 January 2011 Deutsche Bank AG advised us the following:

Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 30 December 2010

Pursuant to § 21 (1), 24 WpHG (German Securities Trading Act), in conjunction with section 32 (2) InvG (German Investment Act), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment S.A., Luxembourg, Luxembourg, in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany, went over the threshold of 3% on 27 December 2010 and amounts to 3.20% (60,000 voting rights) as per this date.

Announcement on 10 February 2006: Mr. Hans Jakob Zimmermann, Essen, gave notice on 6 February 2006 pursuant to § 21 WpHG that his share of voting rights in the Company on 4 May 2005 had gone below the 10% threshold and that it amounted to 7.77% on that date (corresponding to 132,003 votes).

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors in 2014 for the audit of financial statements amounted to € 656,000 (2013: € 576,000). Of this amount, € 461,000 (2013: € 442,000) related to audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. In addition, KPMG AG was paid € 0 (2013: € 0) for tax advisory services, € 12,000 (2013: € 0) for other attestation services and € 50,000 (2013: € 47,000) for other services.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In € 000	31.12.2014	31.12.2013
Other financial commitments		
Rental and lease expenses	9,445	8,350
Sundry commitments	4,895	4,309

Contingent liabilities amounting to € 3,436,000 (2013: € 959,000) related mainly to financing arrangements of non-consolidated subsidiaries. The risk of losses as a result of claims in conjunction with these contingent liabilities is assessed as low, since it can be assumed that sufficient liquidity will be available via group financing.

The rental and leasing expenses shown under **other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements and other sundry commitments are spread over future years as follows: up to one year € 6,570,000 (2013: € 6,163,000), between one and five years € 7,563,000 (2013: € 6,172,000) and later than five years € 206,000 (2013: € 324,000).

Sundry other financial commitments are all of a nature and amount customary for the business.

DISCLOSURES ON FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

The balance sheet contains non-derivative financial instruments such as financial assets, financial liabilities and investments in other entities as well as derivative financial instruments such as forward currency contracts and swap transactions whose value is derived from the base value of the contract. Financial instruments are measured in accordance with IAS 39 on the basis of the allocation of items to various measurement categories. In the following table, balance sheet lines and financial instruments are allocated to measurement categories. The resulting values are also shown.

Reconciliation of balance sheet lines to measurement categories pursuant to IAS 39 and analysis of carrying amounts and fair values of financial instruments at 31 December:

31.12.2014 In € 000	Balance sheet carrying amounts	Not valued on basis of IAS 39	Carrying amounts based on IAS 39	
Measurement category pursuant to IAS 39:			Non-derivative receivables and payables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments ¹⁾	7,003	-	-	-
Trade accounts receivable	80,265	-	80,265	-
Current income tax receivables	522	522	-	-
Other current assets	20,051	1,364	18,688	-
Cash and cash equivalents	25,654	25,654	-	-
Total	133,495	27,540	98,953	-
Liabilities-side financial instruments				
Non-current financial liabilities	92,989	51	92,939	-
Non-current other liabilities	160	-	160	-
Current income tax payable	965	965	-	-
Current financial liabilities	12,366	35	12,332	-
Trade accounts payable	31,508	-	31,508	-
Advance payments received	11,827	-	11,827	-
Other liabilities	16,506	13	14,307	-
Total	166,321	1,064	163,073	-

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading		Derivatives in hedging relationships		Total carrying amounts based on IAS 39	Fair values
Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)			
-	7,003	-	-	-	-	7,003	7,003
-	-	-	-	-	-	80,265	80,265
-	-	-	-	-	-	-	-
-	-	-	-	-	-	18,688	18,688
-	-	-	-	-	-	-	-
-	7,003	-	-	-	-	105,956	105,956
-	-	-	-	-	-	92,939	92,939
-	-	-	-	-	-	160	160
-	-	-	-	-	-	-	-
-	-	-	-	-	-	12,332	12,332
-	-	-	-	-	-	31,508	31,508
-	-	-	-	-	-	11,827	11,827
-	-	-	315	1,871	-	16,493	16,493
-	-	-	315	1,871	-	165,259	165,259

31.12.2013 In € 000	Balance sheet carrying amounts	Not valued on basis of IAS 39	Carrying amounts based on IAS 39	
Measurement category pursuant to IAS 39:			Non-derivative receivables and payables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments ¹⁾	4,763	-	-	-
Trade accounts receivable	66,187	-	66,187	-
Current income tax receivables	274	274	-	-
Other current assets	12,613	1,007	11,441	-
Cash and cash equivalents	14,392	14,392	-	-
Total	98,229	15,673	77,628	-
Liabilities-side financial instruments				
Participation rights	7,132	-	7,132	-
Non-current financial liabilities	49,790	-	49,790	-
Non-current other liabilities	15	-	15	-
Current income tax payables	317	317	-	-
Current financial liabilities	6,350	-	6,350	-
Trade accounts payable	20,961	-	20,961	-
Advance payments received	7,826	-	7,826	-
Other liabilities	16,583	25	14,915	-
Total	108,974	342	106,989	-

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading		Derivatives in hedging relationships		Total carrying amounts based on IAS 39	Fair values
Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)			
-	4,763	-	-	-	-	4,763	4,763
-	-	-	-	-	-	66,187	66,187
-	-	-	-	-	-	-	-
-	-	-	120	44	-	11,605	11,605
-	-	-	-	-	-	-	-
-	4,763	-	120	44	-	82,555	82,555
-	-	-	-	-	-	7,132	7,132
-	-	-	-	-	-	49,790	49,790
-	-	-	-	-	-	15	15
-	-	-	-	-	-	-	-
-	-	-	-	-	-	6,350	6,350
-	-	-	-	-	-	20,961	20,961
-	-	-	-	-	-	7,826	7,826
-	-	-	11	1,632	-	16,558	16,558
-	-	-	11	1,632	-	108,632	108,632

FAIR VALUE HIERARCHY:

At 31 December 2014 the financial assets and liabilities shown in the following table were measured at fair value.

The measurement and presentation of fair values of financial instruments is based on a fair value hierarchy which takes account of the significance of the input data used to measure fair value and can be analysed as follows:

Level 1: based on prices quoted (applied without adjustment) on active markets for identical assets and liabilities

Level 2: based on input data for the asset or liability observable either directly (in the form of prices) or indirectly (derived from prices) which do not represent quoted prices according to level 1

Level 3: input data not based on observable market data to measure the asset or liability (non-observable input data)

In € 000	Level 1	Level 2	Level 3	31.12.2014
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	-	-	-
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	-	-	-
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	315	-	315
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	1,871	-	1,871

There were no reclassifications during the fiscal year 2014 between level 1 and level 2 in conjunction with measurement at fair value. There were similarly no reclassifications to level 3 in conjunction with measurement at fair value.

In € 000	Level 1	Level 2	Level 3	31.12.2013
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	120	-	120
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	44	-	44
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	11	-	11
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	1,632	-	1,632

NET GAINS AND LOSS BY MEASUREMENT CATEGORY

In € 000	31.12.2014	31.12.2013
Measured at fair value through profit and loss	-423	120
Loans and receivables	404	-634
Held-to-maturity	-	-
Available-for-sale	-	-

Net gains and losses resulted primarily from exchange rate factors, changes in write-downs/allowances and gains/loss arising on fair value measurement.

Net losses of € 527,000 (2013: net gains of € 86,000) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

CAPITAL MANAGEMENT DISCLOSURES

Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity improved again due to positive group earnings, amounting to € 112.5 million at the end of the reporting period, an increase of € 23.1 million compared to one year earlier. The group equity ratio fell from 33.4 % to 31.2 % due to the significantly higher balance sheet total. The aim is to achieve a moderate improvement in the group equity ratio over the coming years. The Group's debt coefficient increased during the year under report, and now stands at 2.0 (2013: 0.9). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

CORPORATE GOVERNANCE

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code were issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 5 December 2014 at www.schaltbau.de/en/investor-relations/corporate-governance/declaration-of-compliance.

RELATED PARTY TRANSACTIONS

Transactions between fully consolidated companies on the one hand and associated and non-consolidated companies on the other are disclosed below from the perspective of the fully consolidated companies:

In € 000	Volume of services performed		Volume of services received	
	2014	2013	2014	2013
Associated companies				
Goods and services	1,448	6,355	3,138	6,933
Other relationships	167	15	14	14
Non-consolidated companies				
Goods and services	12,127	10,418	5,462	3,155
Other relationships	769	324	1,326	1,376

The following receivables and payables existed at the balance sheet date from the perspective of the fully consolidated companies (mostly relating to the supply of goods).

In € 000	Receivables		Payables	
	2014	2013	2014	2013
Associated companies	1,291	761	311	720
Non-consolidated companies	10,576	5,445	388	1,543

For disclosures relating to key management personnel, we refer to the section “Remuneration of persons in key positions” at the end of the notes to the consolidated financial statements.

DISCLOSURES RELATING TO NON-CONTROLLING INTERESTS

Amounts attributable to non-controlling interests:

In € 000	Xi'an Schaltbau Electric Corporation Ltd.		Rawicka Fabryka Wyposazenia Wagonow SP.z.o.o.		ALTE Technologies S.L.	
	31.12.2014	31.12.2013	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Capital	50.0 %	50.0 %	10.7 %		10.0 %	
Voting rights	50.0 % ¹⁾	50.0 % ¹⁾	10.7 %		10.0 %	
Group net profit for the year	4,090	3,377	299		-42	
Equity	14,074	10,317	4,931		208	
Assets ²⁾	22,254	17,518	4,606		2,214	
Liabilities ²⁾	8,180	7,200	1,133		2,115	
Net profit for the year ²⁾	4,090	3,377	299		-42	
Other comprehensive income for the year ²⁾	1,284	-64	-83		-	
Total comprehensive income ²⁾	5,374	3,313	216		-42	
Cash flow	573	3,940	682		-1,192	

1) Board majority

2) Before elimination of intragroup transactions

SEGMENTS

The Group's segment designations are product-oriented. The Group's business units are allocated to the segment for which they generate most of their sales. A detailed description of the three segments, “Mobile Transportation Technology”, “Stationary Transportation Technology” and “Components” is provided in the Combined Group and Company Management Report in the section “Business activities”.

As a general rule, sales of materials between group companies are billed on the basis of arm's length principles. Costs are recharged as appropriate to group companies.

The column “Holding company, other consolidation items” comprises the activities of the holding company. This is influenced by the financing function of the holding company for the Group and by the tax group arrangements in place in Germany. These expenses are not recharged to the subsidiaries concerned. By contrast, expenses incurred for providing centralised services (e.g. SAP system costs) are recharged. The financial reporting principles used for segment reporting correspond to those used in the consolidated financial statements.

GEOGRAPHICAL SEGMENTS

In € 000	Assets		Capital expenditure		External sales	
	31.12.2014	31.12.2013	2014	2013	2014	2013
Germany	222,744	197,481	23,521	16,847	167,309	167,145
Other EU countries	76,941	18,091	4,148	1,073	137,967	97,526
Other European countries	2,955	3,402	-	-	34,818	35,037
China / Hong Kong	44,599	35,994	1,288	1,135	62,362	52,117
North America	13,212	11,706	83	62	15,708	20,824
Other countries	797	711	86	158	11,446	18,064
	361,248	267,385	29,126	19,275	429,610	390,713

RECONCILIATIONS

In € 000	Sales		In € 000	EBIT	
	2014	2013		2014	2013
Total sales of segments	431,213	392,867	Total EBIT of segments	34,110	41,684
Other sales	2,864	2,222	Other EBIT	-6,832	-5,811
Consolidation	-4,467	-4,376	Consolidation	19	135
Sales as per income statement	429,610	390,713	EBIT as per income statement	27,297	36,008

In € 000	Assets		In € 000	Liabilities	
	2014	2013		2014	2013
Total segment assets	382,047	289,013	Total segment liabilities	240,193	180,399
Other assets excluding deferred tax assets	83,048	55,265	Other liabilities excluding deferred tax liabilities	104,479	66,942
Deferred taxes	4,015	5,292	Deferred taxes	-81	813
Consolidation	-107,862	-82,185	Consolidation	-95,882	-70,186
Group assets as per balance sheet	361,248	267,385	Group liabilities as per balance sheet	248,709	177,968

“Other sales” comprise almost entirely sales recorded at the level of Schaltbau Holding AG for IT services provided to subsidiaries. These sales, together with inter-segment sales, are eliminated on consolidation.

“Other EBIT” comprises mainly expenses recorded at the level of Schaltbau Holding AG for personnel, non-rechargeable materials expenses, other operating expenses and other taxes.

“Other assets” relate primarily to receivables of Schaltbau Holding AG from affiliated companies in connection with financing activities. These receivables are eliminated on consolidation along with other inter-segment receivables.

“Other liabilities” comprise mainly financial liabilities, pension provisions and payables to affiliated companies recorded at the level of Schaltbau Holding AG. The latter are eliminated on consolidation along with other inter-segment payables.

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flows from operating activities (indirect method)

Based on the profit before financial result and taxes (EBIT) of € 27.3 million, the cash flow from operating activities in 2014, amounting to € 26.5 million, was approximately € 10.0 million lower than in the previous year. In contrast to the previous year, when total output also rose sharply, higher current assets in 2014 resulted in a net cash outflow of € 13.4 million, of which nearly half related to the newly acquired entities. This net cash outflow was mainly attributable to inventories and receivables from affiliated companies, the latter reflecting the increasingly international scope of business. These trends compared with a net cash inflow of € 5.5 million from the increase in current liabilities, also primarily relating to the newly acquired entities. The increase in trade accounts payable contributed in particular to this increase. Overall, cash flows from operating activities were, as in the previous year, roughly in line with the Group's EBIT.

b) Cash flows from investing activities

Cash outflows from investing activities totalled € 38.4 million in 2014 and were therefore, once again, significantly higher than in the preceding year. Payments for investment in intangible assets and property, plant and equipment increased sharply compared to the previous year. Capitalised development costs in the Stationary Transportation Technology segment accounted for approximately € 6.2 million of these outflows, significantly higher than in the previous year. In addition, expansion investments at the plants of both Schaltbau GmbH and Bode KG – commenced in 2013 – again resulted in higher cash outflows than in the previous year (€ 8.1 million). Expansion at the sites concerned also resulted in a year-on-year increase in the volume of investments in plant and machinery. The construction measures have now been largely completed. Within investments, the disbursement of non-current loans in connection with the acquisitions in Spain, and – as in the previous year – capital funds made available to foreign group entities to finance expanding operations, resulted in a cash outflow of approximately € 5.5 million. Last but not least, the asset deal to acquire the ALTE operations and the purchase of additional shares in RAWAG, less acquired cash, resulted in a net cash outflow of nearly € 10 million.

c) Cash flows from financing activities

Investments were financed by a combination of increased use of existing credit lines (up by € 42.6 million), new loans (€ 8.5 million) and the positive cash flow from operating activities. The new loans related to the Mobile Transportation Technology segment and were raised to finance the purchase of additional shares in RAWAG. The profit participation rights issued in 2004 amounting to € 7.3 million were also fully repaid in 2014. A higher dividend payment and interest payments resulted in a cash outflow of approximately € 10 million.

d) Composition of cash funds

Cash funds comprise:

In € 000	31.12.2014	31.12.2013
Cash and cash equivalents	25,654	14,392
Balance on cash management accounts	550	-1,235
	26,204	13,157

The balance on cash management accounts includes demand deposits of non-consolidated subsidiaries, which are presented in the consolidated balance sheet within other current liabilities (payables to affiliated companies).

Cash funds increased in part due to cash inflows received prior to the year end, but too late to offset against liabilities and in part due to cash at bank of € 7.2 million resulting from the first-time consolidation of the new entities.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events or developments have occurred after the end of the reporting period.

SEGMENT INFORMATION

In € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2014	2013	2014	2013
Order intake (external)	195,723	141,391	138,946	145,519
Sales	186,033	145,273	139,542	143,773
- of which external	185,619	144,317	138,971	143,128
- of which with other segments	414	956	571	645
Order book (external)	147,475	103,046	75,663	76,210
EBITDA	16,595	13,730	6,076	16,048
Result from operating activities (EBIT)	12,658	11,579	2,549	12,664
Result from at-equity accounted companies	659	2,737	0	0
Sundry other result from investments	11,700	0	-422	-289
Interest income	210	186	55	84
Interest expense	-1,066	-674	-2,809	-2,344
Income taxes	-2,410	-980	-1,208	-795
Segment result / Group result	21,751	12,848	-1,835	9,320
Change in fixed assets due to expansion in Group reporting entity	25,105	0	0	0
Capital expenditure on investments	1,802	1,966	380	243
Impairment losses on investments	-720	0	-422	-289
Capital expenditure ^{*1)}	6,228	3,364	10,071	7,503
Amortisation and depreciation ^{*1)}	-3,937	-2,151	-3,527	-3,384
Impairment losses (without investments)	-751	-696	-897	-1,195
Reversal of impairment losses (without investments)	225	52	95	221
Other significant non-cash expenses	-6,792	-5,615	-7,337	-2,625
Segment assets ^{*2)}	148,582	86,080	120,784	108,862
Investments accounted for at-equity	5,979	10,442	0	0
Capital employed ^{*3)}	103,844	61,308	81,953	79,904
Segment liabilities ^{*4)}	75,193	36,227	95,962	87,803
Employees (average)	965	575	671	652
EBIT margin ^{*5)}	6.8%	8.0%	1.8%	8.8%
Return on capital employed (ROCE) ^{*6)}	12.2%	18.9%	3.1%	15.8%

*1) For intangible assets and property, plant and equipment

*2) Balance sheet total

*3) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets

*4) Liabilities

*5) EBIT / external sales

*6) EBIT / capital employed

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2014	2013	2014	2013	2014	2013	2014	2013
114,666	103,727	449,335	390,637	84	98	449,419	390,735
105,638	103,821	431,213	392,867	-1,603	-2,154		
104,936	103,171	429,526	390,616	84	97	429,610	390,713
702	650	1,687	2,251	-1,687	-2,251		
58,806	48,799	281,944	228,055			281,944	228,055
22,094	20,435	44,765	50,213	-6,508	-5,149	38,257	45,064
18,903	17,441	34,110	41,684	-6,813	-5,676	27,297	36,008
0	0	659	2,737	0	0	659	2,737
325	0	11,603	-289	0	0	11,603	-289
71	70	336	340	-167	-197	169	143
-1,456	-1,541	-5,331	-4,559	851	-306	-4,480	-4,865
-1,411	-2,593	-5,029	-4,368	-1,091	-4,617	-6,120	-8,985
16,432	13,377	36,348	35,545	-7,220	-10,796	29,128	24,749
0	0	25,105	0	0	401	25,105	401
394	94	2,576	2,303	3,031	0	5,607	2,303
0	0	-1,142	-289	0	0	-1,142	-289
6,791	5,714	23,090	16,581	431	391	23,521	16,972
-3,187	-2,994	-10,651	-8,529	-305	-527	-10,956	-9,056
-478	-556	-2,126	-2,447	0	-1	-2,126	-2,448
420	137	740	410	0	0	740	410
-9,014	-5,819	-23,143	-14,059	-3,494	-6,046	-26,637	-20,105
112,681	94,071	382,047	289,013	-20,799	-21,628	361,248	267,385
0	0	5,979	10,442	0	0	5,979	10,442
81,079	68,932	266,876	210,144	-10,196	-11,867	256,680	198,277
69,038	56,369	240,193	180,399	8,516	-2,431	248,709	177,968
612	593	2,248	1,819	22	20	2,270	1,839
18.0%	16.9%					6.4%	9.2%
23.3%	25.3%					10.6%	18.2%

REPRESENTATIVE BODIES AND MANDATES OF MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Dr Jürgen H. Cammann Executive Board spokesman, CEO	No mandates
Elisabeth Prigge Member of the Executive Board, CFO	Chairwoman of the Supervisory Board: Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland (from 20.02.2015)
Dirk Christian Löchner Member of the Executive Board, Corporate Development	Director: Gebr. Bode & Co. Beteiligungs GmbH Chairman of the Board: Bode North America Inc. USA (to 16.05.2014) Bode Dogrusan Otomotiv Yan San ve TIC A.S., Turkey (to 27.01.2015) Chairman of the Supervisory Board: Shenyang Bode Transportation Equipment Co. Ltd., China Deputy Chairman of the Supervisory Board: Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland (to 17.06.2014) Chairman of the Supervisory Board: Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland (from 17.06.2014 to 20.02.2015) Member of the Supervisory Board: Rail Door Solutions, Great Britain Director of the Board: Bode Korea Co. Ltd., Korea (to 14.07.2014) Member of the Board: Albatros S.L., Spain (from 09.10.2014) President of the Board: Alte Technologies S.L., Spain (from 10.02.2014)

MEMBERS OF THE SUPERVISORY BOARD

Hans Jakob Zimmermann Chairman	Chairman of the Supervisory Board: Paragon AG, Delbrück (to 14.05.2014)
Supervisory Board	Member of the Supervisory Board: wige Media AG, Cologne (from 03.09.2014) Scholz AG, Essingen (to 22.05.2014)
	Member of the Administrative Board: Rheinzink GmbH & Co. KG, Datteln (to 12.12.2014)
	Chairman of the Advisory Board: ante-holz GmbH, Bromskirchen-Somplar

MEMBERS OF THE SUPERVISORY BOARD

Peter Jahrmarkt
Deputy Chairman

Officer with general authority
(Generalbevollmächtigter) of
heristo holding GmbH,
Bad Rothenfelde

Deputy Chairman of the Supervisory Board:
heristo aktiengesellschaft, Bad Rothenfelde

Member of the Supervisory Board:
fine food alliance SE, Bad Rothenfelde

Member of the Advisory Board:
heristo holding GmbH, Bad Rothenfelde (to 10.12.2014)

Marianne Reindl
Secretary

Chairwoman:
Group Works Council of Schaltbau Holding AG, Munich
General Works Council of Schaltbau GmbH, Munich

Deputy Chairwoman:
Works Council of Schaltbau GmbH, Aldersbach plant

Dr. Stefan Schmittmann
Member of the Management
Board of Commerzbank AG,
Frankfurt am Main
Chief Risk Officer

Chairman of the Supervisory Board:
Hypothesenbank Frankfurt AG, Frankfurt/Main

Member of the Supervisory Board:
m-Bank, Poland (from 31.03.2014)

Friedrich Smaxwil
President CEN,
President Committee for
Standardization, Brussels

No mandates

Horst Wolf
(to 05.06.2014)
Employee

Chairman:
Works Council of Pintsch Bamag GmbH, Dinslaken (to 17.04. 2014)

Member:
Group Works Council of Schaltbau Holding AG, Munich (to 14.05.2014)

Thomas Farnschläder
(from 05.06.2014)
Employee

Chairman:
Works Council of Pintsch Bubenzer GmbH, Kirchen (from 30.01.2014)

Member:
Group Works Council of Schaltbau Holding AG, Munich (from 18.05.2014)

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the Executive Board for the fiscal year 2014 amounted to € 2,193,000 (2013: € 2,012,000).

The Group does not disclose an analysis of remuneration by individual members of the Executive Board as a result of the resolution taken at the Annual General Meeting on 9 June 2011.

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 312,000 (2013: € 301,000). In addition, a remuneration of € 46,000 (2013: € 14,000) was paid to one member of the Supervisory Board (2013: one member) in accordance with the Articles of Incorporation (Article 13 para. 1 of the Articles of Incorporation of Schaltbau Holding AG). In accordance with the resolution passed at the Annual General Meeting on 6 June 2013, the Chairman of the Supervisory Board receives a monthly expense allowance of € 2,500 (in total for 2014: € 30,000; 2013: € 15,000) to cover the cost of office rental, secretarial services and general administrative expenses. A pension provision of € 640,000 (2013: € 627,000) was recognised at the end of the reporting period for obligations to former members of the Executive Board and their surviving dependants. Disbursements for the total remuneration of former members of the Executive Board and their surviving dependants amounted to € 82,000 (2013: € 83,000).

As at 31 December 2014, a total of 715,698 shares of the Company were held by members of the Executive Board, comprising 714,698 held directly or indirectly by Dr Cammann, and 1,000 held directly or indirectly by Mr Löchner.

Members of the Supervisory Board hold in total 682,646 of the Company's shares, comprising 676,856 held directly or indirectly by Mr Zimmermann, 5,000 held directly or indirectly by Mr. Jahrmarkt and 790 held directly or indirectly by Mr. Smaxwil.

PROFIT DISTRIBUTION PROPOSAL

It is proposed to the shareholders at the Annual General Meeting of Schaltbau Holding AG that the unappropriated profit of Schaltbau Holding AG be used as follows:

In € 000	
Payment of a dividend of € 1.00 per share each representing € 1.22 of the Company's share capital of EUR 7,505,671.80	6,152,190.00
Carry forward	7,983.40
Unappropriated profit	6,160,173.40

Munich, 27 March 2015

The Executive Board



Dr Jürgen H. Cammann
(Spokesman)



Elisabeth Prigge



Dirk Christian Löchner

THE SUPERVISORY BOARD

HANS JAKOB ZIMMERMANN

Chairman
Supervisory Board

PETER JAHRMARKT

Deputy Chairman
Officer with general authority (Generalbevollmächtigter) of heristo holding GmbH, Bad Rothenfelde

THOMAS FARNSCHLÄDER*

(from 05.06.2014)
Employee

MARIANNE REINDL*

Secretary

DR STEFAN SCHMITTMANN

Member of the Executive Board of Commerzbank AG, Chief Risk Officer, Frankfurt am Main

FRIEDRICH SMAXWIL

President CEN, Brussels

HORST WOLF *

(to 05.06.2014)
Employee

* Employee representatives

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD ACTIVITIES DURING THE REPORTING YEAR

The Supervisory Board of Schaltbau Holding AG performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, intensively dedicating its attention to the business matters of the Company. In accordance with stock corporation law, the Supervisory Board regularly advised the Executive Board in its management tasks and supervised the governance of Schaltbau Holding AG. The supervisory and advisory work of the Supervisory Board was performed on the basis of detailed oral and written reports provided by the Executive Board and pertaining to the business performance of Schaltbau Holding AG and the Group. The Executive Board's reports principally dealt with business policies, fundamental questions of finance and investment policies as well as the profitability and risk situation of Schaltbau Holding AG and the Group.

The Supervisory Board was directly involved in all decisions of fundamental importance for the enterprise. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both oral and written reports regarding business performance, corporate policies, financial, investment and personnel planning as well as the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. Moreover, the corporate strategy of the Schaltbau Group and its related projects were among the main topics of the Executive Board's reports and meetings with the Supervisory Board.

In addition to the reports presented at regular meetings, the Executive Board also informed the members of the Supervisory Board concerning any important events or those requiring urgent attention between meetings. The Chairman of the Supervisory Board also maintained close contact to the Company outside of formal meetings and joint consultations and was continually informed by the Executive Board concerning current developments, business performance and important individual events.

The Chairman of the Supervisory Board consulted regularly with the Spokesman of the Executive Board and with the full Executive Board regarding current developments and opportunities for external growth arising for Schaltbau and assessed them with regard to their feasibility. During the fiscal year, the Chairman of the Supervisory Board informed the full Supervisory Board on current topics in various telephone conferences.

All relevant topics, particularly transactions requiring the approval of the Supervisory Board, were the subjects of lengthy discussion between the Supervisory Board and the Executive Board. With the aid of reports and information received from the Executive Board, the Supervisory Board assured itself of the proper governance of the Company and ascertained that the requirements of the risk management system were fulfilled, both within Schaltbau Holding AG and throughout the Group.

MAIN FOCUSES OF SUPERVISORY BOARD MEETINGS

During the year under report, two extraordinary (telephone conferences) and four regular Supervisory Board meetings were held, as well as two extraordinary Supervisory Board meetings at which all members of the Supervisory Board were present, with one exception.

The monthly reports presented by the Executive Board were closely examined at each of the Supervisory Board meetings. These status reports are designed to supply information regarding incoming orders, sales and earnings – both on a monthly basis and cumulatively – including target deviations and the current forecast. The reports also document the liquidity and the financial situation – including the status of current credit lines and the amounts drawn down by entity as well as available liquidity – based on actual and fore-

casted figures. Furthermore, the Supervisory Board reviewed trends in order intake, sales, expenses and earnings for the various segments and subsidiaries of the Schaltbau Group and discussed these at length with the Executive Board. The discussion and assessment of strategic options and necessities were regular items on every agenda.

Moreover, the Supervisory Board addressed the following topics at its various meetings during fiscal year 2014:

At the extraordinary meeting held on 12 February 2014, the Supervisory Board discussed the takeover of ALTE Transportation S.L. under the terms of an asset deal and a shareholding in its parent company Albatros S.L. Both transactions took place on 21 April 2014.

At its meeting held on 11 April 2014 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report 2013 for both Schaltbau Holding AG and the Schaltbau Group as a whole. The external auditors were present and answered all of the questions put to them by the Supervisory Board. On this basis, the Company Financial Statements were adopted and the Consolidated Financial Statements approved. The Supervisory Board approved the statements regarding the further development of the business and the disclosures pursuant to Section 289 subsection 4 (5), Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB) as well as the Corporate Governance Statement. Moreover, the Supervisory Board thoroughly discussed the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit from 2013 and concurred with it. In addition, on 11 April 2014 the Supervisory Board adopted the Corporate Governance Report as well as the agenda of the Annual General Meeting from 5 June 2014 and approved the report of the Supervisory Board.

Further topics discussed at the Supervisory Board meeting held on 11 April 2014 were the planned increase of the shareholding in Albatros S.L. as well as individual financing measures designed to safeguard international business.

During its meeting held on 4 June 2014, the Supervisory Board determined the audit plan for the internal audit to be performed in 2014. Furthermore, it gave due consideration to the status of the takeover of ALTE and the shareholding in Albatros as well as developments in the field of Platform Screen Doors (PSD) in the Stationary Transportation Technology segment.

At its meeting held on 22 September 2014, the Supervisory Board closely examined the annual risk report and was provided with information by the Executive Board describing preventive compliance measures. In addition, the Supervisory Board carried out its annual efficiency examination. Further topics discussed were the ongoing strategic development of the Schaltbau Group, with particular regard to the planned increase of the shareholding in Albatros and investments at various Group locations.

The Supervisory Board meeting held on 5 December 2014 was devoted to the forecast and the investment budget of the Schaltbau Group for fiscal year 2015 and the medium-range forecast up to 2017, which was approved by the Supervisory Board after extensive discussion. The current financing of the Group and the proposed long-term funding requirements were exhaustively discussed within the framework of the medium-range forecast. Furthermore, the Supervisory Board carefully considered the report presented by the auditors Deloitte & Touche regarding the effectiveness of the internal control system (ICS) and the examination of the internal audit within the Schaltbau Group. The Supervisory Board adopted the Declaration of Compliance with the German Corporate Governance

Code and approved the resolutions put forward by the Executive Board, which primarily related to increasing the shareholding in Albatros S.L.

The performance of the newly acquired entities ALTE and Albatros in Spain, the current situation and further development of business in Brazil and the current state of business in China as well as general opportunities for Schaltbau on the Chinese market were the main subjects of discussion and consultation.

In the extraordinary Supervisory Board meeting held on 17 December 2014, the Supervisory Board dealt with current personnel topics within the Executive Board and at the management level of various Group companies.

Two resolutions put forward by the Executive Board were approved by the Supervisory Board by way of circulation procedure, one of which was the approval of the share buy-back programme by the Supervisory Board on 20 November 2014.

PERSONNEL COMMITTEE ACTIVITIES

The Personnel Committee formed within the Supervisory Board held three meetings during the year under report. The main topics of discussion were Executive Board matters outside the field of responsibility of the full Supervisory Board.

No other committees exist within the Supervisory Board. An Audit Committee has been provided for under the Supervisory Board's rules of procedure, but has not been formed, due to the total size of the Supervisory Board. This function is performed by the full Supervisory Board. As in previous years, no further committees were appointed, particularly in view of the fact that a consistent flow of all corporate and other relevant information to all members of a six-person Supervisory Board is eminently achievable.

COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS 2014

At the proposal of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as external auditor for both the AG and the Group. After the conclusion of the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor, KPMG AG provided the Chairman of the Supervisory Board with a written statement that no circumstances exist which could impair its independence as external auditor.

The external auditor audited the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2014 as well as the Combined Management Report for the AG and the Group, together with the accounting system, and issued unqualified auditors' reports thereon. The external auditor provided each member of the Supervisory Board with a copy of the long-form audit report. The documents pertaining to the financial statements, including the long-form audit reports prepared by the external auditor, were sent to each member of the Supervisory Board in a timely manner in order to ensure careful and thorough examination by the Supervisory Board. The Supervisory Board held its financial statements approval meeting together with the Company's external auditor on 17 April 2015. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2014, the Combined Management Report for the AG and the Group and the long-form audit

reports were discussed in detail with the external auditor, who in turn reported on the course of the audit and the principal findings.

The Supervisory Board examined the Company Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Executive Board's proposal for the appropriation of the Company's unappropriated profit. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the result of the audit of the Company Financial Statements and the Consolidated Financial Statements by the external auditor. The Supervisory Board then formally approved the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements for the fiscal year 2014 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board has hereby approved the Combined Management Report for the AG and the Group, including the statements regarding the further development of the Group and the particulars in accordance with Section 289 subsection 4 (5), Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB). The Supervisory Board also approved the Corporate Governance Statement.

The Supervisory Board concurred with the proposal made by the Executive Board regarding the appropriation of unappropriated profit.

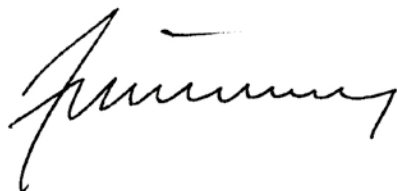
The risk management system was examined by the external auditor. The external auditor confirmed that the Executive Board has put the required measures in place in accordance with Section 91 subsection 2 of the German Stock Corporation Act (AktG) and installed a monitoring system that adequately detects at an early stage any developments capable of posing a threat to the going-concern status of the Company or individual Group entities.

REPRESENTATIVE BODIES OF THE COMPANY

The Supervisory Board consists of six members. Four members act as shareholder representatives and are required to be elected by the Annual General Meeting. Shareholder representatives remain Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board, Dr Stefan Schmittmann, Grünwald, and Friedrich Smaxwil, Gerlingen. The Supervisory Board's term of office will cease at the end of the Annual General Meeting, at which the shareholders vote on the ratification of the actions of the Supervisory Board for the fiscal year 2015. Employees are represented on the Supervisory Board by Marianne Reindl, Egglham, and Thomas Farnschläder, Kirchen, who took over the function from Horst Wolf on 5 June 2014.

The Supervisory Board wishes to thank the Executive Board, the management teams of the various Group companies, the Works Council and the entire staff of the Group for the dedicated and successful work performed during the past fiscal year.

Munich, April 2015



Hans J. Zimmermann

BALANCE SHEET OF SCHALTBAU HOLDING AG, MUNICH
AS AT 31 DECEMBER 2014

ASSETS		
In € 000	31.12.2014	31.12.2013
A. FIXED ASSETS		
I. Intangible assets	755	630
II. Property, plant and equipment	54	62
III. Investments	91,509	87,360
	92,318	88,052
B. CURRENT ASSETS		
I. Receivables and other assets	71,861	51,942
II. Cash and cash equivalents	3,600	32
	75,461	51,974
C. PREPAID EXPENSES	339	66
	168,118	140,092

EQUITY AND LIABILITIES		
In € 000	2014	2013
A. EQUITY		
I. Subscribed capital (Conditional capital € 3,294)	7,506	7,506
Nominal amount of treasury shares	-69	-18
Issued share capital	7,437	7,488
II. Capital reserves	15,823	15,756
III. Revenue reserves	37,820	41,854
IV. Unappropriated profit	6,160	7,828
	67,240	72,925
B. PROVISIONS		
I. Provisions for pensions and similar obligations	5,696	6,171
II. Other provisions	4,936	5,094
	10,632	11,265
C. LIABILITIES	90,246	55,902
	168,118	140,092

INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2014

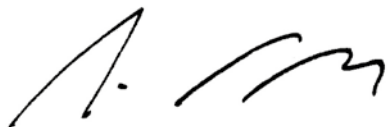
In € 000	2014	2013
1. Sales	2,864	2,222
2. Other operating income	602	152
3. Cost of materials	593	419
4. Personnel expense	4,636	3,937
5. Amortisation and depreciation	305	527
6. Other operating expenses	4,281	3,222
7. Income from investments	4,000	2,500
8. Income from profit transfers	10,779	14,212
9. Income from non-current marketable securities	508	0
10. Net interest income/expense	774	-540
11. Expenses in conjunction with loss transfers	7,289	0
12. Profit from ordinary activities	2,423	10,442
13. Taxes	549	2,641
14. Net profit	1,874	7,801
15. Unappropriated profit brought forward	4,286	27
16. Unappropriated profit	6,160	7,828

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Munich, 27 March 2015

Schaltbau Holding AG
The Executive Board



Dr Jürgen H. Cammann
(Spokesman)



Elisabeth Prigge



Dirk Christian Löchner

Executive Board

Dr Jürgen H. Cammann,
Baden-Baden
Spokesman of the Executive Board

Elisabeth Prigge,
Düsseldorf

Dirk Christian Löchner,
Bergisch-Gladbach

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, statement of comprehensive income and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch »German Commercial Code«] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich
27 March 2015

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