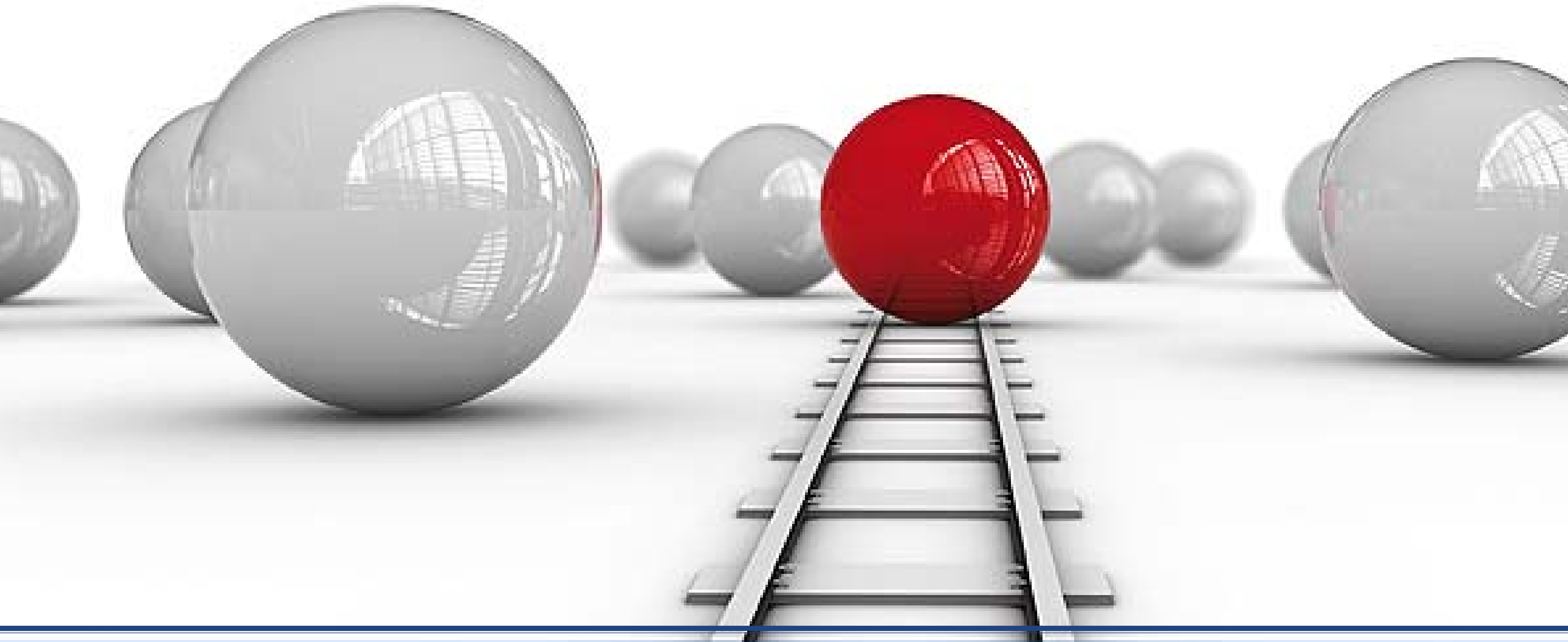


Annual Report 2010

Schaltbau Group 5-year summary

Group key financial figures		**2010**	2009	2008	2007	2006
Order situation						
Order intake	€ m.	288.7	251.7	281.2	271.9	232.8
Order book	€ m.	171.5	163.4	181.6	181.3	129.4
Income statement						
Sales	€ m.	280.4	269.8	280.2	232.1	212.7
Total output	€ m.	288.6	262.1	282.4	236.1	215.8
EBITDA	€ m.	30.1	26.5	27.8	19.4	16.8
EBIT	€ m.	23.8	20.3	21.9	14.1	11.8
EBIT margin	%	8.5	7.5	7.8	6.1	5.5
Group net profit	€ m.	14.8	14.1	13.1	8.2	6.0
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	12.1	12.3	11.8	7.2	5.0
Return on capital employed	%	18.2	17.6	19.4	14.0	13.6
Balance sheet						
Fixed assets	€ m.	64.0	61.5	60.5	60.2	49.2
Capital expenditure	€ m.	8.0	6.6	4.6	5.4	3.7
Amortisation and depreciation	€ m.	6.4	5.2	5.1	4.6	4.3
Working capital	€ m.	66.8	53.8	52.2	40.9	37.9
Capital employed	€ m.	130.8	115.3	112.6	101.0	87.0
Group equity	€ m.	33.1	20.5	8.6	-2.1	-10.1
Net liabilities to banks	€ m.	31.5	33.9	37.7	41.4	43.8
Balance sheet total	€ m.	189.6	167.9	168.1	164.7	140.0
Cash flow statement						
Cash flow from operating activities	€ m.	11.1	16.2	13.0	16.1	8.8
Cash flow from investing activities	€ m.	-5.7	-9.8	-8.3	-13.0	-5.0
Cash flow from financing activities	€ m.	-2.7	-3.3	-7.4	0.0	-3.5
Change in cash and cash equivalents	€ m.	3.0	3.2	-2.6	3.3	0.2
Personnel						
Employees at 31 December	Number	1,610	1,603	1,599	1,551	1,456
Average number of employees	Number	1,453	1,437	1,424	1,372	1,300
Personnel expense	€ m.	87.3	81.7	79.4	74.8	71.9
Personnel expense per employee	€ 000	60.1	56.9	55.8	54.5	55.3
Total output per employee	€ 000	198.6	182.3	198.2	172.1	166.0
Key fin. figures for Schaltbau Holding AG		**2010**	2009	2008	2007	2006
Subscribed capital	€ 000	6,863	6,850	6,850	6,840	6,840
Equity of the AG	€ m.	66.0	57.7	49.4	41.8	36.3
Equity ratio of the AG	%	60.2	60.2	58.0	52.5	48.2
Stock market price at 31 December	€	57.3	39.0	38.8	45,5	27.8
Market capitalisation at 31 December	€ m.	107.4	73.0	72.6	85,0	52.0
Earnings per share (undiluted)	€	6.50	6.62	6.35	3,85	2.67
Earnings per share (diluted)	€	6.09	6.19	5.94	3,85	2.67
Dividend per share	€	1.10	0.70	0.50	0,30	0.15

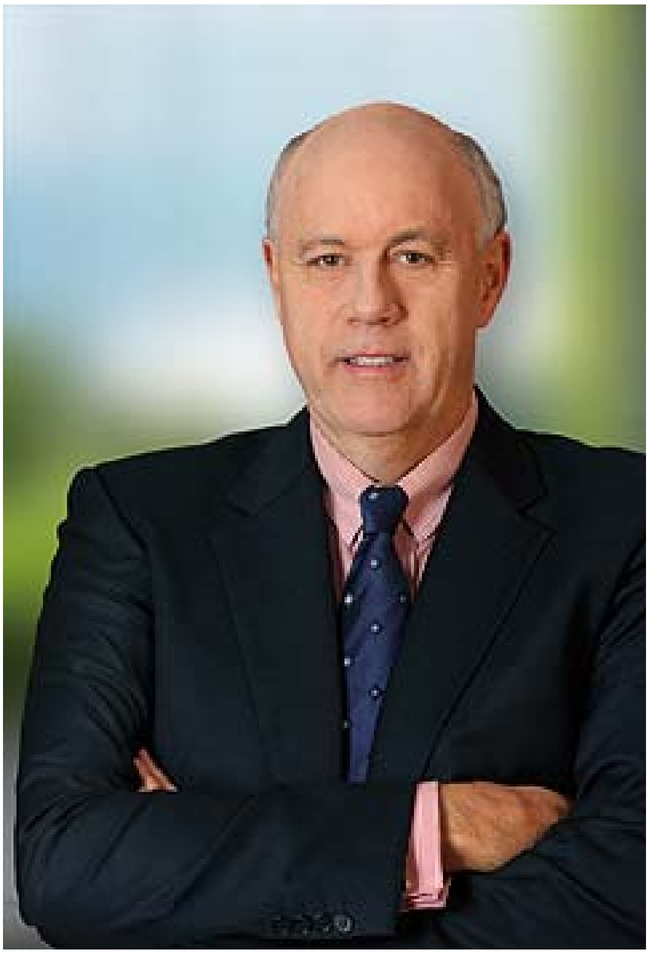
CONTENTS

The Schaltbau Group develops and supplies systems and components for the transportation technology and industrial sectors worldwide. Major global trends such as increasing urbanisation, the rising need for mobility and growing environmental awareness are driving the Group's sustainable, profit-oriented expansion. The consistent broadening of international activities with products designed to meet the needs of the world's markets continues to enhance existing potential.

The driving force of the Schaltbau Group is the highly specialised know-how of its subsidiaries, which command significant market positions in their respective fields of business and are strategically building upon these with a high degree of dedication in the field of research and development.

Organic growth is the result of innovation, the targeting of new customer groups and intensified market penetration. In a fragmented competitive environment, greater market share is also generated through acquisition.

Therefore we are striving to increase earnings per share to € 11.00 by 2015.



Waltraud Hertreiter
Neubeuern

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

Dear Shareholders,

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

The fiscal year 2010 witnessed a strong economic upswing that had a positive impact on the business performance of the Schaltbau Group. At an order intake level, we more than compensated for the moderate decline seen in the preceding year of crisis and were able to reach a new peak. The same is true for the total output achieved by the Group. Despite various upfront items of expenditure, the operating profit was again improved and reached a record high.

Overall, the past fiscal year was again a highly successful one for the Schaltbau Group. We wish to share this success with our shareholders by paying a significantly higher dividend of € 1.10 per share compared to the € 0.70 paid the previous year, which had included a special dividend of € 0.20. The raising of the dividend also expresses our confidence in the Group's prospects for the coming years.

The good level of reported earnings, combined with the conservative dividend policy we have pursued in recent years, has helped to strengthen Group equity. The termination of our convertible bond will enable us to make further progress. At € 45.80, the conversion price upon termination is significantly lower than the share's current stock market price. For this reason the majority of conversion rights are expected to be exercised. The resulting shift from debt to equity will have a correspondingly positive impact on the equity base both for Schaltbau Holding AG and for the Schaltbau Group as a whole. We therefore consider that there is a good chance of achieving our equity ratio target of at least 25 per cent by the half-way stage of the current fiscal year.

We had already restructured the Group's financing during the first quarter of 2010 and put arrangements in place for the medium term. The move not only ensures an additional liquidity reserve, it also provides us with a greater degree of flexibility to implement our growth plans, which will be given a further boost by the positive impact on the balance sheet arising from the expected exercising of conversion rights. Growth is, in turn, absolutely essential for the long-term profitability of the Schaltbau Group, as our traditional markets are subject to sweeping global changes.

Although the world economy recovered from the financial crisis more quickly than expected, the economic risks in our traditional markets are still quite considerable. Enormous public-sector debt in many countries in particular is a major source of uncertainty. Negative influences on infrastructure-related investments in a number of countries seem unavoidable, even though the need for public transportation continues to grow in the face of expanding urbanisation and rising oil prices.

These developments could possibly inhibit the growth of the Schaltbau Group, which currently still relies on the EU countries in particular for the major part of its sales revenue. For that reason we see it as essential to diversify and internationalise our regional business basis to an even greater degree. However, we will not make any rash decisions, but move ahead in thoughtful, measured steps.

Thus with the majority takeover of Bode Corporation at the beginning of 2010 we purposefully stepped up our activities on the highly promising rail and bus market in North America. The remaining 50% of shares in Schaltbau North America Inc. were acquired at the beginning of

2011, thereby reinforcing our position on the components market in North America. We have also achieved an early extension of the joint venture arrangements for Xi'an Schaltbau Electric Corporation Ltd. up to the year 2024, thereby securing our position on the Chinese market in the long term. Finally, we have expanded our engagement in the bus and train doors market in Eastern Europe with the acquisition of additional shares in the Polish company Rawag and also repositioned ourselves in a further promising Asian market by setting up a new investee entity in South Korea. We plan to continue the strategy reflected in these transactions in the years to come. As we expect to encounter volatile currency fluctuations in the future, regional diversification enables us to improve the coordination of goods flows in each of the various currency zones.

Apart from our regional strategy, we will continue to expand our range of products by adding innovative solutions and engaging in new fields of application. The growing success of our braking systems for wind energy plants or our electromechanical components in photovoltaic applications are positive confirmation of the strategic path we have taken in becoming a company with a high rate of innovation. Our increased market share with new products in the field of door systems for buses and trains is further proof that upfront expenditure on projects with a high degree of customer benefit really pays off. We intend to keep this expenditure at a high level by investing up to 7% of sales revenue.

Regardless of the current uncertainties surrounding future economic developments, the long-term major trends for our industry remain positive. As the world's population continues to grow unstoppably and the level of prosperity rises, expectations in terms of mobility and the environmental compatibility of transportation will also grow accordingly. At the same time, the limited availability of fossil fuels, exacerbated by the current political upheavals in North Africa and the Middle East, are forcing major changes in preferred methods of transportation. The Schaltbau Group stands to benefit from these trends with its good market positioning.

At this point we would like to thank you, our shareholders, for the trust you have placed in us to date. We sincerely hope you will continue to actively accompany us as shareholders in our future endeavours. We also wish to express a vote of thanks to our employees for their great commitment and dedication, which continues to play a decisive role in the Group's success. We assure you that we will continue to pursue our strategy of profitable growth with prudence and foresight to increase the value of the Group as a whole.

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich,
for the fiscal year 2010

A brief summary of the fiscal year 2010

The Schaltbau Group performed well in the fiscal year 2010 on the back of strong economic recovery and broad stability in the rail sector. Order intake increased by 14.7% on the previous year to € 288.7 million. Over the course of the year the Group was more than able to compensate for the first-quarter sales decline in the Rail Infrastructure business field resulting from the long, severe winter and sales revenues rose by 3.9% to achieve € 280.4 million for the full year. The net profit attributable to shareholders of the Schaltbau Group amounted to € 12.1 million and therefore only slightly below the record profit achieved the previous year, which was positively influenced by the exceptional gain arising on the sale of Bode Beijing. Earnings per share amounted to € 6.50 (2009: € 6.62). Balance sheet ratios again improved. The Group equity ratio rose from 12.2% to stand at 17.5% on the balance sheet date 2010. The new medium-term financing structure determined in spring 2010 also significantly increased the Group's flexibility to implement plans for growth. In view of this fact, the Executive Board will propose to the Supervisory Board the payment of a dividend of € 1.10 per share, after a dividend of 50 cents was paid for the fiscal year 2009 in addition to a special payment of 20 cents per share arising on the sale of Bode Beijing.

Major events during the fiscal year 2010

In the first quarter of the fiscal year the Schaltbau Group was successful in restructuring and determining its medium-term financial situation. The coup was achieved on 19 March 2010 when Schaltbau Holding AG signed a consortium loan agreement for a total amount of € 50 million with Commerzbank AG, Bayern LB and DZ Bank. The loan enabled Schaltbau to reschedule € 45 million in the cash pool. Overall, € 20 million have been rescheduled as a loan repayable in instalments and the remaining € 30 million are available as a credit line. The complete finance package has been committed up to 19 March 2013 and granted on an unsecured basis. The new arrangement replaces the short-term credit lines available from the cash pool that expired on 31 March 2010.

In the USA the Group took an important step towards achieving its plans for international expansion at the end of the first quarter 2010. With effect from 1 January 2010, Bode indirectly repurchased a 67% holding in Bode Corporation. In line with its policy of increased internationalisation, this investment is of strategic importance to the Schaltbau Group. Bode Corporation will be the hub of the Group's business activities, both on the railway market and on the highly attractive bus market in North America. Both of these fields will be greatly expanded in the future as the Group's locally based production plants also fulfil the requirement for local content.

ACTIVITIES AND GENERAL ECONOMIC ENVIRONMENT

Structure of the Schaltbau Group

Schaltbau Holding AG is a financial holding company responsible for Group strategy, appointing the senior management of subsidiary companies, compliance within the Group, public relations, investor relations and IT systems. It is also responsible for Group financial reporting, Group controlling, cash management and risk management, including the internal audit function.

The operational activities of the Schaltbau Group are divided into three segments: the Mobile Transportation Technology segment with its Door Systems business field, the Stationary Transportation Technology segment with two business fields, namely Rail Infrastructure and Brake Systems and the Components segment.

BUSINESS ACTIVITIES

Mobile Transportation Technology

The Mobile Transportation Technology segment represents the product groups Door Systems for Buses, Door Systems for Railway Vehicles and Fittings for Sliding Vehicle Doors. A network of sales and service partners supports customers optimally in their global operations. Schaltbau provides the necessary proximity to key sales markets with representative offices in the United Kingdom, Hong Kong, Korea, Malaysia and Singapore. The Group's companies in Poland and Turkey, each with its own production site, ensure market access in the regions involved. The takeover of Bode Corporation in 2010 saw an expansion in business activity on the rail and bus markets in North America.

The Door Systems for Railway Vehicles product group comprises tailor-made systems equipped with innovative safety technology and boarding aids for high-speed trains, regional trains and railcars as well as underground trains and trams. This range of products makes the Bode Group one of the leading manufacturers in its field in Europe and a key partner for railway systems producers worldwide. The most important innovation and the Group's foundation for its international success is the Bode Innovative Door System (BIDS). The BIDS system consists of the door itself, the sliding or folding step, the drive system and controls, supplemented by emergency handles. The system's elements are all highly standardised and modularly applicable. BIDS covers the railway industry's entire range of requirements.

Innovation and a high degree of standardisation safeguard Schaltbau's position as European market leader in the field of door systems for both city buses and travel coaches. The Group supplies complete door systems including electronic controls and boarding aids, enabling customers to select from a broad range of products. The components can be optimally combined with each other to suit the requirements of the customer. More space, less weight, reduced costs for installation and adjustment and a low-consumption electrical system ensure customers a higher degree of flexibility as well as low service and energy costs. A pioneering recent innovation in the field of Door Systems for Buses is the Compact All-round Drive System (CADS) that has now been developed to include a completely new type of electrical drive unit. The product

Schaltbau Holding AG

Mobile Transportation Technology

Business Field Door Systems

Bode Group
Door Systems for Buses / Coaches
Door Systems for Railway Vehicles
Boarding Aids / Ramps
Fittings for Sliding Vehicle Doors

Stationary Transportation Technology

Business Field Rail Infrastructure

Pintsch Group
Railway Signal Technology
Rail Point Heating Systems
Power Supply Systems
Vehicle Equipment
Warning Systems
Maritime Aids to Navigation

Business Field Brake Systems

Pintsch Bubenzer Group
Crane Braking Systems
Industrial Braking Systems
Wind Energy Braking Systems

Components

Business Field Electromech. Components

Schaltbau GmbH Group
Connectors
Switches
Contactors
Control Devices

range includes inswinging and outswinging plug doors, swinging-sliding, folding and revolving doors as well as boarding aids.

The range of the Fittings for Sliding Vehicle Doors product group includes sliding doors with guide systems for box bodies and guide systems for the sliding side doors of both transporter vans and cars. The Schaltbau Group supplies numerous well-known manufacturers of commercial vehicles in this field.

Stationary Transportation Technology

The Stationary Transportation Technology segment consists of the two business fields Rail Infrastructure and Brake Systems. In the Rail Infrastructure business field Pintsch Bamag specialises in level crossing safety systems and is one of the key suppliers to Deutsche Bahn AG, the German national railway network, as well as numerous private, company and port railway systems. The RBUET switching system is being used in all fields of level crossing safety technology. The system's computer arcitechture guarantees a high degree of safety and technical availability at low production cost. Due to its outstanding flexibility and adaptability, the BUEP technology is used particularly often on branch lines. The manually operated BUEP-hLz system was developed on the basis of the BUEP technology for use in simple operating conditions.

The Vehicle Equipment product group includes power, lighting, door and boarding systems for railway vehicles. The systems developed in this group have been tried and tested over decades in high-speed trains, locomotives, traction units, passenger coaches and trams as well as underground and commuter trains. Furthermore, Pintsch Bamag now provides its customers with a newly developed, ideally designed type of platform door system. The innovation offers greater convenience, but above all raises safety standards for passengers entering and exiting trains at platforms, protects them from wind, dirt and noise from tunnels, improves working conditions for platform personnel and drivers and boosts operating efficiency by shortening the cycle times between trains.

In the field of warning technology, acoustic and visual warning systems for the vehicles of authorities, industry and rescue services as well as for civil management and disaster control are sold throughout Europe. These include strip lighting systems for vehicle roofs, warning systems, LED flashlights and electronic sirens. Moreover, this high degree of expertise in the field of lighting technology is put to good use both on the high seas as well as on inland waterways. Maritime aids manufactured by the Pintsch Group have been ensuring safety in this field for more than 140 years.

The Rail Infrastructure business field also includes the Point Heating Systems product group that has specialised knowledge in the making of electrical and gas-infrared point heating systems. It also develops reliable components for tunnel safety lighting systems in accordance with the regulations of Deutsche Bahn AG.

The products of the Brake Systems business field are suitable for every situation in which large, heavy loads need to be transported. This is exemplified by cranes used to perform heavy-duty work in the container terminals of all major ports throughout the world and for which the safe, reliable functioning of rail brakes, heavy-duty brakes, trolley and hoisting gear brakes and swinging arm brakes is of the highest importance. The crane braking systems manufactured by Pintsch Bubenzer, a subsidiary of the Schaltbau Group, are world market leaders in this field.

Wind power plants constitute a highly promising field of application in the Brake Systems business field and cover the supply of tower and rotor brakes as well as rotor locking systems, including the matching

hydraulic systems, brake discs and couplings. The use of perfectly adjusted monitoring systems allows considerable cost-savings, including for offshore plants.

The often gigantic tunnel-digging and clearing machines, conveyor systems and bucket-wheel excavators used in mining as well as applications for the steel industry and magnetic brakes for shipping applications are further examples of highly specialised challenges for braking systems. The technological know-how involved in developments of this type make Pintsch Bubenzer one of the leading development partners and system suppliers worldwide.

Components
The Components segment is represented by the Schaltbau GmbH Group and offers a broad range of connectors, switches, contactors and control devices. In addition to its German bases, the Group is locally present on key international markets and operates major production plants in China. In Xi´an, components are manufactured specifically designed to suit the needs of Asian railway markets. In Shenyang, contactors are produced for industrial applications. The Group has also had a partnership in a company serving the rapidly growing market in India since 2009. The UK-based subsidiary Schaltbau Machine Electrics is strongly positioned on the market, particularly in the field of contactors for industrial trucks. Markets in France, North America and Southeast Asia are served by nationally based subsidiaries and the Russian market is served from a representative office.

All components are manufactured to meet highest specifications in various niche applications. Connectors are vital components in many fields of communication and railway technology as well as in industrial trucks. Snap-action switches from Schaltbau are known for their high reliability, long service life, dependability even when subjected to shocks or vibrations and above all for their positive opening operation feature. Thereby this type of switch is suitable for all kinds of safety-related applications and for this reason is built into the door systems of a wide range of railway vehicles. Schaltbau is world market leader in this field. The trend towards miniaturisation will also open up new fields of application for snap-action switches in the future.

Schaltbau contactors are required wherever high-voltage applications need to be switched using low voltage. The quality of a contactor is most apparent when it comes to switching off. During the process, electric arcs are ignited, which then have to be reliably extinguished within a few milliseconds. Schaltbau contactors dependably perform this task in industrial trucks, emergency power systems, for instance in telecommunication facilities and computer centres, as well as in locomotives and traction units.

Control Devices are specially designed for railway vehicles and play an important role in their safe and comfortable operation. The product range includes driver's cab and passenger equipment, high-voltage switchgear and roof equipment as well as electrical braking equipment.

BUSINESS ENVIRONMENT

World economy stages powerful recovery

The recovery of the world economy that began in 2009 and steadily gathered pace in the course of the year continued throughout 2010. The speed of growth was particularly pronounced in the first quarter, although it did appear to lose momentum somewhat in the months that followed. According to the latest joint diagnosis of leading German economic research institutes, after a strong phase of expansion in the winter of 2009/2010, the economies of the USA and Japan already began slowing again quite markedly in the spring that followed. By contrast, however, the economies of the Asian emerging countries continued to perform with remarkable dynamism.

According to the joint diagnosis, after reasonably high growth in production in the second quarter, the upswing in the eurozone then proceeded to slow down noticeably. In line with the trend, the gross domestic product grew by 1.7% during the year under report according to Eurostat.

The German economy proved to be the principal driving force within the eurozone. According to the German Federal Bureau of Statistics, at 3.6% the rise in the gross domestic product in 2010 was the highest figure recorded since reunification. The upswing was largely driven by major investments in plants and equipment, which rose by 10.9%. At 14.1% exports rose sharply and compared well with imports, which increased by 12.6% in the year under report. Building investments, however, grew at a below-average level of 2.8% as they had profited from economic stimulus packages the year previously. Private consumption rose by 0.4% during the reporting year.

Relevant markets for Schaltbau

The Door Systems business field performed very positively during the year under report, mainly due to developments on the city bus market, which grew particularly strongly in the second half of the year. The travel coaches sector, however, did not significantly recover. According to the German Association of the Automotive Industry (VDA), the production of buses in Germany sank by 11% on the previous year's figure to 6,900 vehicles in 2010. The downward trend has therefore slowed since the slump of 22% in 2009. Exports declined by 15% to 5,070 buses in 2010, as compared to a drop of 25% in 2009. The Door Systems for Railway Vehicles product group again successfully expanded its project business. Demand for spare parts also grew. In the Fittings for Sliding Vehicle Doors product group, the market recovery that began in the course of 2009 continued throughout the year under report.

In the Rail Infrastructure business field the Schaltbau Group benefited from the unbroken implementation of investment measures connected with the service and financing agreement (LuFV) made between Deutsche Bahn AG and the German

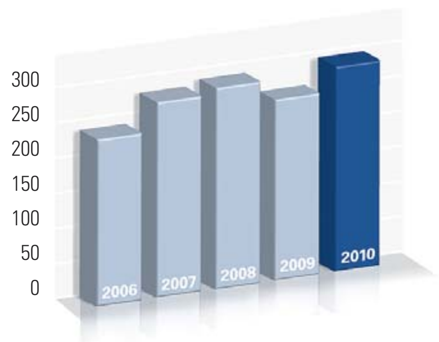
Federal Ministry of Transport in 2009. The only limitations to implementation were the adverse weather conditions. A number of major orders were postponed in the field of locomotives, which had an impact on the Vehicle Equipment product group.

On the container terminals market so important for the Brake Systems business field, the situation in 2010 began to show successive signs of stabilising after the crisis-related slump one year earlier and started to show a renewed moderate upward trend in the third quarter, although it performed well below levels seen in 2008. The rapidly growing market for wind energy braking systems continues to be highly promising, even though its pace was somewhat limited by financing difficulties for new wind farms during the year under report.

The industrial applications sections of the Components business field were positively impacted by the economic upswing seen in many parts of the world. The market for photovoltaic converters, relatively new in the USA, performed particularly pleasingly. In the rail market the economic environment remained tense until mid-2010. The turning point then came in the summer and was primarily driven by demand from the public transportation sector in Asia. Business with railway transportation systems in China continued to benefit from government-backed economic stimulus packages.

BUSINESS PERFORMANCE

Order intake



Disclosures in € m.

Order intake

Overall, the order situation in the Schaltbau Group developed positively in the fiscal year 2010. Although the first quarter was slightly down on the very high previous year's figures, the level of incoming orders was still far better than expected and showed high growth rates in the following months up to the end of September. In line with the economic environment as a whole, the rate of growth reduced slightly in the final quarter of the year. Order intake figures for the full year 2010 rose by 14.7% to € 288.7 million, after recording € 251.7 million one year earlier.

In absolute figures, the **Mobile Transportation Technology** segment made the most significant contribution. The volume of incoming orders in 2010 increased by € 16.1 million or 15.8% to total € 117.9 million (2009: € 101.8 million).

Due to increased market share for city buses, incoming orders in the Door Systems for Buses and Coaches product group rose, despite lower production figures. In a continued difficult market environment for coaches, business grew as a result of new customers gained in Italy and Poland in the fourth quarter 2009. Deliveries to established customers remained steady and the Group succeeded in consolidating European market leadership as system provider of bus doors in a hard-fought market.

The Door Systems for Railway Vehicles product group continued to profit from its standardised product innovations, which are meanwhile established on nearly all strategically important platforms of the foremost carriage manufacturers. At the same time, the proportion of boarding aids sold is steadily increasing. The demand for spare parts also grew noticeably. The market position was again improved upon, despite generally stagnating volumes in Europe.

Resulting from large-scale production for major customers driven by the demand for commercial vehicles by tradespeople and medium-sized businesses, the Fittings for Sliding Vehicle Doors product group recorded a good order situation during the year under report. Moreover, an order for the series delivery of the newly developed linear sliding door had a positive impact.

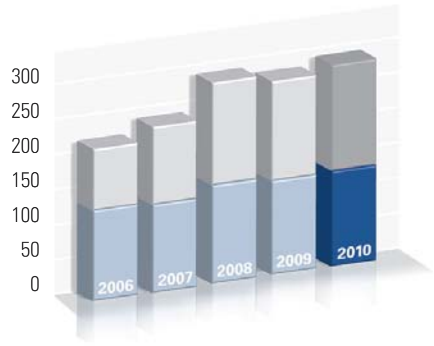
Order intake in the **Stationary Transportation Technology** segment rose by 12.8% to total € 91.0 million during the year under report. In comparison, order intake the previous year totalled € 80.6 million.

In the Rail Infrastructure business field, the continuity of funding since the last quarter 2009, particularly for investments made by Deutsche Bahn AG, led to a more even distribution of orders at a high general level in 2010. Order volumes for individual level crossing safety systems were noteable and awarded as part of the "Blinklichtprogramm 2010" - a programme designed to standardise the appearance of German Railways' level crossing safety systems. A further very pleasing point was the volume of incoming orders for branch line equipment, which more than doubled during the year under report in comparison to 2009. Business in the Vehicle Equipment product group performed well throughout the entire year.

Order intake in the Brake Systems business field during the year under report was well above that recorded one year earlier. A strong contributing factor was demand from

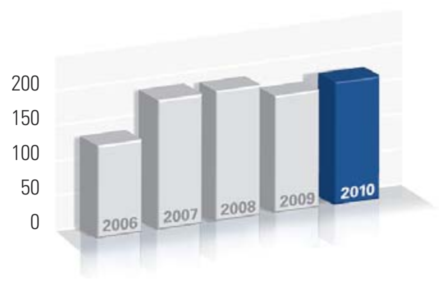
The Neumayer Station III operated by the Alfred Wegener Institute is the first research station in the Antarctic to be established above the surface of the snow. A 30-kilowatt wind energy plant helps to provide the station with eco-friendly electricity. S870-model snap-action switches are installed on the brakes of the generator blades and check the stop position of the blades when they are decelerated for maintenance purposes. The snap-action switches are capable of withstanding the extreme Antarctic conditions.

Sales



Disclosures in € m.

Order book



Disclosures in € m.

the fast-growing wind energy market, which picked up considerably in the fourth quarter. In the container handling sector, which continues to be an important market for the Schaltbau Group, the order situation began to show a positive trend as from May after the difficulties experienced due to the crisis.

The **Components** segment recorded order intake volume of € 79.8 million in the fiscal year 2010 (2009: € 69.2 million), 15.3% more than in the previous year.

The order situation in the segment profited from the worldwide recovery in industrial production. Above-average growth was achieved for switches, due to the Group's unique market position in the field of safety switches. The Contactors product group has entered new market segments with applications for both renewable energy and electromobility. Incoming orders for connectors remained at a constant level. Orders for railway applications were favoured by the high current number of projects in China. Driven by government-backed economic stimulus packages, the Group's joint venture in Xi´an continued to show an upward tendency. In a contrasting trend, demand from Western Europe remained weak till late in the year. The first signs of a recovery began to show in August.

Order book

The order book of the Schaltbau Group had grown by 5.0% to € 171.5 million at 31 December 2010 compared to € 163.4 million at the balance sheet date one year earlier. The Mobile Transportation Technology segment recorded € 89.4 million at the balance sheet date and was thus able to maintain the pleasing level achieved the previous year (€ 89.3 million). The order book in the Stationary Transportation Technology segment totalled € 44.5 million at the end of 2010 (2009: € 40.6 million). The increased number of orders in the Brake Systems business field was particularly pronounced. The order book in the Components segment increased to € 37.6 million during the reporting period (2009: € 33.6 million).

Sales

Annual sales of the Schaltbau Group grew by 3.9% to € 280.4 million in the fiscal year 2010 (2009: € 269.8 million). The result was achieved despite a strong decline in sales during the first quarter due to delays in the processing of orders caused by the long, harsh winter period. It was, however, possible to deal with the resulting backlog in the further course of the year. At the same time, the dynamically developing order situation had a positive impact on sales as from the second quarter.

The **Mobile Transportation Technology** segment recorded an 8.3% rise in sales to achieve € 117.8 million in the fiscal year 2010 (2009: € 108.8 million). All of the segment's product groups contributed to the good result. In the Door Systems for Railway Vehicles product group the standardised BIDS systems and sliding steps boarding aids again proved highly popular. Furthermore, sales of ramps, steps and spare parts all performed better than expected. All in all, bus sector sales increased quite noticeably. The sector was hit particularly hard by the financial and economic crisis in 2009. The Fittings for Sliding Vehicle Doors product group also improved remarkably in the wake of the economic upswing.

Sales in the **Stationary Transportation Technology** segment fell by 8.3% to € 86.8 million during the year under report compared to € 94.7 million one year previously. After a weak first quarter in which the processing of orders for level crossing safety systems and point heating systems in the Rail Infrastructure business field was severely hampered by the hard winter, the backlog was compensated for in the further course of the year.

Sales in the Brake Systems business field during the year under report were well below those of the previous year. However, order intake began to rise again as from May and translated increasingly to sales in the third quarter so that by August the turnaround had been accomplished in this area. However, even the great improvements seen in the fourth quarter were not sufficient to compensate for the deficits of the first five months.

Sales revenues grew strongly in the **Components** segment, swept forward by the significant recovery in all areas of industry. At € 75.6 million, business volume surpassed the figure of € 66.2 million recorded the previous year by 14.2%.

Components for industrial applications registered a thoroughly positive performance throughout the year under report. However, sales of railway components differed from one region to the next and failed to reach the previous year's levels. Whereas revenues in Western Europe were restrained, markets in Eastern Europe and China grew well. Looking at the various product groups, connectors, switches and contactors all displayed double-digit growth in sales revenue.

Group earnings performance

The Schaltbau Group's earnings in 2010 were marked by a € 10.6 million rise in sales to € 280.4 million and a € 6.6 million increase in inventories of finished and unfinished goods (compared with a decrease of € 9.1 million one year earlier). These two factors drove up total output to € 288.6 million for the reporting year, 10% above the previous year's figure of € 262.1 million.

The cost of materials ratio increased from 50.5% to 51.2% (as a percentage of total output), reflecting price rises on raw materials markets on the one hand and the higher level of bought-in services on the other. Personnel expenses rose from € 81.7 million to € 87.3 million, reflecting increased business volumes, targeted staff recruitment and changes in union-negotiated tariff levels. Other operating expenses totalling € 29.0 million (2009: € 26.5 million) were influenced in particular by higher selling costs. Other operating income in 2010 amounted to € 5.6 million (2009: € 5.0 million). The amortisation and depreciation expense for the year went up by € 0.3 million to € 6.4 million. Due to the increased sales and the decreasing trend in costs, the resulting EBIT was € 23.8 million (2009: € 20.3 million), with the EBIT margin improving from 7.5% to 8.5% (as a percentage of sales).

The result from investments deteriorated from € 2.3 million in 2009 to € 0.2 million in the year under report. The result was due to the fact that the previous year's figure had included the gain (€ 1.3 million before tax, € 1.1 million after tax) arising on the sale of the Chinese joint venture Beijing Bode Transportation Equipment and the fact that there was no corresponding current year result from the investment. The remaining at-equity-accounted entities, BoDo Bode Dogrusan and Schaltbau North America, generated a profit of € 1.2 million for the Group in 2010. The result from investments was adversely affected in 2010 by non-consolidated companies, whose financial condition either deteriorated in the fourth quarter 2010 or whose prospects, contrary to expectations, are subject to a high degree of uncertainty. Impairment losses totalling € 1 million were recognised for these companies.

Costs incurred in conjunction with the new consortium loan agreement and changed credit conditions caused the financial result to increase from € 5.7 million to € 6.2 million.

The income tax expense grew from € 2.8 million to € 3.0 million. The effective tax was unchanged at approximately 17% and was kept down by the utilisation of tax losses available for carryforward.

The Group reports a net profit for the year of € 14.8 million (2009: € 14.1 million). The net profit in the previous year was influenced by the exceptional gain of € 1.1 million arising on the sale of Beijing Bode Transportation Equipment. The profit attributable to minority shareholders amounted to € 2.6 million (2009: € 1.7 million).

The profit attributable to shareholders of Schaltbau Holding AG totalled € 12.1 million, marginally down on the previous year's figure of € 12.3 million. Earnings per share (undiluted), at € 6.50, were well above original expectations for the fiscal year.

In the light of the good earnings performance in the fiscal year 2010 and taking account of favourable prospects for future business developments, the Executive Board will submit a proposal to the Supervisory Board that a dividend of € 1.10 per share be paid for the fiscal year 2010. In the previous year, a dividend of 50 cents plus an additional special dividend of 20 cents per share was paid, arising on the sale of Bode Beijing.

Earnings for the **Mobile Transportation Technology** segment improved in 2010 on the back of a € 9.0 million increase in sales and higher margins, made possible by process standardisations and further productivity improvements. Segment EBIT improved sharply once again from € 6.0 million to € 7.7 million while the segment EBIT margin rose from 5.5% in 2009 to 6.5% in the year under report.

Sales for the **Stationary Transportation Technology** segment fell by € 7.9 million, mainly reflecting the delayed cyclical pattern of the Brake Systems business. The segment operating profit fell as a result from € 8.9 million the previous year to € 7.5 million, while the EBIT margin slipped from 9.4% in 2009 to 8.7% in 2010.

The **Components** segment benefited from a strong performance in China and recorded a 14% growth in sales in 2010. Segment EBIT again rose accordingly from € 9.6 million in 2009 to € 12.1 million in 2010. At the same time, the already high EBIT margin climbed further from 14.6% to 16.1%.

Financial terms

Capital employed
Working capital plus fixed assets

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBIT
Earnings before interest and taxes

EBT
Earnings before taxes

Equity ratio
Equity/balance sheet total

Pre-tax return on equity
EBT/equity

IAS/IFRS
International Accounting Standards/ International Financial Reporting Standards

Cash funds
Cheques, cash in hand and cash at bank

Cost of materials ratio
Cost of materials/total output

Net bank liabilities
Bank liabilities minus cash funds minus current marketable securities

Group net assets and financial position

The Group net profit recorded for 2010 resulted in a further improvement in balance sheet ratios. Group equity increased to € 33.1 million at 31 December 2010 compared to € 20.5 million one year earlier, corresponding to an equity ratio of 17.5% (2009: 12.2%). Including participation rights capital of € 7.1 million, which is similar in nature to equity, the Group equity ratio was equivalent to 21.2% (2009: 16.4%).

The Group's assets and liabilities structure remained practically unchanged from the previous year, with the balance sheet total rising by 13% to € 189.6 million. Non-current assets (excluding deferred tax assets) of € 64.0 million (2009: € 61.5 million) accounted for 33.8% of the balance sheet total, as compared to 36.6% one year earlier.

Investments in property, plant and equipment and intangible assets amounted to € 8.0 million and were therefore € 1.6 million higher than the depreciation expense. Intangible assets again included own work capitalised for one development project.

Non-current financial assets were influenced by earnings of the at-equity-accounted entities BoDo Bode Dogrusan and Schaltbau North America, impairment losses recorded for non-consolidated companies and strategic capital increases in equity investments.

The Group's working capital increased from € 53.8 million to € 66.8 million. Included in those figures, inventories rose by € 10.1 million, mainly reflecting higher business volumes expected for the following months compared to the situation one year earlier. Trade accounts receivable went up by € 8.3 million, partly as a result of the fourth-quarter sales performance and partly reflecting the fact that the average days of sales outstanding (DSO) increased from 50 to 59 days during the year under report. The figure was affected by the disproportionate increase in receivables of the Chinese subsidiary, Xi´an. Working in the opposite direction, advance payments received increased by € 2.2 million compared to the previous year and trade accounts payable by € 3.3 million.

Capital employed rose accordingly by approximately € 15.5 million to € 130.8 million. The return on capital employed (ROCE) stood at 18.2% compared to 17.6% one year earlier.

Deferred tax assets were recognised at € 9.0 million (2008: € 8.9 million). The figure includes deferred tax assets of € 4.3 million recognised on timing differences (2009: € 4.2 million) and deferred tax assets of € 4.7 million (2009: € 4.7 million) recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences amounted to € 6.8 million (2009: € 6.5 million).

Financing within the Schaltbau Group is organised in the form of cash pooling arrangements headed by Schaltbau Holding AG. All major Group companies participate in these arrangements, with the exception of Bode. Financing within the cash pool was restructured during the first quarter 2010. In this context, all significant cash-pool-relevant credits were restructured (and all collateral released) with the signing of a new consortium loan agreement for € 50.0 million headed by Commerzbank AG and with the participation of Bayern LB and DZ Bank. The credit comprises a loan of € 20.0 million, repayable in instalments, and a credit line of € 30.0 million. The credits have been committed for a period of 3 years. An amount of € 4.0 million of the loan was repaid on schedule in 2010.

Gebr. Bode, Kassel, which finances itself separately, had credit lines of € 13.9 million at 31 December 2010 (2009: € 13.1 million). These current account facilities totalling € 4.0 million have been prolonged for an indefinite period and a further € 1.7 million have been prolonged till 31 December 2011.

In total, the Group's net liabilities to banks were reduced further in 2010 from € 33.9 million to € 31.5 million. The ratio of net debt to EBITDA improved from 1.3 at the end of the previous year to 1.0 at 31 December 2010.

The Group had access to credit lines totalling € 66.0 million at 31 December 2010 (2009: € 65.7 million), of which € 28.5 million (2009: € 31.7 million) have been disbursed as loans. Current account credit lines amount to € 37.5 million (2009: € 34.0 million), of which € 30.0 million (2009: € 0.0 million) are available on a medium-term basis. Scheduled loan repayments in 2010 totalled € 6.5 million (2009: € 7.6 million). At 31 December 2010, € 19.4 million (2009: € 14.5 million) of current account credit lines (including guarantee lines) were being utilised. The Group's cash funds totalled € 11.5 million at 31 December 2010 (2009: € 8.5 million).

Cash flows from operating activities of € 11.1 million were € 5.1 million lower than the previous year's figure of € 16.2 million. The € 17.3 million increase in current assets (2009: decrease of € 8.3 million) could only be partially offset by the € 4.7 million increase in current liabilities. Cash outflows for investing activities totalling € 9.3 million (2009: € 9.8 million) compared with a cash inflow of € 3.3 million from the sale of Beijing Bode Transportation Equipment. The remainder of net cash flows was used to pay dividends to shareholders and minority shareholders and to increase the Group's cash funds by approximately € 3 million.

Earnings, financial and net assets position of Schaltbau Holding AG

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

The main factors affecting the earnings, net assets and financial position of Schaltbau Holding AG in 2010 were adjustments required in conjunction with the first-time application of the German Accounting Law Modernisation Act (BilMoG), new Group financing arrangements following the signing of the consortium loan agreement (see "Major events during the fiscal year 2010") and the sustained improvement in the performance of Bode, the subsidiary company.

Sales revenues of the non-operational Schaltbau Holding AG totalled € 1.9 million (2009: € 1.5 million) and comprised revenue from recharging the cost of centralised IT systems to subsidiaries.

The **earnings position** of Schaltbau Holding AG is primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries, the impact of the valuation of investments and the net interest result relating to its financing function.

Schaltbau Holding AG is party to profit and loss transfer agreements with Schaltbau GmbH and Pintsch Bamag GmbH. A profit and loss transfer agreement is also in place between Pintsch Bamag GmbH and Pintsch Bubenzer GmbH. Profits transferred to Schaltbau Holding AG, at € 13.1 million, were at a similar level to the previous year. The lower profit transferred by Pintsch Bamag, caused by a sharp drop in earnings in the Brake Systems business field, was compensated by the transfer from Schaltbau GmbH, whose earnings under German accounting rules (HGB) benefited from the reversal of a write-down on an investment.

Gebr. Bode GmbH & Co. KG eliminated its HGB accumulated deficit brought forward in full in 2010 with the profit posted for the year. The surplus of € 2.0 million is attributable to Schaltbau Holding AG as limited partner and was recognised as investment income in 2010.

Financial terms

Net finance liabilities
Interest-bearing liabilities minus cash funds minus current marketable securities

Personnel expense per employee
Personnel expense/average number of employees during year

Return on Capital Employed (ROCE)
EBIT/capital employed

Pre-tax and pre-interest return on sales
EBIT/sales

Debt/equity ratio
Net bank liabilities/EBITDA

Working capital
Trade accounts receivable (including receivables from long-term construction contracts) plus inventories minus trade accounts payable minus advance payments received

Working capital intensity
Working capital/sales

Having opted not to recognise deferred tax assets, the main impact of changes in accounting policies in conjunction with BilMoG implementation was the measurement of the pension provision. Under the new rules, it is no longer possible to measure pension provisions using the German "Teilwert" method pursuant to § 6 a of the German Income Tax Act (EStG). Instead, in accordance with § 253 HGB, the pension provision is now measured in accordance with the projected-unit-credit method and using a lower interest rate than previously applied. The one-time expense (€ 1.3 million) resulting from the change in method is reported as an extraordinary item. The interest component on the brought-forward obligation (€ 385,000) was reported for the first time in 2010 as interest expense. Deferred tax assets were not recognised.

In conjunction with the restructuring of financing within the group, financing was concentrated more on Schaltbau Holding AG with credits passed on back-to-back to companies participating in cash pool arrangements, thus having a corresponding impact on interest income and expense reported by Schaltbau Holding AG. Excluding the interest effect from the pension provision, the net interest result was at a similar level to the previous year.

Schaltbau Holding AG's net liabilities to banks rose only slightly from € 18.5 million at the end of the previous year to € 19.4 million at 31 December 2010. However, in contrast to the previous year, these credits are now committed to the Company on a medium-term basis.

Of the total loan of € 20 million recorded by the holding company, an amount of € 4 million was repaid on schedule in 2010. The Company complied with the covenants contained in the credit agreement in 2010.

Transaction costs arising on conclusion of the credit agreement were recorded as other operating expenses.

The sharp rise in receivables from affiliated companies (up from € 13.2 million at the end of the previous year to € 25.0 million at 31 December 2010) resulted from increased financial requirements of subsidiaries and the new Group financing structure and was also the main reason for the increase in the balance sheet total.

The sustainably improved situation at the Group subsidiary Bode not only enabled that entity to settle an old dividend payable of € 3.7 million, it was also able to disburse a loan of € 4.7 million to Schaltbau Holding AG out of available cash, with a view to optimising Group financing. The receipt of the dividend in 2010 resulted in the recognition of other operating income in 2010 since the receivable had previously been written down. In the previous year, other operating income had included an amount of a similar magnitude resulting from the reversal of an impairment loss on the cost of investment.

The process of taking IT activities back in-house was completed by the holding company in 2010. These activities had been outsourced in 2003. The change is reflected in higher personnel expense on the one hand and lower costs for bought-in services on the other.

Net profit, at € 9.6 million, was € 0.4 million up on the previous year.

As a financial holding company, Schaltbau Holding AG's assets and liabilities structure is dominated by its investment holdings with a carrying amount of € 79.9 million at 31 December 2010. There were no changes in this area compared to one year earlier.

As in the previous year, the 137,270 participation rights bought back by the Company in 2006 are also included in non-current financial assets at the year-end at their buy-back cost of € 2.2 million. The market value of the participation rights was € 3.6 million at 31 December 2010. The participation rights are now fully available to the Company, although it does not currently intend to sell or withdraw them.

The Company issued convertible bonds totalling € 8.5 million in June 2007. As a result of conversions during the period under report, the repayable amount at 31 December 2010 decreased to € 8.2 million. These conversions gave rise to 3,494 new shares. The number of issued shares increased accordingly to 1,875,162 shares (2009: 1,871,668 shares).

Schaltbau Holding AG's equity rose from € 57.7 million to € 66.0 million. The equity ratio remained unchanged at 60.2%. The financial strength meanwhile built up by Schaltbau Holding AG allows it to take an active part in the further development of its subsidiaries.

Group investments

Investments in property, plant and equipment and intangible assets in the Schaltbau Group in 2010 totalled € 8.0 million as compared with € 9.0 million one year earlier. Investments were thus once again higher than the amortisation and depreciation expense of € 6.4 million (2009: € 6.1 million). The largest single investments related to the completion of a construction measure and property improvements at Pintsch Bamag. Further focuses of capital expenditure were replacement, re-equipping and rationalisation measures as well as the purchase of tools for manufacturing new products.

Research and development

Targeted research and development oriented to the quickly changing requirements of customers and markets is of strategic importance for the companies of the Schaltbau Group and is seen as a crucial investment in the future. Innovative products and solutions safeguard Schaltbau's technological lead and thus form a solid foundation for successful and sustainable operations. Intensive research and development work is therefore obligatory for all companies of the Schaltbau Group. This fact is evident from the expenditure, which continued to be high in 2010. Altogether, 6.9% of all revenue was invested in the future of the Group (2009: 6.2%). In keeping with its significance, with 189 employees the Group's research and development departments are also well staffed, accounting for more than ten per cent of all employees in the Schaltbau Group.

In the Door Systems for Buses product group of the **Mobile Transportation Technology** segment the main focus of development activity in 2010 was again placed on the standardised compact drive systems. The key objective was to achieve series maturity and adapt to the requirements of major customers. This Compact Allround Drive System (CADS) is destined to replace the previous pneumatic drive systems currently installed in many city and intercity buses as well as travel coaches. The new drive system, which is integrated in the rotating column, is more compact, provides far more convenience and safety and requires less maintenance than the familiar pneumatic systems. The extremely positive response at the IAA Commercial Vehicles in September 2010 is an optimistic sign that these innovative drive systems will enable the Schaltbau Group to further broaden its base of customers. The development thus creates the future possibility of becoming the preferred supplier for the delivery of the related door systems for new generations of buses. This applies to both existing and potential new customers.

The Door Systems for Railway Vehicles product group mainly focused on a sliding door system primarily designed for use in underground trains. The new product group has incredible potential to boost sales volume, particularly in the emerging markets, and is thus in keeping with the global expansion strategy of the Schaltbau Group. The electric locking concept for high-speed door systems is a further successful innovation. Furthermore, the Boarding Systems product group has developed a new product. The intelligent sliding step recognises the shape of the platform with the help of special sensors and accordingly controls the movements of each separate sliding step of the train. The single-leaf version of the successful BIDS door family was developed to series maturity in 2009 and sold for the first time during the year under report.

In the Fittings for Sliding Vehicle Doors product group the existing linear sliding door was technically completely redesigned and adapted to suit the requirements of large-scale production.

One of the main focuses of development work in the Rail Infrastructure business field of the **Stationary Transportation Technology** segment related to railway platform door systems, also known as "Platform Screen Doors" (PSD). The system was initially displayed at the InnoTrans 2010 and attracted a great deal of attention, which soon led to the first offers being made. The first order was awarded during the year under report. Current further developments of this system are being adapted to suit worldwide demand.

The BUEP successor technology RBUEP in the Level Crossing Safety Systems product group was again in the spotlight. After the completion of the software and hardware prototypes and their validation, the approval process was undertaken in the course of the reporting year. Apart from German standards, preparation for European standardisation in accordance with CENELEC was also taken into account. Approval is expected in the course of 2011.

A real milestone was reached in the field of point heating systems. At the Hamburg port railway, Pintsch Aben installed the world's first geothermal point heating system. The corresponding contract was signed at the InnoTrans 2010. The special feature of this environmentally friendly heating system is its ability to work without an external source of energy. It works fully autonomously without creating any CO2 emissions. Conventional point heating systems are based on energy-intensive processes such as electic heating rods, gas-powered burners or blowers. In contrast, geothermal point heating systems use natural geothermal energy, are simple to retrofit and cost almost nothing to operate. There is a large market potential for this innovation. In the Port of Hamburg alone, almost three quarters of the 880 points are heated and the German railway system has tens of thousands of heated points.

In addition to the continued development of its traditional product range, the Brake Systems business field mainly concentrated on the rapidly growing market for wind energy plants. Product quality requirements for large-scale production conditions are extremely strict in this particular field. In order to meet the resulting challenges, testing facilities are being developed and enhanced to accommodate new test series. A rotor brake currently being developed for General Electric for integration in the generator has considerable sales volume potential. The first prototypes were supplied during the year under report and have been undergoing dynamic testing since then.

In the **Components** segment, the "Lichtbogenführung" (electric arc guidance) research project for contactors was brought to a conclusion. It was promoted by the Bavarian Research Institute and carried out in cooperation with the Professorships for Fluid Dynamics and Electrical Power Supply of the University of Erlangen-Nuremberg. The final report of the two professorships has been completed. A scientific publication in conjunction with the Bavarian Research Institute is currently being prepared.

Other major developments in 2010 related to the production of traction contactors, which was expanded to include applications in the voltage ranges 1.5 and 3 kV. In addition, the multi-pole range was broadened to include a twin-pole version, which is used both for railway applications and in industry, for instance in photovoltaic systems. An intelligent emergency stop switch was developed for industrial trucks in 2010. In the field of housings for snap-action switches, which had been made of polycarbonate in the past, an alternative material was identified for use that is far more resistant to changing temperatures and contact with chemicals.

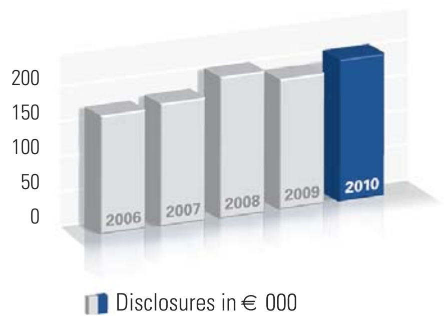
The International Railway Industry Standard (IRIS) and the classification in Safety Integrity Levels (SIL) with the accompanying standards as well as the new machinery directive 2006/42/EG and the classification in Performance Levels (PL) have resulted in a considerable rise in customers' safety requirements in both the rail and the industrial sectors. In order to optimally support customers in dealing with the accompanying tasks, numerous other projects were initiated, such as those for angle sensors, sound generators and magnetic brake monitoring.

Trade fairs

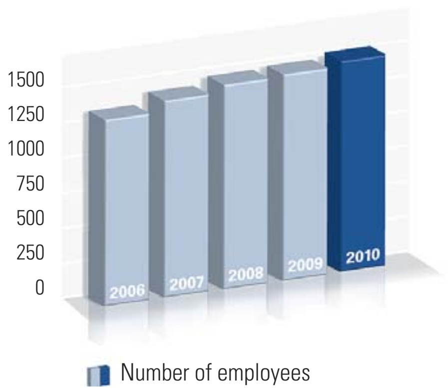
The crucial indicator for the market maturity of a product innovation is its degree of acceptance by customers. The type of response at trade fairs is an important way of gauging acceptance. The "InnoTrans", the world's leading trade fair for railway technology and the 63rd IAA Commercial Vehicles, the world's largest show for mobility, logistics and transportation, were both held in September 2010 and are two of the most important industry exhibitions of their kind. Companies of the Schaltbau Group working in these areas made good use of the opportunities these events presented. Just two of the product highlights at the InnoTrans were the new intelligent sliding step and the platform door system that was exhibited.

At the IAA Commercial Vehicles, particularly the innovations related to the CADS system aroused a great deal of interest among bus manufacturers. The HUSUM WindEnergy 2010 was the foremost presentation platform for the fast-growing Wind Energy Braking Systems product group during the year under report. The fair, which was also held in September, is the most important in the field of wind energy and also presented key opportunities for establishing promising contacts. In addition to the HUSUM WindEnergy, the Brake Systems business field was present at a further trade fair for wind energy plants in Asia and also took part in numerous trade fairs for port engineering with its new developments in the field of container handling.

Total output per employee



Employees on average



Employees

The number of employees working for the Schaltbau Group rose slightly in fiscal year 2010 to a total of 1,610 employees at 31 December 2010 after registering 1,603 at the end of the previous year. The Bode Group remained the largest employer, which took on additional staff due to its good business performance and the planned expansion. An in-house IT department was set up within Schaltbau Holding AG to provide better support for the Group's companies and improve computer safety as well as maintenance. Moreover, after the reduction in 2009, Schaltbau Machine Electrics Ltd. again increased staff numbers in line with the recovering market environment during the year under report. The size of the workforce in the remaining companies of the Schaltbau Group did not change significantly.

The additional qualification of staff based on changing requirements is highly relevant for the sustained success of any company. For this reason the Schaltbau Group invested € 543,000 (2009: € 602,000) in training sessions, workshops, courses and seminars, in which the participants were able to increase their technical knowledge. The main focuses were on further training in the areas of lean management and the continual improvement process, the quality management methodology Six-Sigma and foreign languages.

Qualified employees are absolutely essential for the production of sophisticated products, components and systems. For this reason, the companies of the Schaltbau Group place great emphasis on vocational training, which is reflected in the large numbers of apprentices that Schaltbau takes on. Thus on 31 December 2010 a total of 64 young people at various Schaltbau entities were receiving training in attractive professions such as industrial mechanic, industrial business management assistant or IT specialist. Bode is currently training 19, Pintsch Bamag 18, Pintsch Bubenzer 8 and at Schaltbau GmbH 17 young men and women in various trades. Schaltbau's foreign subsidiaries also offered apprenticeships. Schaltbau France, for example, had two trainees. A total of 17 apprentices completed their training in 2010. They were all given further employment, mostly for a limited period for the time being.

A total of 29 people at various Group companies were employed under pre-retirement part-time working arrangements, 17 of whom had already entered the non-working phase. Pre-retirement part-time working arrangements were in place at four Group companies based in Germany.

Personnel expenditure increased from € 81.7 million to € 87.3 million due to tariff-based rises and the targeted recruitment of skilled workers and executive staff. The total output per employee, including trainees and managers, rose from € 182,300 in 2009 to € 198,600 due to the higher level of total output in the year under report.

An average of 1,453 full-time staff members were employed in the Group over the year, as opposed to 1,437 in 2009.

Purchasing

The emerging trend to rising prices on international purchasing markets seen towards the end of 2009 continued to manifest itself during the year under report. The main reasons were initially the continued rising demand from Asian markets, despite reduced capacities. As from mid-2010 the unexpectedly quick recovery of the global economy and the general replenishment of stocks led to far longer delivery times and corresponding price rises, particularly for aluminium and rolled steel. The drastic increase in the price of silver to new record highs in 2010 resulted in sharp rises in material costs for several Group companies. In contrast, the prices of printed circuit boards and flame-cut steel parts only rose slightly. Delivery times for electronic components became particularly lengthy.

The Group's purchasing management made consistent use of the benefits of globalised markets. Suppliers from the eastern countries of the EU and Asia as well as German companies were identified, qualified and newly established as series suppliers. The use of tendering portals led to contact with further promising suppliers, which, after auditing and qualification, should help to compensate for rising market prices. Furthermore, purchasing processes were additionally improved by the introduction of internet shops, the expanding of the system of flexible, decentralised production process management (Kanban) and the rise in the number of framework agreements. Total Cost of Ownership analyses and the use of value analysis teams also helped to optimise cost structures.

One of the most important tasks again during this reporting year in the field of material purchasing was the securing of long-term, mostly project-related framework agreements that guarantee price stability for the duration of entire projects. The Schaltbau Group has entered into these types of framework agreement with all of its main suppliers.

The cost of materials ratio rose in the course of the year from 50.5% of total output compared to the previous year to 51.2% as a result of rising prices on raw materials markets and the increased amount of bought-in services.

For the fiscal year 2011 raw materials analysts predict a 2.3 per cent rise in the prices of industrial producers within Germany and even a 3.4 per cent increase for the eurozone as a whole. In 2011 the purchasing market for electronic assemblies and components will continue to feel the impact of lengthened delivery times and more difficult allocations. Higher purchasing costs are generally forecast for non-ferrous metals, particularly copper and silver, but the prices of oil and gas are also expected to increase sharply in the course of 2011.

Significant events after the balance sheet date

On 15 February 2011 Schaltbau GmbH acquired the remaining 50% of the shares of Schaltbau North America Inc. via its newly founded Schaltbau America Limited partnership Delaware. The company will be fully consolidated with effect from 1 January 2011; prior to that it was included in the consolidated financial statements at equity. The transaction will reinforce Schaltbau GmbH's position in the growing railway and industrial lines of business in North America.

A further significant event involved the joint venture contract relating to Xi'an Schaltbau Electric Corporation Ltd., which was extended on 13 October 2010 (before the originally foreseen date) through to 2024. The contract was subject to approval by the Chinese authorities and officially granted on 11 February 2011. Thus the Schaltbau Group can now make long-term plans with certainty in the Components segment in China. A growth strategy has also been approved, which will involve capital expenditure in an additional factory and office building in Xi'an, providing the basis for the further growth of this highly successful joint venture.

With effect from16 February 2011 Gebr. Bode & Co. Beteiligungs GmbH acquired 10% of the shares of Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. (Rawag), Rawicz, bringing Bode's investment up to 30%. A purchase option has also been agreed for further shares, giving Bode the opportunity to take over a majority interest in the Polish company. Rawag manufactures door systems for railway vehicles, buses and trams as well as side windows for buses and trams, primarily for customers in Eastern Europe.

Bode has also jointly founded a company in South Korea with a local industrial partner. Bode has an 80% holding in the new company, which will focus on gaining a foothold in the Korean market in future, backed up by its own sales and engineering resources. Thus Bode's position is greatly improved in an important Asian market with good growth prospects.

Schaltbau Holding AG gave notice to terminate the convertible bond 2007/2012 with effect from 12 April 2011 in accordance with the terms and conditions of the bond. This bond, sub-divided into 85,000 partial bonds valued at € 100 each, had originally been issued for a total nominal amount of € 8.5 million. All partial bonds still in circulation are affected by the termination. At 23 March 2011 this related to 66,155 partial bonds; a further 15,986 partial bonds had previously already been converted since the end of 2010. As a result of the special dividend of € 0.20 per share granted to shareholders in 2010, the conversion price amounts to € 45.80. The bonds can be converted at any time up to 6 May 2011 at the latest.

Opportunities and risks report

The aims of the risk management system implemented in the Schaltbau Group are to identify existing risks at the earliest possible stage, to reduce business losses by means of suitable measures and to avoid any possible danger to the Group's going-concern status. The risk management system also has to identify opportunities and make good use of them.

The Group has integrated the risk management system in its corporate workflows. This strategy serves to actively combat risks and make the most of any opportunities that may arise. From this standpoint, risk management thus plays a crucial role in achieving the Group's financial objectives and safeguarding sustainable added value.

The risk management system, with its organised structure and workflow organisation, is described and defined in group-wide corporate guidelines. It includes a comprehensive system of documentation and reporting. Apart from quarterly reports that cover the entire range of risks and any possible opportunities, an in-house ad hoc report is immediately prepared as soon as any key changes are made or any new information is received. 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 corporate forecast, the previous year's situation and the rolling forecast. Market trends, changes within the competition and development projects are also considered and analysed. The focus of the monthly reviews is generally forward-looking. Their aim is to recognise danger at an early stage and thus safeguard future potential for the Group.

The Executive Board of Schaltbau Holding AG, the Group Controlling department and the management of the various subsidiaries are responsible for the continual maintenance of the risk management system. The external auditor tests the risk management system's fundamental functionality and its suitability each year.

Description of the essential charcteristics of the internal control and risk management system with regard to the Group financial reporting process (§289 (5) and § 315 (2) 5 HGB)

The objective of the internal control system for financial reporting within the Schaltbau Group and for Schaltbau Holding AG is to ensure that the accounting records are maintained properly and that the relevant statutory regulations are complied with. The system ascertains that the transactions are fully, promptly and correctly recorded, processed and documented in accordance with statutory regulations, the Articles of Incorporation and in-house guidelines. 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 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 individual Group entities are governed by terms of reference. For their part, the managing directors of the subsidiaries 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 employed are protected from unauthorised access by appropriate IT systems. Standard software is utilised wherever possible to operate accounting and financial reporting systems.

Guidelines are in place at Group level and for each of the subsidiaries, setting out the work to be performed and the scope of permitted activities. 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 throughout the financial reporting process.

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

The Group's understanding of the conduct required of its employees is set out in a corporate Code of Conduct. Accounting department employees, many of whom have worked for many years for the Group, are appropriately qualified. General training measures (e.g. current IFRS developments) and individualised training courses ensure that the employees involved have the appropriate sets of skills to perform their work. The various accounting departments are all situated locally and the Group has decided against using shared services or relocating functions in order to ensure proximity to operations and hence better quality.

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

All processes relevant for financial reporting are regularly tested by the Group's external auditors. The latter 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.

The external auditor is also required, as part of the audit work performed, to report to the Supervisory Board any risks relevant for financial reporting and control weaknesses as well as any weaknesses in the risk management early warning system and internal control system of financial reporting that are identified during the audit.

Macroeconomic and industry-specific risks

The financial and economic crisis was responsible for accelerating fundamental global changes. The emerging countries, particularly China, came out of the crisis strongly and continue to display high potential for growth. China is producing large amounts of exports and safeguards its access to raw materials particularly by means of geopolitical measures.

The largest current threat to the economy is the high degree of sovereign debt borne by the industrialised countries. The expiry of economic stimulus packages and less expansive fiscal policies could have a negative impact on economic performance in 2011. Any weakening of the economy in China or a slipping in the USA towards a new recession would have effects on the momentum of foreign trade. The strong driving force coming from the stock replenishment cycle in 2010 is likely to lose impetus.

Spending cuts in the public sector exert a corresponding influence on business fields in the Schaltbau Group. In view of these factors the Schaltbau Group will continue its strategy of diversification in segments and regions in order to hedge its risks.

An oligopolistic demand structure characterises both the rail and the bus industries. The number of potential customers is therefore limited. These structures lead to a high degree of market transparency, which can result in strong price competition and downward pressure on selling prices. The Schaltbau Group counters these risks by making the most of its underlying innovative strength. R&D activities help to create new products and ensure that existing products are enhanced in the best interests of customers. A further important aspect of avoiding risk is the intensive management of customer relationships.

As market leader on both the German and the European markets, Bode is directly dependent on the business performance of bus manufacturers and their demand behaviour in a volatile market situation. Bode is countering this risk by broadening its international customer base, a high rate of innovation and a highly flexible manufacturing organisation.

The Infrastructure business field, is both directly and indirectly dependent on investment levels of the German national railway company Deutsche Bahn AG and on public spending behaviour in general. Cutbacks in public spending can have a negative effect on business performance, whereas the opposite is true in the event of additional public funds being made available. These irregular cycles can give rise to fluctuations in levels of business. In order to limit the resulting risks, Schaltbau Group entities are stepping up their international activities. Industrial goods business is also being expanded, bringing with it a broader customer base and the opportunity to exploit new fields of application.

One factor that is taking on increasing significance in international business is the political call for localised production or so-called "local content". An increasing number of orders are being awarded subject to fulfilment of this condition. The Schaltbau Group reacted to this trend at an early stage by establishing an international presence through its local subsidiaries. The resources of an organisation the size of the Schaltbau Group are, however, limited and only allow a selective approach.

Operational risks

Specific operational risks to companies of the Schaltbau Group exist in the areas of development and design, procurement and production. Optimised cost structures in production combined with high quality and in-depth market and customer knowledge are designed to avoid incorrect allocations of resources in the field of development and ensure a transparent time-to-market process.

Within the value-added process the Group's companies run the risk of business interruption, quality problems or risks posed by industrial safety and environmental risks. These risks are minimised by the utilisation of comprehensive guide-lines and procedural regulations regarding quality management, product and industrial safety.

The effects of raw material price rises can be partly compensated by long-term supply agreements, group-wide centralisation of material requirements or by passing on price increases to customers. It is not or only delayed in time, possible, however, to fully compensate for significant increases in purchase prices. Working in the opposite direction, the strategy of putting long-term supply agreements into place means that the Group can only benefit from falling purchase prices after a time delay. As a result of crisis-related reductions in capacity and continuing rises in demand, the purchasing market could be limited by extended delivery times.

Business processes are highly reliant on the support of IT systems. The companies of the Schaltbau Group take both technical and organisational precautions to reduce risks with regard to availability, confidentiality and reliability.

Legal risks
Legal risks can arise from customer reclamations, guarantee claims, legal disputes, patent law infringement and claims for damages. Latent risks are covered by insurance policies or by provisions in the balance sheet. Losses may arise, however, that are either not sufficiently insured or exceed the amount of provision recognised.

Product piracy also represents an additional risk, particularly on Asian markets. Processing and supplying these markets and working together with local partners also increase the risk of selective know-how drift. Explicit contractual restrictions in the transfer of technical know-how and the rapid development of new products and processes help to preserve the Group's technical edge.

Financing risks
The Group is fundamentally financed by means of a consortium loan agreement for the amount of € 50 million that was signed on 19 March 2010. This form of financing has resulted in more favourable contractual periods, the abolishing of the annual prolongation risk and a significant increase in financial flexibility through the simplification of the previously complex credit structure. On the other hand, a relatively high rescheduling is necessary in the first quarter of 2013. Furthermore, the loan agreement is linked to a number of warranties, guarantees and constraints that must be adhered to. The financing is additionally based on compliance with certain covenants, which give the banks an extraordinary right of termination if they are not fulfilled. From a current standpoint there is sufficient financial scope for the covenents.

Restrictions in credit approvals may also have an impact on our customers and suppliers. This could have a negative impact on the recoverability of receivables or on purchasing. Both of these aspects are continually monitored.

The Group's subsidiaries in China involve a high degree of working capital typical for that country, entailing correspondingly high financing requirements that result in unused potential.

The Group has taken the risk of rising interest rates into account by entering into various long-term interest-rate hedges for a total nominal amount of € 18.2 million. Financing for the acquisition of Pintsch Bubenzer is hedged with an interest swap for a nominal amount of € 3.15 million. A credit-pool credit volume of € 32.2 million (as at 31 December 2010) is hedged by interest-rate swaps for a nominal amount of € 9.0 million. A further swap for a nominal amount of € 6.0 million is also in place to refinance the participation rights in 2014. There is also a cross-currency swap to hedge the interest/currency risk relating to a euro loan held by a foreign subsidiary (hedged volume at 31 December 2010: € 1.3 million). The market value of the interest swaps fluctuates, depending on changes in relevant interest rates.

Currency risks are solely managed using marketable instruments that hedge underlying transactions. All transactions denominated in foreign currencies are hedged. The devaluation of other currencies against the euro can impair competitiveness in certain sales regions. We are tackling this problem on a long-term basis by improving productivity and ensuring geographical diversification such that the Group can remain competitive, irrespective of the currency in which it does business. In addition, the Group endeavours to operate a system of "natural hedging" through the targeted, focused balance of goods flows.

Actually no risks have been identified that pose a threat to the going-concern status of the Group.

Opportunities
The medium- and long-term prospects for the Schaltbau Group are favoured by major global trends such as increasing urbanisation, the greater mobility of the population as a whole, the long-term upward tendency in world trade and the above-average growth rates of the BRIC states, which are, in turn, leading to

a rising need for mass transportation facilities as well as the accompanying infrastructure.

Schaltbau's innovative strength, consistently reinforced by high R&D expenditure and an international approach to operations, also opens up a great number of opportunities for growth. Even in difficult economic times, the Group's operational companies are capable of generating additional demand on markets by means of regular product innovations, such as braking systems for wind-power plants or CADS door systems.

Executive Board compensation system

The 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 compensation components comprise annually recurring components which depend on the development of Group net profit. A pension plan is not in place.

Criteria for the appropriateness of the compensation include the tasks of each Executive Board member, 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 consideration, the customary amount of compensation and the compensation structure in view of 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 new Executive Board contracts of service are based on long-term assessment and include regulations providing 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 limited to a maximum amount.

Explanatory Report of the Executive Board concerning statements pursuant to § 289 (4) HGB / § 315 (4) HGB (German Commercial Code)

1. The subscribed capital comprises the following: a share capital of € 6,863,092.92, divided into 1,875,162 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 shareholders owning either a direct or an indirect share of capital exceeding 10% of the voting rights are the Cammann family, which owns 11.79% and the Zimmermann family, which owns 10.07% of the Company's shares (as at 31 December 2010).

4. There are no shareholders with special controlling rights.

5. There are no voting right controls relating to shares held by employees.

6. § 6 of the Articles of Incorporation of Schaltbau Holding AG deals with the composition, appointment and removal 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 to be 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. In 2010 the Executive Board and the Supervisory Board submitted a proposal to the Annual General Meeting to authorise the Company up to 8 June 2015 to buy back a maximum of 10% of the share capital in place at the date of the resolution for purposes other than trading. The Annual General Meeting concurred with this proposal. No Schaltbau shares were bought back during the fiscal year 2010.

   Subject to the approval of the Supervisory Board, the Executive Board is additionally authorised to increase share capital by up to € 3,294,000.00 before 11 June 2013 by issuing new shares in return for cash or non-cash contributions, either in a single step or in several steps. The Executive Board may decide to exclude subscription rights with the approval of the Supervisory Board.

   Furthermore, the Company's share capital can be conditionally increased by up to € 234.24 by issuing up to 64 new bearer shares (Conditional Capital I). The conditional capital increase serves to safeguard the granting of option rights, which, due to the authorisation resolution passed at the Annual General Meeting on 19 December 2003, are issued together with participation rights. Subject to the approval of the Supervisory Board, the Executive Board is authorised to stipulate further details regarding the implementation of the conditional capital increase.

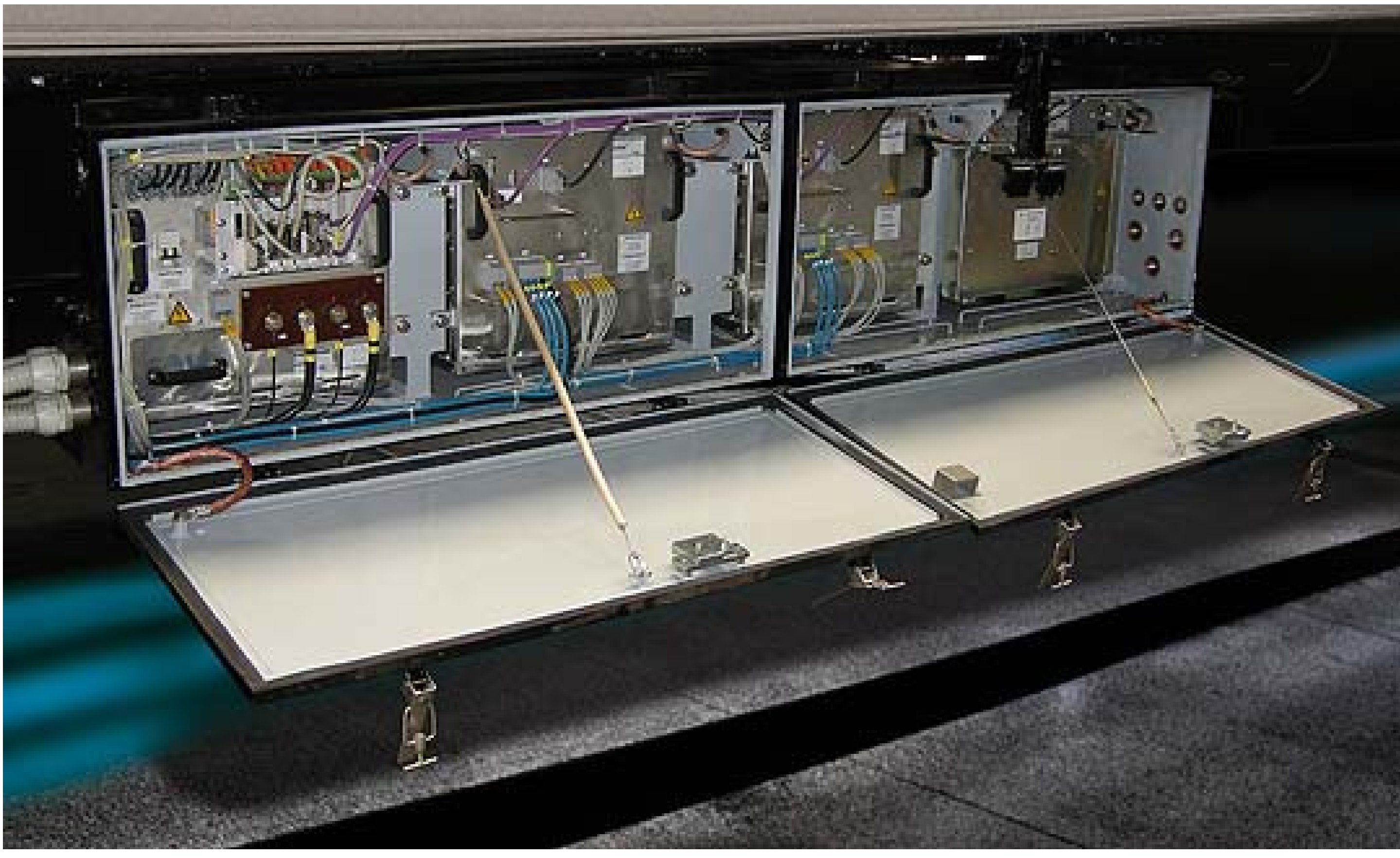
   Furthermore, the Company's share capital can be conditionally increased by up to € 1,807,212.84 by issuing up to 493,774 bearer shares (common stock) (Conditional Capital II). The conditional share capital increase may only be used to grant shares to the bearers of convertible or option bonds issued by the Company in accordance with the authorisation given at the Annual General Meeting on 1 July 2005. In accordance with the conditions laid down for convertible bonds, Conditional Capital II may also be used to issue shares to bearers of convertible bonds with conversion obligations. The conditional share capital increase will only be implemented insofar as the bearers of the option or convertible bonds issued by the Company up to 30 June 2010 in accordance with the authorisation resolution taken on 1 July 2005 exercise their conversion or option rights or if the bearers of convertible bonds fulfil their obligation to convert their bonds, with the consequence that treasury shares do not have to be used in order to fulfil these rights. In the fiscal year 2010, a total of 1,601 convertible bonds were converted to 3,494 shares.

As a general rule, the new shares participate in profit as of the beginning of the fiscal year in which they arise through the exercising of the bearers' conversion or option rights. Subject to the approval of the Supervisory Board, the Executive Board is authorised to stipulate further details regarding the implementation of the conditional capital increase.

In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II may also be used to grant shares to the holders of participation rights with conversion and option rights (supplementary shareholders' resolution).

8. Schaltbau Holding AG's main loan agreements include change-of-ownership clauses, which allow creditors extraordinary cancellation rights.

9. The Company has not concluded any compensation agreements, either with members of the Executive Board or with employees, regarding employment termination in the event of a takeover offer.



CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289A OF THE GERMAN COMMERCIAL CODE (HGB)

Principles of Corporate Governance and cooperation between the Executive Board and the Supervisory Board

Schaltbau is fully committed to a high standard of responsible, transparent corporate governance. This approach is intended to foster the trust of investors, employees, business partners and the public in the management and monitoring of the Company. The guidelines contained in the Schaltbau Group's Code of Conduct set out minimum standards of conduct that are binding for all Schaltbau Group employees worldwide. The complete Code of Conduct is published on the Schaltbau Holding AG website under http://www.schaltbau.de/de/ir/cg-entsprechenserklaerung.htm.

The main principles of Corporate Governance are presented in the Corporate Governance Report, which is included in the Annual Report.

Shareholders and Annual General Meeting

The shareholders of Schaltbau Holding AG exercise their rights at the Annual General Meeting. The Annual General Meeting takes place once a year within the first eight months of the following fiscal year. The Chairman of the Supervisory Board chairs the Annual General Meeting, which then decides on the tasks for which it is responsible.

The agenda, directions on how to get there and information on voting proxies are published on the Company website in good time with the aim of making participation in the Annual General Meeting of Schaltbau Holding AG as straightforward as possible for shareholders. The shareholders can also obtain proxy voting forms from the website with which to designate an authorised proxy for the Annual General Meeting, who is obliged to vote in accordance with the shareholder's instructions.

Supervisory Board

In accordance with § 8 (1) of the Articles of Incorporation, the Supervisory Board of Schaltbau Holding AG comprises six members. One third of these are employee representatives and the remaining two thirds represent shareholders. The shareholder representatives are elected at the Annual General Meeting and the staff representatives are elected by employees. The Supervisory Board elects its chairman from among its members. The term of office of the shareholders' representatives will cease at the end of the Annual General Meeting, during which the shareholders will vote on ratifying the actions of the Supervisory Board for the fiscal year 2010.

The Supervisory Board appoints the members of the Executive Board. The Supervisory Board both monitors and advises the Executive Board in the governance of the Company's affairs. The Executive Board requires the approval of the Supervisory Board for major decisions. The Supervisory Board meets at regular intervals four times a year. It examines the Company Financial Statements and the Consolidated Financial Statements and, on this basis, adopts the Company Financial Statements and approves the Consolidated Financial Statements.

The Supervisory Board of Schaltbau Holding AG currently has a Personnel Committee, consisting of the members Hans-Jakob Zimmermann, Dr. Stefan Schmittmann and Marianne Reindl. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee. 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, however, in view of the size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that procedures are in place to ensure a consistent flow of corporate and other relevant information to all members of a six-person Supervisory Board.

Executive Board

The Executive Board manages the business under its own responsibility. It reports regularly, promptly and comprehensively to the Supervisory Board in both written and oral reports on business performance, corporate strategies, fundamental issues relating to financial, investment and personnel policies as well as on the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. A D&O insurance policy has been taken out for the members of the Executive and Supervisory Boards. A deductible has been contractually agreed upon for the members of the Executive Board with effect from the beginning of 2010.

Financial reporting and external audit

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Consolidated Financial Statements are submitted by the Executive Board, audited by the external auditors and examined and approved by the Supervisory Board. The Consolidated Financial Statements are made accessible to the public.

The external auditor reports to the Supervisory Board on any significant findings and events resulting from the external audit that could be of relevance for the work of the Supervisory Board. The Chairman is informed if the external auditor detects facts that point to an inaccuracy with respect to the Declaration of Compliance submitted by the Executive Board and the Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

Transparency

Schaltbau Holding AG utilises its website (www.schaltbau.de) to provide information to shareholders and investors promptly. In addition to the Annual Report, which also includes the Corporate Governance Report and Interim Financial Reports, shareholders and third parties are additionally kept informed of the latest developments by means of ad hoc announcements and press releases. Schaltbau Holding AG publishes a financial calendar displaying all important dates and corporate publications well in advance. In accordance with § 10 of the Securities Prospectus Act (WpPG), all publicly listed companies are annually required to provide the public with a document containing all information published or otherwise made public by them within the preceding twelve months in compliance with corporate or capital market regulations. The "Annual Document" can be downloaded at: www.schaltbau.de.

Declaration of Compliance pursuant to § 161 AktG as at 16 December 2010

Declaration of the Executive Board and the Supervisory Board of Schaltbau Holding AG regarding the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to § 161 AktG ("Declaration of Compliance").

The Executive Board and the Supervisory Board of Schaltbau Holding AG issued the last Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG on 9 December 2009. The following declaration relates to the version of the Code dated 18 June 2009 and published on 5 August 2009 in the electronic Federal Gazette for the period from 9 December 2009 to 2 July 2010. For the period from 3 July 2010 onwards the following declaration relates to

the recommendations of the Code contained in the version dated 26 May 2010 and published on 2 July 2010 in the electronic Federal Gazette.

The Executive Board and the Supervisory Board of Schaltbau Holding AG hereby declare that the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are being observed, with the following exceptions:

Re 3.8:
Schaltbau Holding AG is principally not of the opinion that the degree of motivation and responsibility with which the members of the Executive Board and the Supervisory Board perform their duties will be enhanced by the introduction of a deductible. The D&O insurance policy taken out for the benefit of the Supervisory Board will thus remain without provision for a deductible. The Executive Board contracts of service includes a deductible for Executive Board members in accordance with regulations.

Re 4.2.3:
There is no plan to introduce stock option models as variable compensation components for Executive Board members. Long-term incentives for the Executive Board should continue to be primarily achieved by means of variable compensation components that relate to the extent of Group profits. Thus the compensation of individual Executive Board members consists solely of fixed and success-oriented components because the Supervisory Board is of the opinion that stock option models are only limitedly suitable as an incentive for the Executive Board.

The contracts of service for Executive Board members do not include payment arrangements either pertaining to the premature termination of their positions in the Executive Board or termination resulting from a change of control. Thus in case of premature termination of a position in the Executive Board, the necessary flexibility is retained to allow an appropriate agreement to be reached in keeping with the particular situation.

Re 4.2.4 / 4.2.5:
The total compensation of each member of the Executive Board will not be disclosed as a result of the resolution taken at the Annual General Meeting on 7 July 2006.

Re 5.1.2:
Due to the function of Schaltbau Holding AG as holding company, the number of staff members it employs is limited. For this reason, a long-term succession plan primarily based on the selection of potential internal successors is not practicable. In view of the current ages of the Executive Board members and the terms of their appointments, there is currently no age limit in place for Executive Board members.

Re 5.2 / 5.3:
The Supervisory Board has formed a Personnel Committee. An Auditing Committee has been provided for under the rules of procedure of the Supervisory Board, but has, however, not been formed due to the total size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that a consistent flow of all company and other relevant information to all members of a 6-person Supervisory Board is eminently achievable.

Re 5.4.1:
When making proposals for the selection of Supervisory Board members, apart from observing the statutory regulations, the Supervisory Board solely takes each candidate’s technical and personal suitability into consideration as well as their proper fitness for the purpose of promoting the function of the Supervisory Board. This includes, for instance, the selecting of members with suitable corporate experience. The Supervisory Board does not wish to name more specific aims for its composition, as the mere naming of any such aims will not necessarily lead to an improvement in the quality of the work of the Supervisory Board.

Re 5.4.6:
The compensation of Supervisory Board members is stipulated in the company's Articles of Association and specifically explained in the compensation report contained both in the Group Management Report and in the Corporate Governance report. For this reason, further disclosure of individual compensation is not currently provided for.

Membership in committees is not taken into account in the compensation of Supervisory Board members because there are currently no other committees apart from the Personnel Committee.

Re 7.1.2:
A specific review does not take place between the Executive Board and the Supervisory Board prior to the publication of half-yearly or quarterly financial reports. The assets, financial and profitability situation is regularly reviewed within the framework of Supervisory Board meetings and whenever the need arises on the strength of monthly reporting to the Supervisory Board. The Executive Board sees this as the only way to preserve the flexibility required for legal reasons, particularly in the case of subject matter relevant to ad hoc publicity.

Due to the international structure of the Group and the resulting complexity, the Group financial statements have not been made publicly accessible within 90 days after the end of the fiscal year.

Outlook

According to the latest predictions, the world economy will continue to grow in 2011, but with less momentum and marked differences from one region to the next. Economic output in the larger emerging markets has meanwhile outstripped the volumes seen prior to the financial and economic crisis, whereas to date the USA is the only industrialised country that has been able to compensate for the slump in gross domestic product caused by the crisis. Particularly in Japan the economy is only recovering very sluggishly. According to current predictions, Germany is likely to have caught up with the massive losses in production volumes by the end of 2011 and will continue to play the role of economic driving force in the eurozone.

In view of these assessments, the prospects for the various business fields of the Schaltbau Group can be regarded in a thoroughly positive light. However, there are a numerous incalculable economic risks that not only result from the delicate situation on financial markets. Sovereign debt is extraordinarily high in many countries, particularly in the eurozone. Greece and Ireland, which have already been obliged to seek help from the European Financial Stabilisation Mechanism (EFSM), are having considerable problems implementing the required savings measures among their populations. Other countries are also currently hit and could follow, with consequences for social stability and public expenditure that are difficult to assess.

The economy in China is currently running at full speed, albeit at the cost of high inflation, which could cause a delayed reaction on European markets. The current economic upturn in the USA is nevertheless overshadowed by a housing market that is still considerably at risk. Till now, economic forecasts have hardly taken the uprisings in North Africa and the Middle East into account. Here again it is not possible to predict which influence the political upheavals in these regions will have on the global economic climate.

It also means that the relevant industries will have to expect a large degree of market volatility that will be impacted by greatly varying factors from one region to the next, including fluctuations on currency markets.

In view of these factors, the Schaltbau Group will be looking to position itself in an increasingly global way during the coming years. The strategy will be consistently implemented step by step. The indirect takeover of a 67% holding in Bode Corporation at the beginning of 2010 reinforced the Group's position on the rail and bus market in North America. The complete takeover of Schaltbau North America Inc. at the beginning of 2011 supports the Group's regional components business in the railway and industrial sectors. In the field of door systems for railway vehicles, buses and trams, an increase in the share in the Polish company Rawag and the option to acquire a majority holding is paving the way for access to the markets of Eastern Europe. The new majority holding in South Korea is enabling Bode to enter another important Asian market.
Schaltbau is striving to expand its local presence in its most important target markets, not only in sales and engineering. Only by producing locally can the Group practically synchronise its flows of goods and keep financial hedging as a method of compensating for currency fluctuations to a minimum.

The Schaltbau Group started well into 2011 and production is currently seeing a high level of incoming orders as well as good capacity utilisation in the first months of the year. However, bottlenecks in materials procurement and rising raw material prices continue to be experienced. The Executive Board views the remaining course of the year with cautious optimism and is confident that the forecasts for the fiscal year 2011 made at the beginning November 2010 will be fulfilled at the very least. The forecast states that the Schaltbau Group is likely to record sales of approximately € 290 million with EBIT figures of € 23.5 million. Group net profit is expected to reach € 15.8 million the earnings per share will thus reach € 7.20 (undiluted).

With its strong focus on customers in the railway industry and its good positioning in several major fields of industrial growth, the Schaltbau Group stands on solid ground. In the field of Door Systems for Railway Vehicles, the Mobile Transportation Technology segment has a medium- and long-term order book that already now ensures sales revenues at the previous year's levels when supplemented by short-term orders for spare parts. The market environment for door systems for buses, which is far more prone to economic fluctuation, is expected to behave seasonally in 2011, similar to the previous year. In the Stationary Transportation Technology segment, the ongoing continuity of funding from customers in the field of railway technology will ensure constant business performance for the Rail Infrastructure business field. The Brake Systems business field is expected to perform well as the far longer project list and the currently well-filled order book are greatly improved on those of the previous year. The fundamental trend in the Components segment continues to point upwards. The recovery in the industrial field is likely to continue and China will remain the driving force of growth.

The business environment for the sectors relevant to the Schaltbau Group in fiscal year 2012 is expected to remain generally favourable. International demand in the railway sector is predicted to be stable. The Group's good market positioning and the high acceptance of its innovative products is likely to mean that the Door Systems for Railway Vehicles product group in particular continues to gain market share. As the market for industrial applications continues its upward trend, the increasingly strong penetration of new growth markets such as that of renewable energy should also enable the Schaltbau Group to gather momentum for increased expansion. For this reason both sales and earnings are likely to continue growing in 2012.

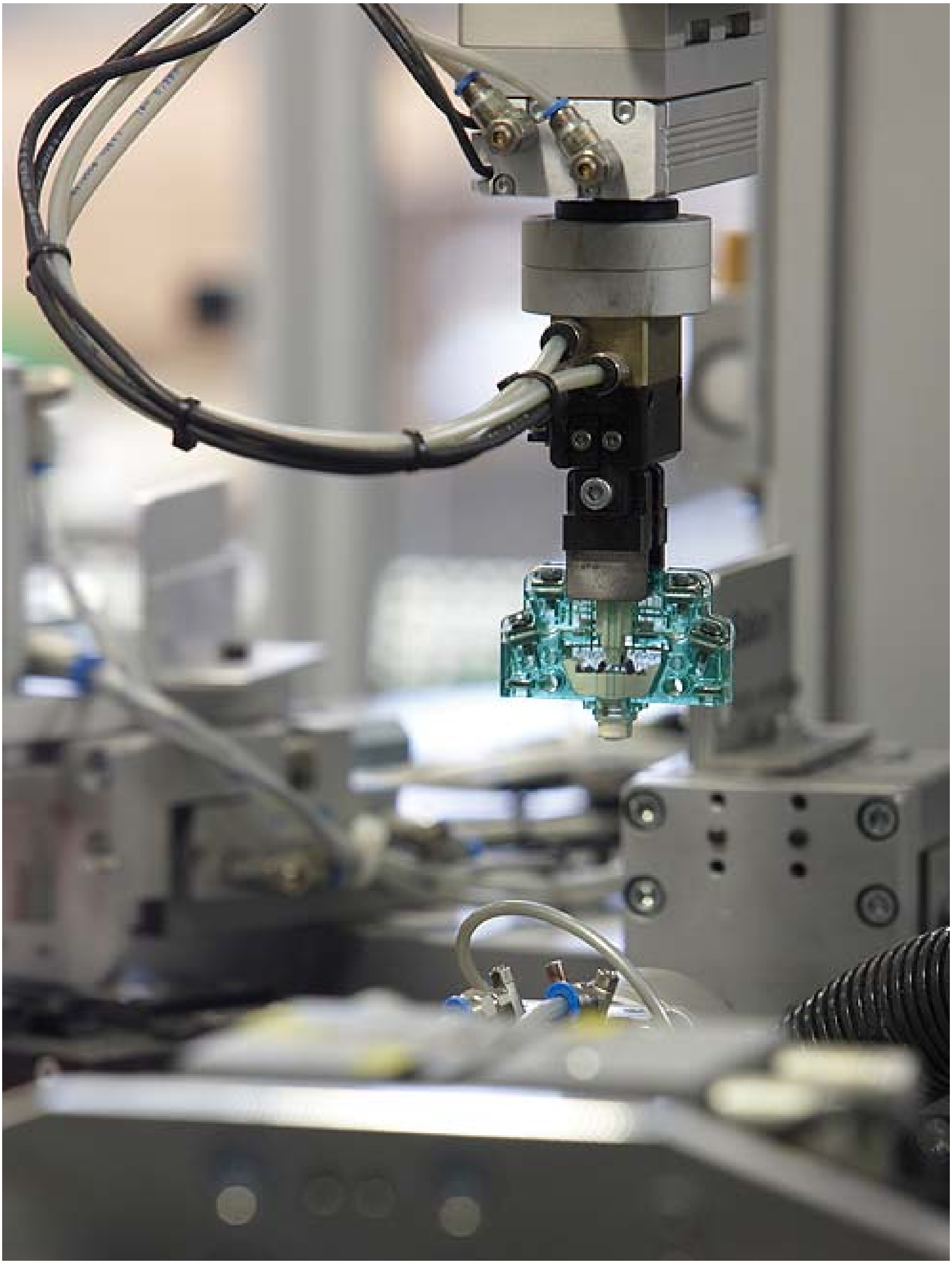
The medium-term forecast for the Schaltbau Group remains closely interwoven with the prospects of the railway industry. In this respect the basic trends continue to be favourable. Particularly in the developing and emerging countries a rapid increase in urbanisation is to be expected, which is likely to result in greater volumes of traffic and have a correspondingly negative impact on the environment. At the same time the world's crude oil reserves are constantly shrinking, which will inevitably lead to considerable rises in the cost of individual mobility. The resulting challenges can only be met globally, and this is exactly where railway transportation offers key solutions due to its sustainability, energy efficiency and climate compatibility.

Thus an increased international expansion of railway networks is to be expected. Secondly, the development will have a positive impact on mass transit systems. Bus transportation will also profit from this trend. The increasing use of railways and buses as global methods of transportation opens up corresponding opportunities for the companies of the Schaltbau Group, which are to be additionally made use of through the consistent expansion of existing business and augmented by means of specific acquisitions as the need arises.

Other disclosures

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

Munich, 23 March 2011
The Executive Board



The Schaltbau share

After a weak start to the stock market trading year 2010 caused by sovereign debt concerns within the euro zone, international share markets staged a powerful recovery in March on the back of a continual stream of positive company news and then proceeded to tread water for an extended period with a relatively high degree of fluctuation. Increasing business confidence and a further upward trend in corporate earnings led to a dynamic rise in share prices during the last three months of 2010. At the end of the trading year the DAX stood at 6,914 points; 16.1 per cent up on the level seen at closing one year earlier. The small caps of the German share market profited to an even greater degree from the upswing seen in 2010. The SDAX revived sharply to reach 5,174 points at the year's end, 45.8 per cent up on the last day of trading in 2009.

Schaltbau share rises by 46.8 per cent

The Schaltbau share performed very pleasingly in this positive environment. After finishing 2009 at € 39.00, the price firstly sank to € 33.85 on 28 January 2010, marking its lowest point for the year. However, the share soon won back lost ground in the months of February and March. Three phases then followed, in which sharp price rises were each followed by periods of lateral movement. In the third of these upward phases, the Schaltbau share reached its highest point of the year at € 61.00 on 22 November. Schaltbau finished the trading year 2010 at a price of € 57.25, 46.8 per cent higher than that recorded on the previous year's final day of trading.

Slight improvement in MDAX/SDAX ranking

At the balance sheet date on 31 December 2010 the share capital of Schaltbau Holding AG amounted to € 6,863,092.92, divided into 1,875,162 shares. The company holds 5,000 of its own shares. One year earlier the share capital totalled € 6,850,304.88 or 1,871,668 shares. The increase during the period under report was a result of the placement of convertible bonds at a total nominal value of € 8.5 million determined in June 2007. The exercising of conversion rights in the last quarter led to an increase in the total number of shares by 3,494 and the share capital by € 12,788.04.

A total of 1,229,419 Schaltbau shares were traded in the fiscal year 2010. Altogether, 308,990 more Schaltbau shares were traded than in the previous year. The market value rose far more sharply to € 56.3 million due to the higher average share price over the year after totalling € 32.1 million the previous year. Schaltbau improved its ranking to 95th in terms of the MDAX/SDAX criterion 'trading volume' at the end of December 2010 (end of December 2009: 98th) and was ranked 109th in terms of market capitalisation (end of December 2009: 108th).

Changes in institutional investors

There were significant changes in the shareholder structure with regard to institutional investors in the course of the year under report. In March 2010 Golden Peaks Capital Management Ltd. reported a reduction in its share in Schaltbau Holding AG to approximately 2.4 per cent, compared to around 5.4 per cent at the end of 2009.

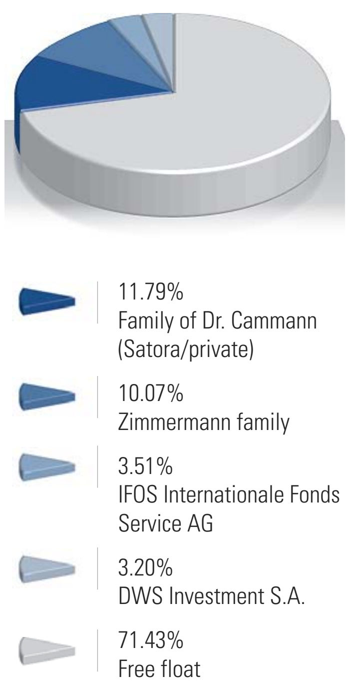
According to the voting rights announcement made on 12 May 2010, Deutsche Asset Management (Japan) Limited reported its share in Schaltbau Holding AG as being 3.2 per cent. On 17 December the company reported that its share had fallen below the 3-per-cent threshold to 2.1 per cent. Furthermore, in a voting rights announcement on 4 January 2011, DWS Investment S.A. stated having exceeded the 3-per-cent reporting threshold to own 3.2 per cent of Schaltbau shares on 30 December 2010. According to voting rights announcements, IFOS Internationale Fonds Service AG has held 3.5 per cent of Schaltbau Holding AG stock since September 2007. The company is aware of a total of 20 shareholders from various investment companies who cumulatively hold approximately 19.5 per cent of Schaltbau stock.

In contrast, there were no changes to the shares in Schaltbau Holding AG held by family shareholders. The Cammann family, i.e. SATORA Beteiligungs GmbH, continues to own a share of approximately 11.8 per cent in Schaltbau Holding AG. The Zimmermann family continued to hold 10.1 per cent of Schaltbau Holding AG stock at the end of 2010.

Open, comprehensive dialogue with the capital market

In the field of investor relations, Schaltbau Holding AG continues to place great emphasis on an active dialogue with the capital market. Apart from the high degree of transparency required for membership in

Shareholder structure*



* Stockholdings subject to report as at 31 December 2010

the Prime Standard segment, the company maintains open, active communication with both shareholders and investors. In this respect, apart from the obligatory publication of Directors' Dealings, ad hoc and voting rights announcements, investors were again swiftly and reliably informed concerning the latest developments and events by means of press releases and interim reports in both German and English throughout the fiscal year 2010.

One of the company's main focuses of investor relations activities was communication with the capital market, particularly the addressing of potential investors, both in Germany and abroad and the investor group asset managers, particularly influential in the German small caps market. Key measures in this respect took the form of road shows and participation in analyst and investor conferences such as the German Equity Forum, at which the Executive Board took the opportunity to present the Schaltbau Group and its future prospects to key investment decision-makers in numerous personal discussions.

The internet has proven to be a reliable information platform for many years. Schaltbau AG continues to promptly publish all relevant information, for example with regard to the share and the shareholder structure, Director's Dealings and current financial dates on its website: www.schaltbau.de. Interested parties can also visit the "Download" section to access annual and interim reports, information on the Annual General Meeting, analysts' recommendations, ad hoc announcements and press releases as well as other important documents concerning the Schaltbau Group.

Xetra, closing prices		**2010**	2009	2008
Highest	€	**61.00**	44.15	54.00
Lowest	€	**33.85**	26.05	28.50
End-of-year price	€	**57.25**	39.00	38.80
Earnings per share (undiluted)	€	**6.50**	6.62	6.35
Earnings per share (diluted)	€	**6.09**	6.19	5.94
Number of shares		**1,875,162**	1,871,668	1,871,668
Share capital	€ m.	**6.86**	6.85	6.85
Market capitalisation as at 31 December	€ m.	**107.35**	73.00	72.62
Trading volume all exchanges/Xetra	€ m.	**56.26**	32.06	62.54
Shares traded		**1,229,419**	920.429	1,516,967


1Y
Jan 4

Corporate Governance Report of Schaltbau Holding AG, Munich

Corporate Governance at Schaltbau

Schaltbau is fully committed to a high standard of responsible corporate governance. The German Corporate Governance Code stipulates guidelines for achieving this aim and makes the corporate governance system both transparent and comprehensible. Both the Executive Board and the Supervisory Board of Schaltbau Holding AG have always been aware of their responsibility for a transparent style of corporate governance and control aimed at sustainable growth in company value. For this reason they emphatically endorse the recommendations contained in the German Corporate Governance Code and see them as an additional opportunity to improve the performance of the Company and cement the trust of its shareholders, business partners and staff.

The following Corporate Governance Report serves to summarise the essential principles of corporate governance crucial for the governance of Schaltbau Holding AG. Furthermore, Schaltbau Holding AG has also issued a Corporate Governance Statement in accordance with § 289a of the German Commercial Code (HGB).

General information regarding management structure

Schaltbau Holding AG is subject to the regulations enshrined in the German Stock Corporation Act, the One-Third Participation Act and the capital market regulations as well as the provisions laid down in the Articles of Incorporation and the rules of procedure governing the actions of both the Executive Board and the Supervisory Board. Schaltbau Holding AG is governed by a dual management and monitoring structure consisting of two bodies: the Executive Board and the Supervisory Board. The Executive Board and the Supervisory Board are both committed to and aware of their duty to safeguard the best interests of both the shareholders and the Company as a whole. The Annual General Meeting is the third body of the Company.

Executive Board

The Executive Board of Schaltbau Holding AG (currently consisting of two members) manages the Company and conducts its commercial operations. The Executive Board is responsible for the strategic orientation of the Schaltbau Group, for preparing and determining financial planning and also for monitoring both the company's participating interests and financing throughout the Group. It performs these duties in close cooperation with the Supervisory Board. Furthermore, the Executive Board is responsible for preparing the reports required by law such as company and group financial statements as well as interim reports. It also ensures that appropriate risk management measures are in place, including the internal control system, and reports regularly, promptly and comprehensively to the Supervisory Board on all questions of strategy relevant to the Group, corporate planning, business performance, financing, risk management and compliance. Matters subject to the approval of the Supervisory Board are defined in the Executive Board's rules of procedure. Responsibilities within the Executive Board are governed by an organisational chart. The activities of the Executive Board are geared towards long-term, sustainable growth in company value.

Supervisory Board

In accordance with § 8 clause 1 of the Articles of Incorporation, the Supervisory Board of Schaltbau Holding AG comprises six members. One third of these are staff representatives and the remaining two thirds represent shareholders. The shareholder representatives are elected at the Annual General Meeting and the staff representatives are elected by the members of the staff. The Supervisory Board has a five-year term of office. The last regular reelection of the Supervisory Board took place at the Annual General Meeting held on 7 July 2006.

The Chairman performs the external duties of the Supervisory Board. The Supervisory Board both monitors and advises the Executive Board in business matters. The Supervisory Board holds regular discussions with the Executive Board regarding strategy and its implementation, planning, current business performance, the risk situation and topics related to compliance. It adopts the annual budget and Company Financial Statements of Schaltbau Holding AG and approves the Consolidated Financial Statements with due consideration to the written and oral reports supplied by the external auditors. The Supervisory Board is also responsible for appointing and removing Executive Board members.

The Supervisory Board of Schaltbau Holding AG currently has one Personnel Committee consisting of three members. The Chairman of the Supervisory Board is also Chairman of the Personnel Committee. In view of the size of the committee, the Supervisory Board refrained from forming either a Nomination Committee or an Audit Committee. Further committees can be formed as the need arises. There are no former members of the Executive Board on the Supervisory Board.

The Supervisory Board may adopt resolutions provided that a minimum of four members take part in the procedure. Resolutions may be adopted by means of a simple majority. If the number of votes on both sides is equal, the Chairman of the Supervisory Board has the casting vote.

Based on its own assessment, the Supervisory Board has a sufficient number of independent members. The effectiveness of the Supervisory Board is subject to annual review. There were no indications of conflicts of interest on the part of Supervisory Board members during the year under report.

The Executive Board and the Supervisory Board cooperate closely and in an atmosphere of trust to safeguard the best interests of Schaltbau Holding AG. Please see the Report of the Supervisory Board for supplementary information regarding the main focus of co-operation between the Executive Board and the Supervisory Board.

Annual General Meeting

The shareholders exercise their right to vote at the Annual General Meeting. Schaltbau Holding AG has voting stock only. Each share entitles its holder to one vote. The Annual General Meeting takes place once a year within the first eight months of the fiscal year. The agenda of the Annual General Meeting is published on the Company's web-site, including all of the necessary reports and documents pertaining to it.

The Annual General Meeting makes decisions in all matters empowered to it by law, with particular regard to the use of unappropriated profit, the election of the Supervisory Board, the ratification of the actions of the members of both the Executive Board and the Supervisory Board, the appointment of the external auditors, changes to the Articles of Incorporation and corporate activities. Every shareholder has the right to participate in the Annual General Meeting.

In order to facilitate the exercising of their individual rights, Schaltbau Holding AG gives shareholders the option to vote via a company proxy who is bound to vote in accordance with their instructions at the Annual General Meeting. The invitation to the Annual General Meeting includes an explanation as to how voting instructions can be given prior to the meeting. Shareholders can, however, also be represented by a proxy of their choice.

The registration and legitimation procedure complies with the legal and customary international "record date" procedure. Shareholders must legitimate their participation at the Annual General Meeting at least 21 days in advance.

The Supervisory Board consists of the following persons:

Shareholder representatives

Karl-Uwe van Husen

Peter Jahrmarkt
(Deputy Chairman)

Dr. Stefan Schmittmann

Hans Jakob Zimmermann
(Chairman)

Staff representatives

Marianne Reindl

Horst Wolf

Financial reporting and risk management, external audit

The Consolidated Financial Statements of Schaltbau Holding AG are prepared in accordance with International Financial Reporting Standards (IFRS). The Company Financial Statements of Schaltbau Holding AG are prepared in accordance with the German Commercial Code (HGB). Both the Consolidated and Company financial statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as elected at the Annual General Meeting in accordance with a proposal made by the Supervisory Board.

The Chairman of the Supervisory Board issued the audit engagement letter after assuring himself of the impartiality of the external auditors prior to putting forward the proposal at the Annual General Meeting. The Chairman of the Supervisory Board also came to an agreement with the external auditors to the effect that they immediately report to the Supervisory Board all significant findings and events resulting from the external audit.

The risk management system implemented in the Schaltbau Group is designed with the dual purpose of detecting or anticipating risks at an early stage in order to avoid losses to the company on the one hand and of making conscious use of any business opportunities that present themselves on the other. The risk management system, including the account-related internal control system, and the specific risks to the Group are described in detail in the opportunities and risks report, which is part of the Group Management Report.

Transparency

Schaltbau Holding AG utilises the company website in order to provide shareholders and investors with prompt information: www.schaltbau.de. In addition to the annual report and various interim reports, shareholders and third parties are additionally kept informed of the latest developments by means of ad hoc announcements and press releases. Schaltbau Holding AG publishes a financial calendar displaying all important dates and company publications well in advance. In accordance with § 10 of the Securities Prospectus Act (WpPG), all publicly listed companies are annually required to provide the public with a document containing all information published or otherwise made public by them within the preceding twelve months in compliance with company or capital market regulations. The "Annual Document" can be downloaded at: www.schaltbau.de.

Directors' dealings, major participations and shareholdings subject to notification in accordance with number 6.6 of the German Corporate Governance Code

Notifications regarding the transactions of members of management in accordance with § 15a of the Securities Trading Act (WpHG)

In accordance with Securities Trading Act (WpHG) regulations, Schaltbau Holding AG promptly discloses any notification of directors' dealings in accordance with § 15a WpHG, i.e. any notification involving members of the Executive Board, the Supervisory Board or any individuals who perform management functions in the legal sense of § 15a WpHG as well as any persons or legal entities closely related to any of the above mentioned with regard to the purchase or sale of Schaltbau Holding AG stock. These reports are also published on the Company's website at: www.schaltbau.de.

Major participations

The Company promptly publishes any notifications received regarding the purchase or sale of major participations in accordance with § 21 of the Securities Trading Act (WpHG) or pertaining to the holding of respective financial instruments in accordance with § 25 WpHG.

Shareholdings of Executive Board and Supervisory Board members

Members of the Executive Board and the Supervisory Board hold the following Schaltbau Holding AG stock (WKN 717030) or related financial instruments (WKN A0TFWY) either directly or indirectly through related individuals or companies:

Stock option programmes and similar securities-related incentive systems

Schaltbau Holding AG does not currently have a stock option programme or any such similar securities-related incentive system in place.

In 2010 an individual share subscription programme was offered to a selected circle of employees with special entitlements, which primarily relates to the chief executive officers of German group companies.

Compensation of Executive Board and Supervisory Board (Compensation Report)

The compensation system at Schaltbau Holding AG is based on the principles of performance and results and stands for a corporate culture of mutual service. The 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 compensation components comprise annually recurring components which depend on the development of Group net profit. A pension plan is not currently in place.

Criteria for the appropriateness of the compensation include the individual tasks 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 consideration, the customary amount of the compensation and the compensation structure in view of the wage and salary structure both within the enterprise itself and in other companies of comparable size within the same 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 long-term assessment and include regulations providing 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 compensation components are limited to a maximum amount.

In accordance with the new statutory regulations 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 the resolution passed at the Annual General Meeting held on 7 July 2006, the compensation of individual members of the Executive Board will not be publicly disclosed.

Person subject to report	Position	Shareholding at 31 Dec. 2010	Convertible bonds at 31 Dec. 2010
Dr. Jürgen Cammann	Spokesman of the Executive Board	221.100	768 Stck. (76.800,00 €)
Hans Jakob Zimmermann	Chairman of the Supervisory Board	188.786	7.920 Stck. (792.000,00 €)
Peter Jahrmarkt	Deputy Chairman of the Supervisory Board	2.098	–

Compensation for the active members of the Executive Board totalled € 1,000,000 for the fiscal year 2010. The compensation includes payments in kind resulting from the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each of the members of the Executive Board.

In legal terms, the contracts of service for the members of the Executive Board 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 € 88,000 in 2010. Pension provisions totalling € 554,000 (IFRS) are recognised at 31 December 2010.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2010.

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. This results in basic compensation totalling € 112,500 in 2010.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. The dividend paid in 2010 was above this level and for this reason a total of € 38,668.20 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 13,500 for additional time spent on behalf of the company in 2010.

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 members of the Executive Board as of 2010.

Declaration of Compliance in accordance with § 161 of the Stock Corporation Act (AktG)

The Declaration of Compliance, required to be issued annually by the executive and supervisory boards of publicly listed companies in accordance with § 161 AktG, was last issued on 16 December 2010 and is an integral part of the Corporate Governance Statement, which is in turn an integral part of the Management Report.

Munich, April 2011

The Executive Board
The Supervisory Board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Explanatory Report of the Executive Board of Schaltbau Holding AG
on the information required pursuant to § 289 (5) and § 315 (2) no. 5 HGB

Legal background

The Financial Reporting Modernisation Act (BilMoG) which came into force on 29 May 2009 has, among other things, resulted in amendments to § 289 and § 315 of the German Commercial Code (HGB) as well as to § 120 and § 175 of the German Stock Corporation Act (AktG). Under the new regulations, the Executive Management is required to present a written report to shareholders at the Annual General Meeting on the new mandatory disclosures in the management report (pursuant to § 289 (5) HGB) and in the group management report (pursuant to § 315 (2) no. 5 HGB) relating to the internal control and risk management systems as relevant for the individual entity and group financial reporting processes.

Subsequent to the coming into force of this legislation, the Shareholder Directive (ARUG) has been transformed into German Law. This later legislation incorporates the requirements for Explanatory Reports into § 176 (1) AktG and revokes the provisions previously contained in § 120 (3) sentence 2 and §175 (2) sentence 1 AktG. However, neither the reference to § 289 (5) HGB (added in conjunction with BilMoG) nor the management report disclosures on the internal control and risk management systems, as relevant for financial reporting processes, have been included in the new act. It is not clear at present whether this is merely an editorial error and whether there is still a requirement to present an Explanatory Report on the information required pursuant to § 289 (5) HGB and § 315 (2) no. 5 HGB now that the Shareholder Directive has come into force. As a precautionary measure, the Executive Board of Schaltbau Holding AG has decided to present such a report also for the fiscal year 2010.

Object of report

According to the explanatory memorandum attached to BilMoG, an internal control system (ICS) covers the set of principles, procedures and measures taken to ensure that financial reporting systems are functioning effectively, economically and properly and that relevant regulations are complied with. This also includes the internal audit function to the extent relevant for financial reporting.

The internal control system relevant for financial reporting covers the control and monitoring processes in place to manage accounting and financial reporting risks, in particular those relevant for commercial accounting purposes.

Main characteristics of internal control and risk management relevant for financial reporting processes

The main characteristics of the internal control and risk management systems as far as they relate to individual entity and group financial reporting processes can be described as follows:

- The Schaltbau Group has clearly defined organisational, corporate and control / monitoring structures;

- Groupwide planning, reporting, controlling and early warning monitoring systems/ processes are in place to ensure comprehensive analysis and appropriate management of risk factors that could have a bearing on earnings or that could endanger the going-concern status of the Group and its entities;

- Functions relevant for the financial reporting process (e.g. accounting and controlling) are clearly delineated;

- IT systems used for accounting and financial reporting purposes are protected against unauthorised access;

- Standard software is utilised in most cases to operate accounting and financial reporting systems;

- An appropriate internal reporting system (including groupwide risk management guidelines) is in place and revised when necessary;

- The departments involved in financial reporting processes meet the necessary requirements, both in quantitative and qualitative terms;

- The dual control principle is applied consistently throughout all processes relevant for accounting and financial reporting.

- The main processes relevant for financial reporting are regularly tested by the Group's external auditors.

- The Group's external auditors assess the effectiveness of the early warning monitoring system in accordance with § 317 (4) HGB;

- The Supervisory Board considers, amongst its various other duties, the execution and effectiveness of the internal control system relevant for financial reporting as well as risk management within the Group.

The objective of the internal control system for financial reporting within the Schaltbau Group, as described above, is to ensure that the accounting records are maintained properly and that the relevant statutory regulations are complied with. It is ascertained that the transactions are fully, promptly and correctly recorded, processed and documented in accordance with statutory regulations, the Articles of Incorporation and in-house guidelines.

The clearly defined organisational, corporate and control / monitoring structures as well as appropriate staffing levels and other resources provide the basis for the relevant departments to execute their work efficiently. Clear instructions and guidelines throughout the Group ensure that the financial reporting process is working properly and consistently. Clearly-defined control mechanisms in areas relevant for accounting and financial reporting purposes, testing by the Group's external auditors and early identification of risks with the aid of the risk management system ensure that financial reporting by Schaltbau Holding AG and all other entities included in the consolidated financial statements is appropriate and in compliance with legal requirements.

Annual Document
in accordance with § 10 of the Securities Prospectus Act (WpPG)

In accordance with § 10 clause 1 of the Securities Prospectus Act (WpPG), Schaltbau Holding AG is required to publish a so-called "Annual Document" at least once a year. This must either include or make reference to all information that Schaltbau Holding AG has published or made available to the public in accordance with the regulations listed in § 10 clause 1 of the Securities Prospectus Act (WpPG).

Schaltbau Holding AG has established a special "Annual Document" category on its internet website "www.schaltbau.de" in the "Investor Relations" section, under which all publications in accordance with § 10 clause 1 of the Securities Prospectus Act (WpPG) have been collated. This information is available as follows:

Ad hoc releases
www.schaltbau.de, category: Investor Relations / Ad hoc release

Directors' dealings
www.schaltbau.de, category: Investor Relations / Corporate Governance / Directors' dealings

Voting Rights announcements
www.schaltbau.de, category: Investor Relations / Annual Document

Total Voting Rights announcements
www.schaltbau.de, category: Investor Relations / Annual Document

Interim reports
www.schaltbau.de, category: Investor Relations / Financial information

Annual report including consolidated financial statements and management report
www.schaltbau.de, category: Investor Relations / Financial information

Consolidated financial statements and management report of Schaltbau Holding AG
www.schaltbau.de, category: Investor Relations / Financial information

Invitation to Annual General Meeting
www.schaltbau.de, category: Investor Relations / Annual General Meeting

Agenda of Annual General Meeting
www.schaltbau.de, category: Investor Relations / Annual Document

Dividend announcement
www.schaltbau.de, category: Investor Relations / Annual Document

Announcement convertible bonds
www.schaltbau.de, category: Investor Relations / Annual Document

Announcement in accordance with § 30b clause 1 sentence 1 number 2 of the Securities Trading Act (WpHG)
www.schaltbau.de, category: Investor Relations / Annual Document

Announcement in accordance with article 4 clause 4 VO (EG) no. 2273/2003
available under: www.schaltbau.de, category: Investor Relations/ Annual Document
No announcements were published in accordance with Art. 4 (4) VO (EG) No. 2273/2003 in the fiscal year 2010.

Advance announcement in accordance with § 37v, 37w, 37x Securities Trading Act (WpHG)
www.schaltbau.de, category: Investor Relations / Annual Document

Consolidated Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2010

In € 000	Notes	2010	2009
1. Sales	(1)	280,417	269,769
2. Change in inventories of finished goods and work in progress	(2)	6,637	-9,141
3. Own work capitalised		1,531	1,448
4. Total output		**288,585**	**262,076**
5. Other operating income	(3)	5,594	5,035
6. Cost of materials	(4)	147,734	132,387
7. Personnel expense	(5)	87,292	81,729
8. Amortisation and depreciation		6,383	6,131
9. Other operating expenses	(6)	29,008	26,545
Profit from operating activities		**23,762**	**20,319**
a) Result from at-equity accounted investments		1,200	2,309
b) Sundry other result from investments		-1,025	0
10. Results from investments	(7)	175	2,309
a) Interest income		70	75
b) Interest expense		6,271	5,783
11. Financial result	(8)	-6,201	-5,708
12. Profit before tax		**17,736**	16,920
13. Income taxes	(9)	2,983	2,828
14. Group net profit for the period		**14,753**	**14,092**
Analysis of the Group net profit for the period			
attributable to minority shareholders		2,621	1,743
attributable to the shareholders of Schaltbau Holding AG		12,132	12,349
Group net profit for the period		**14,753**	**14,092**
Earnings per share - undiluted	(10)	**€ 6.50**	**€ 6.62**
Earnings per share - diluted		**€ 6.09**	**€ 6.19**

Consolidated Statement of Comprehensive Income of Schaltbau Holding AG, Munich
1. Januar - 31 December 2010

In € 000	2010			2009		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the period			**14,753**			**14,092**
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			541			-121
- from at-equity accounted companies			139			175
Derivative financial instruments	-173	52	-121	-233	70	-163
Total income and expenses recognised directly in equity			**559**			**-109**
Comprehensive income			**15,312**			**13,983**
of which:						
attributable to minority shareholders			2,891			1,678
attributable to the shareholders of Schaltbau Holding AG			12,421			12,305

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich
1 January – 31 December 2010

In € 000	Notes	2010	2009
Group net profit for the period		**14,753**	**14,092**
Amortisation and depreciation on non-current assets		7,429	6,124
Gain on disposal of non-current assets		13	82
Finance result		6,201	5,708
Income tax expense		2,983	2,828
Change in current assets		-17,268	8,315
Change in provisions		979	-810
Change in current liabilities		4,729	-12,855
Dividends received		915	1,528
Interest paid		-4,759	-4,548
Interest received		70	75
Income taxes paid		-3,631	-1.960
Other non-cash income / expenses		-1,279	-2,365
Cash flows from operating activities	(a)	**11,135**	**16,214**
Payments for investments in:			
- Property, plant and equipment and intangible assets		-8,009	-8,952
- Financial investments (excluding cash acquired)		-1,269	-845
Proceeds from disposal of:			
- Property, plant and equipment		328	31
- Financial investments		3,279	0
Cash flows from investing activities	(b)	**-5,671**	**-9,766**
Dividend payment		-1,307	-933
Distribution to minority interests		-427	-871
Amounts repaid in conjunction with refinancing		-36,407	0
Amounts borrowed in conjunction with refinancing		36,407	0
Loan repayments		-6,592	-7,729
New loans raised		0	2,645
Change in current financial liabilities		5,660	3,637
Cash flows from financing activities	(c)	**-2,666**	**-3,251**
Change in cash and cash equivalents due to exchange rate fluctuations		227	-23
Change in cash, cash equivalents and securities		**3,025**	**3,174**
Cash and cash equivalents at the end of the year		11,531	8,506
Cash and cash equivalents at the beginning of the year		8,506	5,332
		3,025	**3,174**

Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2010

ASSETS

Disclosures in € 000	Notes	2010	2009
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	14,523	13,622
II. Property, plant and equipment	(11)	42,063	41,337
III. At-equity accounted investments	(11)	4,420	4,217
IV. Other investments	(11)	3,018	2,346
V. Deferred tax assets	(9)	8,961	8,886
		72,985	**70,408**
B. CURRENT ASSETS			
I. Inventories	(12)	51,286	41,116
II. Trade accounts receivable	(13)	46,096	37,814
III. Income tax receivables	(13)	67	97
IV. Other receivables and assets	(13)	7,587	9,947
V. Cash and cash equivalents	(14)	11,531	8,506
		116,567	**97,480**
		189,552	**167,888**

EQUITY AND LIABILITIES

In € 000	Notes	2010	2009
A. EQUITY	(15)		
I. Subscribed capital	(16)	6,863	6,850
II. Capital reserves	(17)	8,585	8,443
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	-2,507	-13,162
V. Reserve for income/expenses recognised directly in equity	(17)	211	-166
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		12,132	12,349
VIII. Equity attributable to shareholders of Schaltbau Holding AG		28,556	17,586
IX. Minority interests	(18)	4,550	2,934
		33,106	**20,520**
B. NON-CURRENT LIABILITIES			
I. Participation rights capital	(19)	7,051	7,026
II. Pension provisions	(20)	18,744	18,856
III. Personnel - related accruals	(21)	4,235	4,593
IV. Other provisions	(21)	391	355
V. Financial liabilities	(22)	43,098	29,452
VI. Other liabilities	(22)	19	40
VII. Deferred tax liabilities	(9)	6,814	6,549
		80,352	**66,871**
C. CURRENT LIABILITIES			
I. Personnel - related accruals	(21)	4,851	4,618
II. Other provisions	(21)	17,285	15,835
III. Income taxes payable	(22)	124	96
IV. Financial liabilities	(22)	11,692	24,779
V. Trade accounts payable	(22)	18,402	15,152
VI. Advance payments received	(22)	12,182	9,964
VII. Other liabilities	(22)	11,558	10,053
		76,094	**80,497**
		189,552	**167,888**

Consolidated Statement of Changes in Equity of Schaltbau Holding AG, Munich

Disclosures in € 000

Note: Rounding differences may arise due to the use of electronic rounding aids.

	Attributable to shareholders of Schaltbau Holding AG				
	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves	Revaluation reserve
Balance at 01.01.2009	**6,850**	**8,443**	**231**	**-23,908**	**3,041**
Profit brought forward	0	0	0	11,843	0
Dividend paid	0	0	0	-933	0
Group net profit for the period	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	-164	0
Comprehensive income	0	0	0	-164	0
Balance at 31.12.2009	**6,850**	**8,443**	**231**	**-13,162**	**3,041**
Balance at 01.01.2010	**6,850**	**8,443**	**231**	**-13,162**	**3,041**
Profit brought forward	0	0	0	12,349	0
Shares issued	13	142	0	0	0
Dividend paid	0	0	0	-1,307	0
Other changes	0	0	0	-266	0
Group net profit for the period	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	-121	0
Comprehensive income	0	0	0	-121	0
Balance at 31.12.2010	**6,863**	**6,585**	**231**	**-2,507**	**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	
-286	**11,843**	**6,214**	**1,166**	**1,229**	**2,395**	**8,609**
0	-11,843	0	1,229	-1,229	0	0
0	0	-933	-1,139	0	-1,139	-2,072
0	12,349	12,349	0	1,743	1,743	14,092
120	0	-44	-65	0	-65	-109
120	12,349	12,305	-65	1,743	1,678	13,983
-166	**12,349**	**17,586**	**1,191**	**1,743**	**2,934**	**20,520**
-166	**12,349**	**17,586**	**1,191**	**1,743**	**2,934**	**20,520**
0	-12,349	0	1,743	-1,743	0	0
0	0	155	0	0	0	155
0	0	-1,307	-1,275	0	-1,275	-2,582
-33	0	-299	0	0	0	-299
0	12,132	12,132	0	2,621	2,621	14,753
410	0	289	270	0	270	559
410	12,132	12,421	270	2,621	2,891	15,312
211	**12,132**	**28,556**	**1,929**	**2,621**	**4,550**	**33,106**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG, Munich
for the Fiscal Year 2010

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 traffic 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, equipment for railway vehicles, point heating systems, maritime aids and industrial braking systems. Its innovative and future-oriented products make Schaltbau a highly influential business partner in the area of traffic technology and 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 2010 were approved for publication by the Executive Board on 23 March 2011. 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. The Group's share of any remaining debit difference (excess of cost of acquired assets and liabilities) is presented as goodwill. Credit differences (excess of acquired assets and liabilities over cost) are recognised immediately as income.

In subsequent periods, fair value adjustments are rolled forward 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 intra-group 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.

Investments accounted for using the equity method are stated at the Group's share of assets, liabilities and contingent liabilities (including fair value adjustments) plus, where applicable, any goodwill. Goodwill arising from the application of the equity method is not amortised on a scheduled basis.

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.

In addition to Schaltbau Holding AG, the following 8 (2009: 8) German and 4 (2009: 4) 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%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH [1)]	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH [1)]	Dinslaken	100%
Pintsch Bubenzer GmbH [1)]	Kirchen	100%
Schaltbau GmbH [1)]	Munich	100%
Schaltbau France S.A.R.L.	Argenteuil (F)	100%
Alud Grundstücksverwaltungs GmbH & Co. Vermietungs KG	Wiesbaden	95%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%
Schaltbau Machine Electrics Ltd.	Bredbury (UK)	100%

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.

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 2010 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%
Schaltbau North America Inc.	Huntington (USA)	50%
OLB Oberlandbahn Fahrzeugbereitstellungs GmbH	Munich	49,8%

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.	Bredbury (UK)	100%
Trukaids Ltd.	Bredbury (UK)	100%
Direct Contact Ltd.	Bredbury (UK)	100%
Electrical Spare Parts & Accessories Ltd.	Bredbury (UK)	100%
Fabricon Ltd.	Bredbury (UK)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (PRC)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (PRC)	75%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.	Shenyang (PRC)	100%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
Shenyang Pintsch Bamag Industrial Brakes, Ltd.	Shenyang (PRC)	100%
My Port (M) Sdn. Bhd.	Johor (Malaysia)	100%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Bode Polska Sp.z.o.o., i.L.	Rzeszow (Poland)	100%
Bode North America Inc.	Spartanburg (USA)	67%
GEZ Unterstützungsgesellschaft mbH	Munich	100%
Rawag Sp.z.o.o.	Rawicz (Poland)	20%

On 11 March 2010 Gebr. Bode & Co. Beteiligungs GmbH, Kassel acquired 66.9 % of the shares of Bode Corporation, Spartanburg, South Carolina, USA and subsequently changed the name of the company to Bode North America Inc. Further information is provided in the group management report. The new company is not consolidated as a result of low volume of business transacted by this entity. Overall therefore, the group reporting entity has not changed compared to 31 December 2009.

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 were 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 of 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, 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	
	31.12.2010	31.12.2009	**2010**	2009
Chinese renminbi yuan	8.7626	9.8000	9.0004	9.5403
US dollar	1.3253	1.4333	1.3279	1.3946
British pound	0.8568	0.9000	0.8589	0.8917
New Turkish lire	2.0610	2.1687	2.0008	2.1661

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 trade marks and software are amortised over a period of 3 to 5 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 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 Management Board for the following three-year period and which are also used for internal company purposes. For the purposes of the calculation, it is assumed that the figures for third year remain unchanged in the future. A discount rate of 11% or 13% is applied.

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 comprise 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 presented in the balance sheet as **investments** are stated at the lower of cost or, in if there is no active market, at their 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. 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. Non-current loans 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 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 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.

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 rare cases, commodity risks are hedged by means of forward commodity contracts. The Group applies hedge accounting for hedging relationships to hedge interest rate risks, interest rate / currency risks and other significant currency risks. All other derivative financial instruments are classified 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 on the balance sheet date 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 and of the 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. Actuarial gains and losses are only recognised as income or expenses when their net cumulative amount exceeds 10% of the obligations. In this case, they are recognised over the average remaining working lives of the relevant employees. Pension expense is recorded either as an interest or personnel expense, depending on the nature of the pension plan at the companies concerned.

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 to a third party as a result of a past event and it is probable that on 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 are not offset against any recourse claims. Provisions are only recognised if the Group has a present obligation (legal or constructive) to a third party. 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. 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 are recognised in instalments during the period of the agreements, top-up amounts are recorded as obligation and expense as soon 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.

Leases
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. 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. The leased item is measured in accordance with the accounting policies normally applied to such items. Lease instalments are recognised in profit or loss. The Group is only party to operating leases as the lessee.

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

Revenue recognition
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.

Borrowing costs
With the exception of borrowing costs recognised as a component of the construction 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 under report
In June 2009 the EU endorsed **IFRS 3** Business Combinations (revised 2008). The revised Standard sets out new rules for the application of the purchase method for business combinations. The principal changes relate to the measurement of minority interests, the recognition of business acquisitions made in stages and the treatment of conditional consideration and acquisition-related costs. Under the new rules, minority interests can be measured either at the fair value (the "full goodwill method") or at the fair value of the acquiring entity's share of identifiable assets and liabilities. In the case of business acquisitions made in stages, the fair value of the investment held at the date on which control passes must be re-measured through profit or loss. Any subsequent changes to conditional consideration that was recognized as a liability at the acquisition date must be recognized in future in profit or loss. Acquisition-related costs must be recognized as expense when incurred. The amended Standard is mandatory for financial years beginning on or after 1 July 2009.

The EU also endorsed amendments to **IAS 27** Consolidated and Separate Financial Statements (amended 2008) in June 2009. The principal amendments to this Standard deal with the accounting treatment of transactions which result in an entity either retaining or losing control over another entity. Transactions which do not result in the loss of control must be accounted for as equity transactions and do not have an impact on profit or loss. Any investment remaining at the date of loss of control must be measured at its fair value. It is also permitted to report negative balances for minority interests. In other words, in future, losses will be allocated without restriction on the basis of the proportionate share of the investment held. The amended Standard is mandatory for financial years beginning on or after 1 July 2009. The amendments did not have any impact on the consolidated financial statements of Schaltbau Holding AG for the year ended 31 December 2010.

In July 2009 the EU endorsed **IFRIC 16** Hedges of a Net Investment in a Foreign Operation. This Interpretation clarifies that it is only possible to account for hedging relationships between the functional currency of a foreign operation and the parent company's functional currency. The amount of the net assets of the foreign operation recognised in the consolidated financial statements can be hedged. The hedging instrument can then be held by any entity or entities within the group (other than the entity whose exchange rate risks are being hedged). When the foreign operation ceases to be part of the group reporting entity, the amount of the fair value gains and losses recognised on the hedging instrument directly in equity and the exchange differences recognised in the foreign currency translation reserve relating to the foreign operation are at that stage reclassified to profit or loss. The amount of cumulative exchange differences relating to the foreign operation that is being deconsolidated can be determined using the stage-by-stage or the direct method of consolidation. IFRS 16 is mandatory for financial years beginning on or after 30 June 2009. The amendments did not have any impact on the consolidated financial statements of Schaltbau Holding AG for the year ended 31 December 2010.

In September 2009 the EU endorsed amendments to **IAS 39** Eligible Hedged Items - Amendment to IAS 39 Financial Instruments: Recognition and Measurement. The starting point for the amendments are the existing requirements whereby an entity can include the whole, a part or specific risks of a hedged item in a hedge. In order to simplify the requirements (without changing the underlying principles), the rules for designating the risk of inflation as a hedged item and for designating a one-sided risk in a hedged item (for instance with an option as hedge) have been expanded. As far as the designation of the risk of inflation as a hedged item is concerned, it has been clarified that this risk cannot as a general rule be designated as a hedged risk. If, however, the inflation component is a contractually agreed part of the cash flows relating to a financial instrument, the inflation component can be hedged. A one-sided risk arises when an entity only designates changes in the cash flows or fair value of a hedged item above or below a fixed price or another variable. The amendment clarifies that the innate value of the option (but not the full value of the option comprising innate value and fair value) can be designated. If the whole value of the option were designated as a hedge of a one-sided risk on a future transaction, this would represent hedge ineffectiveness, since only the hedge includes a fair value component. The amendments are mandatory for financial years beginning on or after 1 July 2009 and did not have any significant impact on the consolidated financial statements of Schaltbau Holding AG for the year-ended 31 December 2010.

In June 2009 the IASB issued amendments to **IFRS 2** Share-based Payment: Group Cash-settled Share-based Payment Transactions clarifying the accounting treatment of share-based cash-settled remuneration within a group at the level of the separate financial statements of a subsidiary. With this amendment, some of the requirements previously contained in IFRIC 8 "Scope of IFRS 2" and in IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" are now included in IFRS 2. The revised Standard is mandatory for financial years beginning on or after January 1, 2010.

Application of the revised version of the Standard did not have any significant impact on the consolidated financial statements for the year-ended 31 December 2010.

The IASB has published other financial reporting pronouncements which were required to be applied for the first time in the financial year 2010, but which did not have a significant impact on the consolidated financial statements of Schaltbau Holding AG.

Standards, Interpretations and Amendments issued but not yet applied

Already endorsed by the EU:
In December 2009 the EU endorsed Amendment to **IAS 32** Financial Instruments: Presentation: Classification of Rights Issues. The amendments set out the requirements for the accounting treatment of exercise rights, options and option warrants at the level of the issuer on the acquisition of a fixed number of equity capital instruments denominated in a currency other than the functional currency of the issuer. Previously, such instruments were required to be accounted for as derivative liabilities. In future, exercise rights which are issued proportionately to existing equity holders of an entity at a fixed currency amount must be classified as equity. The currency in which the exercise price is denominated is irrelevant. The Amendment is mandatory for annual periods beginning on or after 1 February 2010. It is not expected that these amendments to IAS 32 will have any impact on the future consolidated financial statements of Schaltbau Holding AG.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments was published by the IASB in November 2009. It sets out the requirements of International Financial Reporting Standards (IFRS) if an entity, either partially or in full, settles a financial liability by issuing shares or other equity instruments. The Interpretation stipulates that the equity instruments issued to a creditor extinguish a financial liability are a component of the consideration paid in accordance with IAS 39.41 and that the corresponding equity instruments must be measured at their fair value. If the fair value cannot be measured reliably, the equity instruments must be measured at the fair value of the extinguished liability. The difference between the carrying amount of the financial liability to be derecognised and the first-time carrying amount of the issued equity instruments must be recognised in the income statement. IFRIC 19 is mandatory for financial years beginning on or after 1 July 2010. It is not expected that application of IFRIC 19 will have any impact on the future consolidated financial statements of Schaltbau Holding AG.

Not yet endorsed by the EU:
In October 2010, the IASB published Amendments to **IFRS 7** – Disclosures - Transfers of Financial Assets. The amendments to IFRS 7 relate to additional disclosures in the event of the transfer of financial assets. The disclosures are intended to show the relationships between the transfer of financial assets and corresponding financial liabilities. In addition, the disclosures should enable a better assessment of the nature and risks of continuing involvement in the derecognised financial assets. Additional disclosures are also required if there is a disproportionately large number of transfers with continuing involvement, for example at and around the end of reporting period. The amended IFRS 7 is mandatory for the first time – subject to a different mandatory date in conjunction with EU endorsement – for financial years beginning on or after 1 July 2011. In the year of first-time application, there is no requirement to make comparative prior year disclosures. The impact of the amendments on the consolidated financial statements of Schaltbau Holding AG is currently being reviewed.

In November 2009 the IASB issued a new International Financial Reporting Standard relating to the classification and measurement of financial instruments, namely **IFRS 9** Financial Instruments. This Standard represents the culmination of the first phase of a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" by a new Standard. IFRS 9 introduces new requirements for the classification and measurement of financial assets. The requirements are mandatory from 1 January 2013 onwards. Earlier application is permitted. The Schaltbau Group is currently investigating whether adoption of the revised version, if endorsed in its current form by the EU, will have a significant impact on the presentation of the consolidated financial statements.

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 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 2010, the Group had 56 forward exchange contracts in place with banks (2009: 34) for a total amount of US$ 14,978,000 (2009: US$ 14,232,000), to hedge cash flows with foreign customers. The forward exchange contracts, comprising US$ 13,647,000 (2009: US$ 14,137,000) for sales contracts and US$ 1,331,000 (2009: US$ 95,000) for purchase contracts and all fall due in 2011 (in the previous year one contract for US$ 352,000 until 2011). An unrealised loss of € 248,000 (2009: € 56,000) has been recognised for contracts with a negative fair value and an unrealised gain of € 176,000 (2009: € 202,000) has been recognised for contracts with a positive fair value. In 2010, an amount of EUR 29,000 previously recognised directly in equity was reclassified to other operating income at the end of hedging relationships brought forward from 2009 (hedge accounting).

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 € 1,275,000 (2009: € 1,525,000), had a positive market value of € 96,000 (2009: € 183,000) at 31 December 2010.

The currency risk resulting from exchange rate risks 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

Disclosures in € 000	USD		CNY		INR	
	2010	2009	**2010**	2009	**2010**	2009
Trade accounts receivable	-308	-147	-	-	-73	-95
Receivables from subsidiaries	-139	-93	-	-	-	-
Other assets	-	-	-	-316	-	-
Trade accounts payable	29	16	-	-	-	1
Payables to subsidiaries	-	-	-	-	-	-
Other liabilities	-	-	-	19	-	-
Gross risk exposure	**-418**	**-224**	**-**	**-297**	**-73**	**-94**
Currency hedging	**386**	**245**	**-**	**312**	**-**	**-**
Net risk exposure	**-32**	**21**	**-**	**15**	**-73**	**-94**

In addition, the following four interest rate swaps were in place at the end of 2010:

No	Nominal amount in € 000	**Fair value 31.12.2010 in € 000**	Fair value 31.12.2009 in € 000	Maturity date
1	6,000	-611	-504	30.12.2016
2	6,000	-158	-33	28.06.2019
3	3,150	-197	-266	30.06.2014
4	3,000	-171	-194	31.12.2012
Σ	**18,150**	**-1,137**	**-997**	

As a result of obligations relating to interest-rate swaps, an amount of EUR 332,000 (2009: EUR 268,000) was reclassified from revenue reserves to interest expense in the income statement. The negative fair value nevertheless increased as a result of changes in assessments of market developments.

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

Disclosures in € 000	2010	2009
Mobile traffic technology	117,841	108,795
Stationary traffic technology	86,829	94,687
Components	75,649	66,210
Holding company	98	77
	280,417	**269,769**

Sales by market

Disclosures in € 000	2010	2009
Germany	132,826	130,734
Other EU countries	78,526	68,791
Other European countries	20,556	20,554
China / Hong Kong	35,932	36,713
Other countries	12,577	12,977
	280,417	**269,769**

88.4 % (2009: 86.6 %) of sales were billed in euro, 7.0 % (2009: 5.9 %) in Chinese renminbi yuan and 3.8 % in US dollar (2009: 4.3 %); other currencies accounted for 0.8 % (2009: 1.2 %). On the expense side, 93.8 % (2009: 95.8 %) of personnel, material and other non-personnel expenditure were settled in euro and 4.0 % (2009: 2.2 %) in renminbi yuan; 2.2 % (2009: 2.0 %) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 93,863,000 or 33.5 % (2009: € 95,233,000 or 35.3 %).

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

Disclosures in € 000	2010	2009
Change in inventories	6,637	- 9,141
Own work capitalised	1,531	1,448
	8,168	**- 7,693**

(3) OTHER OPERATING INCOME

Disclosures in € 000	**2010**	2009
Reversal of allowances	488	354
Reversal of provisions	1,514	1,796
Public-sector grants	146	221
Exchange gains	1,557	777
Gains on derivatives	587	812
Sundry other operating income	1,302	1,075
	5,594	5,035

The other operating income includes income of € 2,345,000 (2009: € 2,399,000) 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 MATERIAL

Disclosures in € 000	**2010**	2009
Cost of raw materials, supplies and purchased goods	130,672	118,395
Cost of purchased services	17,062	13,992
	147,734	**132,387**

A description of the procurement markets and the purchasing strategy of the Schaltbau Group is provided in the Group Management Report.

(5) PERSONNEL EXPENSE / EMPLOYEES

Disclosures in € 000	**2010**	2009
Wages and salaries	73,332	68,176
Social security, pension and welfare expenses	13,960	13,553
	87,292	**81,729**

Number of employees	**2010**	2009
Development	192	189
Purchasing and logistics	154	151
Production	765	769
Sales and marketing	190	183
Administration including Executive Board members and group company directors	134 18	127 18
Trainees	**1,453**	**1,437**

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%.

Further information relating to Schaltbau Group employees can be found in the Group Management Report.

(6) OTHER OPERATING EXPENSES

Disclosures in € 000	**2010**	2009
Operational costs	3,408	3,115
Administrative costs	10,110	9,635
Selling costs	11,196	9,587
Employee-related costs	1,098	1,200
Losses on the disposal of non-current assets	19	70
Allowances on receivables	81	579
Exchange losses	1,407	1,395
Losses incurred on derivative instruments	211	0
Other taxes	307	229
Sundry other expenses	1,171	735
	29,008	**26,545**

Expenses relating to prior periods totalled € 229,000 (2009: € 186,000).

Research and development expenditure in 2010 amounted to € 18,622,000 (2009: € 16,637,000). The corresponding amount recognised as expense was € 17,628,000 (2009: € 15,453,000). A total of € 994,000 (2009: € 1,184,000) 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 2010 and 2009 was € 2,933,000 and € 2,722,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 2,520,000 (2009: € 2,476,000) payable in up to one year, € 5,141,000 (2009: € 5,487,000) in up to five years and € 1,841,000 (2009: € 2,450,000) later than five years.

Purchases from the five largest suppliers accounted for 11.7 % (2009: 10.4 %) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

Disclosures in € 000	**2010**	2009
Result from at-equity accounted investments	1,200	2,309
Sundry other result from investments	- 1,025	0
	175	**2,309**

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

The result from at-equity accounted investments relates to the Group's share of the profits BoDo Bode-Dogrusan and Schaltbau North America. The comparable prior year figure – adjusted for the sales proceeds and the Group's share of the result for the year of Bode Beijing – was EUR 760,000.

Sundry other result from investments includes income of EUR 24,000 arising from a distribution made by an investee company on the one hand and the expense of recording impairment losses on the cost of investment of non-consolidated foreign subsidiaries (EUR 1,049,000) on the other. 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 either deteriorated in the fourth quarter 2010 or whose prospects, contrary to expectations, are subject to a high degree of uncertainty.

If exchange rates had been 10 % more / less favourable, the result from at-equity accounted investments would have been € 1,317,000/ € 1,105,000 (2009: € 849,000 / € 687,000).

(8) FINANCIAL RESULT

Disclosures in € 000	**2010**	2009
Other interest and similar income [of which from affiliated companies]	70 (19)	75 (22)
Interest and similar expenses [of which to affiliated companies]	- 6,271 (-6)	-5,783 (-9)
	- 6,201	**-5,708**

Interest expenses include € 1,052,000 (2009: € 990,000) relating to the interest component of allocations to pension provisions and EUR 409,000 (2009: EUR 219,000) relating to the unwinding of interest on liabilities. Also included is an interest expense of € 1,113,000 (2009: € 1,112,000) on participation rights capital. The interest expense for the year increased by € 475,000 (2009: € 382,000) as a result of the use of interest 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 2010 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, and liabilities to banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

Disclosures in € 000	**Balance at 31.12.2010**		+ 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	- 1,137	4.40 %	+ 679	+ 90	+ 475	- 739	- 90	- 517
Bank interest				- 236			+ 236	
Sundry other interest				+ 1			- 1	
Total cash flow sensitivity				**- 147**			**+ 147**	

Disclosures in € 000	**Balance at 31.12.2009**		+ 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	- 998	4.40 %	+ 759	+ 90	+ 531	- 840	- 90	- 588
Bank interest				- 165			+ 165	
Sundry other interest				+ 1			- 1	
Total cash flow sensitivity				**- 74**			**+ 74**	

(9) INCOME TAXES

Disclosures in € 000	**2010**	2009
Income tax expense	2,717	2,385
Deferred tax expense	266	443
	2,983	**2,828**

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

The deferred tax expense related to the following balance sheet items:

Disclosures in € 000	31.12.2010		31.12.2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets	1,423	5,516	1,471	5,396
Inventories	481	-	478	-
Other current assets	292	250	219	141
Pension provisions	782	-	1,000	-
Other provisions	896	-	673	-
Liabilities	412	1,048	328	1,012
Taxes losses available for carryforward	4,675	-	4,717	-
	8,961	**6,814**	**8,886**	**6,549**

No deferred tax assets are recognised on German corporation tax losses available for carryforward amounting to € 31,113,000 (2009: € 39,949,000) and on German municipal trade tax losses available for carryforward amounting to € 22,280,000 (2009: € 26,180,000). In addition, no deferred tax assets are recognised on tax losses available for carryforward at the level of foreign companies totalling € 2,060,000 (2009: € 1,859,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 12,037,000 (2009: € 9,327,000) 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 tax expense in the income statement

Disclosures in € 000	2010	2009
Profit before tax	**17,736**	**16,920**
Expected tax expense (30 %)	5,321	5,076
- different computation of taxes outside Germany	-905	-534
- tax-exempt income	-409	-179
- non-deductible expenses	527	477
- associated companies and interests accounted for using the at-equity method	-39	-693
- tax expense and reimbursements for prior years	34	-256
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-1,903	-1,433
- change in tax rates	-	-
- foreign withholding taxes	221	321
- other differences	135	49
Income tax expense	**2,983**	**2,828**
Effective tax rate	**16.8 %**	**16.7 %**

(10) EARNINGS PER SHARE

Undiluted earnings per share are calculated as a quotient resulting from dividing the group net profit for the period 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 and/or convertible bonds. Share options/ conversion rights have a diluting effect when the conditions for their exercise are met.

Undiluted earnings per share could have been diluted through the issue of convertible bonds and/or option bonds through to 30 June 2010. No dilution did arise and has therefore not been taken into account in the following calculation of diluted earnings per share. The convertible bond issued in June 2007 allows for conversion after the first business day following the Annual General Meeting in 2008 and has therefore been taken into account in the following calculation of diluted earnings per share. In 2010 a total of 3,494 new shares arose from conversions (see also comments in Note (16) Subscribed Capital and Note (22) Liabilities); in the previous year, there had not been any conversions.

	2010	2009
Shares in circulation at beginning of year	1,871,668	1,871,668
New shares arising from convertible bond : 3,494 (2009: 0) - weighted on basis of bond duration	349	-
Share buy-back	- 5,000	- 5,000
Calculated weighted number of shares at end of fiscal year	1,867,017	1,866,668
Further potential shares from convertible bond	179,347	182,047
Further potential shares from share options [diluted]	64 (59)	64 (57)
Actual and potential shares at end of year [diluted]	2,046,423	2,048,772
Weighted shares - undiluted	1,867,017	1,866,668
Weighted shares - diluted	2,046,423	2,048,772

Earnings per share	**2010**	2009
Group net profit for year (€ 000)	14,753	14,092
Profit attributable to minority shareholders (€ 000)	2,621	1,743
Profit attributable to shareholders of Schaltbau Holding AG (€ 000)	12,132	12,349
plus: diluting effect of convertible bond (€ 000)	325	340
Diluted portion attributable to shareholders of Schaltbau Holding AG (€ 000)	12,457	12,689
Earnings per share - undiluted	€ **6.50**	€ **6.62**
Earnings per share - diluted	€ **6.09**	€ **6.19**

Reconciliation of undiluted and diluted weighted shares	**2010**	2009
Weighted shares - undiluted	1,867,017	1,866,668
64 share options not exercised by 31.12.2010; weighted	59	57
82,141 convertible bonds not exercised by 31.12.2010; maximum number of shares	179,347	182,047
Weighted shares - diluted	2,046,423	2,048,772

As a result of conversions after the balance sheet date, but the date on which the consolidated financial statements were authorized for issue, new shares came into being which are included in the disclosures provided above showing the diluting effect of convertible bonds not exercised by 31 December 2010. These new shares are not entitled to receive dividends for the financial year 2010.

Notes to the consolidated balance sheet

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

As in the previous year, **goodwill** amounting to € 5,061,000 (2009: € 5,061,000) relates to the Stationary Traffic Technology segment.

Intangible assets include **capitalised development costs** with a carrying amount of € 6,424,000 (2009: € 5,430,000).

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:

Disclosures in € 000	**31.12.2010**	31.12.2009
Carrying amount including fair value adjustments	10,179	10,179
less revaluation reserve	3,041	3,041
less minority interest in revaluation reserve	7	7
less deferred tax liabilities	1,307	1,307
Carrying amount before revaluation	**5,824**	**5,824**

Debit differences arising on the consolidation of **associated companies accounted using the at-equity method** represent goodwill and are included as part of the carrying amount of those companies. No scheduled write-downs are recorded. Instead, the assets are tested annually for impairment. No impairment losses were recognised in 2009 or 2010.

Negative at-equity values are not recognised in the consolidated balance sheet. The only Schaltbau Group company with a negative value is OLB Oberlandbahn Fahrzeugbereitstellungs GmbH; the negative value of € 3,339,000 (2009: € 3,377,000) reflects the tax-driven nature of this company's business model and will reverse during the period up to the planned end of its business activities.

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

Disclosures in € 000	**31.12.2010**			31.12.2009		
	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,421	354	50.0%	3,481	354
OLB	49.8%	0	-	49.8%	0	-
SBUS	50.0%	999	305	50.0%	736	305
		4,420	**659**		**4,217**	**659**

BODO: BoDo Bode-Dogrusan A.S.
OLB: OLB Oberlandbahn Fahrzeugbereitstellungs GmbH
SBUS: Schaltbau North America Inc.

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31 December 2010

Disclosures in € 000

Note: Rounding differences may arise due to the use of electronic rounding aids.

	Acquisition/manufacturing cost					
	01.01.10	Translation differences	Additions	Disposals	Reclassfications	31.12.10
I. Intangible assets						
1. Concessions and similar rights	5,412	12	213	0	0	5,637
2. Software	7,156	14	924	-11	109	8,192
3. Goodwill	33,215	0	0	0	0	33,215
4. Capitalised development costs	0	0	0	0	0	0
5. Ongoing development projects	5,430	0	994	0	0	6,424
6. Payments in advance	109	0	6	0	-109	6
	51,322	**26**	**2,137**	**-11**	**0**	**53,474**
II. Property, plant and equipment						
1. Land and buildings	36,523	16	647	0	79	37,265
2. Plant and machinery	26,734	54	1,327	-1,898	419	26,636
3. Other plant and equipment	33,898	119	2,531	-1,332	57	35,273
4. Assets under construction	929	0	1,367	0	-555	1,741
	98,084	**189**	**5,872**	**-3,230**	**0**	**100,915**
III. Investments						
1. Investments in subsidiaries	2,382	0	1,721	0	0	4,103
2. At-equity accounted investments	2,212	0	0	0	0	2,212
3. Investments in other companies	128	0	0	0	0	128
4. Other loans	19	0	0	0	0	19
	4,741	0	1,721	0	0	6,462
	154,147	**215**	**9,730**	**-3,241**	**0**	**160,851**

Accumulated amortisation, depreciation and impairment losses						Carrying amounts	
01.01.10	Translation differences	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.10	31.12.10	31.12.09
3,747	13	464	0	0	4,224	1,413	1,665
5,799	10	773	-9	0	6,573	1,619	1,357
28,154	0	0	0	0	28,154	5,061	5,061
0	0	0	0	0	0	0	0
0	0	0	0	0	0	6,424	5,430
0	0	0	0	0	0	6	109
37,700	**23**	**1,237**	**-9**	**0**	**38,951**	**14,523**	**13,622**
13,445	15	806	0	0	14,266	27,353	27,432
20,765	25	1,456	-1,897	0	20,349	6,287	5,969
26,891	99	2,881	-1,280	0	28,591	6,682	7,007
0	0	0	0	0	0	1,741	929
61,101	**139**	**5,143**	**-3,177**	**0**	**63,206**	**42,063**	**41.337**
183	0	1,049	0	0	1,232	2,871	2,199
-2,005	0	0	0	-203	-2,208	4,420	4,217
0	0	0	0	0	0	128	128
0	0	0	0	0	0	19	19
-1,822	0	1,049	0	-203	-976	7,438	6,563
96,979	**162**	**7,429**	**-3,186**	**-203**	**101,181**	**64,024**	**61,522**

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:	4,354	4,354

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31 December 2009

Disclosures in € 000 Note: Rounding differences may arise due to the use of electronic calculation aids.	Acquisition/manufacturing cost					
	01.01.09	Translation differences	Additions	Disposals	Reclassfications	31.12.09
I. Intangible assets						
1. Concessions and similar rights	3,758	-2	741	0	915	5,412
2. Software	6,954	-2	281	-93	16	7,156
3. Goodwill	33,215	0	0	0	0	33,215
4. Capitalised development costs	0	0	0	0	0	0
5. Ongoing development projects	4,246	0	1,184	0	0	5,430
6. Payments in advance	940	0	100	0	-931	109
	49,113	**-4**	**2,306**	**-93**	**0**	**51,322**
II. Property, plant and equipment						
1. Land and buildings	34,329	-2	2,333	-137	0	36,523
2. Plant and machinery	25,845	35	1,049	-463	268	26,734
3. Other plant and equipment	32,020	-14	2,817	-1,004	79	33,898
4. Assets under construction	840	0	447	-11	-347	929
	93,034	**19**	**6,646**	**-1,615**	**0**	**98,084**
III. Investments						
1. Investments in subsidiaries	1,537	0	845	0	0	2,382
2. At-equity accounted investments	3,431	0	0	-1,219	0	2,212
3. Investments in other companies	128	0	0	0	0	128
4. Other loans	24	0	0	-5	0	19
	5,120	0	845	-1,224	0	4,741
	147,267	**15**	**9,797**	**-2,932**	**0**	**154,147**

Accumulated amortisation, depreciation and impairment losses						Carrying amounts	
01.01.09	Translation differences	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.09	31.12.09	31.12.08
3,649	-2	100	0	0	3,747	1,665	109
5,088	-2	806	-93	0	5,799	1,357	1,866
28,154	0	0	0	0	28,154	5,061	5,061
0	0	0	0	0	0	0	0
0	0	0	0	0	0	5,430	4,246
0	0	0	0	0	0	109	940
36,891	**-4**	**906**	**-93**	**0**	**37,700**	**13,622**	**12,222**
12,805	-1	763	-122	0	13,445	27,432	25,878
19,544	0	1,375	-154	0	20,765	5,969	6,301
24,769	-12	3,080	-946	0	26,891	7,007	7,251
0	0	0	0	0	0	929	840
57,118	**-13**	**5,218**	**-1,222**	**0**	**61,101**	**41,337**	**40,270**
183	0	0	0	0	183	2,199	1,354
-3,053	0	0	2,059	-1,011	-2,005	4,217	6,484
0	0	0	0	0	0	128	128
0	0	0	0	0	0	19	24
-2,870	0	0	2,059	-1,011	-1,822	6,563	7,990
91,139	**-17**	**6,124**	**744**	**-1,011**	**96,979**	**61,522**	**60,482**

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:	4,354	4,354

The following summary shows aggregated key data of investments accounted for using the at-equity method:

Disclosures in € 000	**31.12.2010**		31.12.2009	
	100 %	Group's share	100 %	Group's share
Assets	28,624	14,278	28,590	14,258
Liabilities	28,116	14,011	28,215	14,058
Sales	18,696	9,342	15,981	7,985
Net profit for year	2,177	1,088 *	1,574	787 *

* Before reversal of impairment losses (2009: reversal of impairment losses) recorded at Schaltbau Group level

Mortgages totalling € 16,765,000 (2009: € 16,765,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 4,411,000 (2009: € 9,766,000).

(12) INVENTORIES

Disclosures in € 000	**31.12.2010**	31.12.2009
Raw material and supplies	23,000	20,721
Work in progress	18,788	14,357
Finished products, goods for resale	8,982	5,693
Advance payments to suppliers	516	345
	51,286	**41,116**

Group entities have pledged inventories totalling € 12,453,000 (2009: € 23,047,000) as collateral for liabilities to banks. Write-downs totalling € 851,000 (2009: € 1,223,000) were recognised on inventories in 2010. Reversals of write-downs totalling € 794,000 (2009: € 96,000) were recognised on inventories in 2010 as a result of clearance sales and changes in quantity requirements.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

Disclosures in € 000	**31.12.2010**	31.12.2009
Trade accounts receivable	46,096	37,814
Receivables from affiliated companies	2,352	1,930
Receivables from associated companies	849	850
Receivables from companies with which an investment relationship exists	260	0
Income tax receivables	67	97
Positive fair values of derivative instruments	236	385
Sundry other assets	3,890	6,782
	53,750	**47,858**

Receivables from affiliated and associated companies comprise trade accounts receivable and loan receivables totalling € 816,000 (2009: € 206,000). Other assets at the end of the previous year included the purchase price receivable (€ 3,469,000) relating to the sale of Beijing Bode Transportation Equipment Co. Ltd.

Allowances comprised the following:

Disclosures in € 000	31.12.2010	31.12.2009
Trade accounts receivable:		
Specific allowances	735	1,719
Additional risk allowance	1,383	1,283
	2,118	**3,002**
Other allowances	112	620
	2,230	**3,622**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 16,936,000 (2009: € 10,064,000).

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

Disclosures in € 000	31.12.2010			31.12.2009		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	6,715	-113	6,602	6,325	-108	6,217
31 to 60 days	3,556	-79	3,477	3,067	-103	2,964
61 to 90 days	1,345	-35	1,310	2,509	-10	2,499
91 to 180 days	4,244	-150	4,094	2,166	-253	1,913
181 to 365 days	2,239	-222	2,017	1,246	-341	905
more than one year	1,739	-1,349	390	2,506	-2,019	487
	19,838	**-1,948**	**17,890**	**17,819**	**-2,834**	**14,985**
not yet due	28,376	-170	28,206	22,997	-168	22,829
	48,214	**-2,118**	**46,096**	**40,816**	**-3,002**	**37,814**

Of the trade accounts receivable total reported at 31 December 2010, 16.6 % (2009: 25.9 %) relate to the five largest debtors. 67.6 % (2009: 66.9 %) of total receivables are denominated in Euro, 29.9 % (2009: 24.3 %) in CNY, 9.3 % (2009: 5.5 %) in USD, 1.5 % (2009: 2.2 %) in INR and 0.7 % (2009: 1.1 %) in GBP.

Group entities have pledged trade accounts receivable totalling € 13,466,000 (2009: € 20,594,000) as collateral for liabilities to banks.

(14) CASH AND CASH EQUIVALENTS

Disclosures in € 000	31.12.2010	31.12.2009
Cheques and cash on hand	3,197	30
Cash at bank	8,334	8,476
	11,531	**8,506**

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 1,875,162 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 (2009: € 234.24) remained in place at 31 December 2010; the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 64 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 as at 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 2010.

At the Annual General Meeting on 1 July 2005, the Company's share capital was increased conditionally by up to a further € 1,830,000 by the issue of up to 500,000 new ordinary bearer shares **(Conditional Capital II)**. Conditional Capital II was resolved to allow shares to be issued to holders of convertible or option bonds and which, in accordance with the authorisation given at the Annual General Meeting on 1 July 2005, could have been issued through to 30 June 2010. In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II may also be used to issue shares to holders of participation rights with conversion/option rights ("Extension of Scope" resolution). In 2010, 1,601 partial bonds each with a nominal value of € 100 were converted out of the convertible bond issued in 2007 (see Note (22) Liabilities), giving rise to 3,494 new shares with a par value of € 3.66 per share. The Company's share capital was accordingly increased by € 13,000 to € 6,863,000 in 2010. The share premium of € 147,000 (reduced by € 5,000 as a result of an adjustment to the reserve due to accounting in accordance with IFRS) was transferred to capital reserves. After these transactions, Conditional Capital II amounted to € 1,807,212,84 at 31 December 2010, corresponding to the issue of up to 493,774 bearer shares.

On the basis of the resolution taken at the Annual General Meeting on 12 July 2008, an Authorised Capital of € 3,294,000 was in place at 31 December 2010; the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 3,294,000 by the issue of new shares in return for cash or non-cash contributions through to 11 June 2013.

(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 € 6,481,000 (2009: € 6,339,000). The increase in 2010 (€ 142,000) was due to the conversion of convertible bonds issued in 2007 (see also Note (16) Subscribed capital and Notes (22) Liabilities). 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) and the equity component of the convertible bond issued in 2007 amounting to € 595,000 (see also Note (19) Participation Rights Capital and Note (22) Liabilities).

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, there was a negative impact (net of deferred tax) of € 121,000 (2009: € 164,000) in connection with the fair value measurement of interest rate and currency swaps.

Equity decreased by EUR 299,000 as a result of prior year adjustments made to the equity of an at-equity accounted company.

In 2008 the Company acquired a total of 5,000 treasury shares with a total nominal value of € 18,300 in conjunction with a share purchase programme for Schaltbau Group management. This corresponds to 0.27 % of the Company's share capital. An equivalent amount paid for the treasury shares (acquisition cost plus transaction costs) totalling € 195,000 was offset against revenue reserves.

The proposed appropriation of results for the fiscal year 2009 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 8,000,000 was transferred to revenue reserves and a dividend of € 1,307,000 (€ 0.70 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 Statement of Changes in Group Equity.

(18) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd. and Alud Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG.

(19) PARTICIPATION RIGHTS CAPITAL

Disclosures in € 000	**31.12.2010**	31.12.2009
Participation options: 362,730 (number)	**7,051**	**7,026**

Holders of participation options are entitled to receive an annual distribution, comprising a fixed and a variable amount. The fixed distribution is 3% of the nominal value of each € 20 participation right. The right to receive a distribution, however, only arises to the extent that it can be paid out of Schaltbau Holding AG's net profit for the year calculated in accordance with HGB. Option holders are also entitled to receive a variable distribution for fiscal years for which a dividend is paid to the shareholders. This variable component corresponds to the dividend paid on the Company's ordinary shares (i.e. it is calculated by applying the same dividend percentage rate to the nominal amount of participation options); this rate may not, however, exceed 12% of the nominal amount of the participation options.

The participation options were divided on the date of issue into their equity and debt components. The financial liability was recognised at that date at its fair value. This was calculated as the present value of the nominal amount plus the fixed distribution, discounted using a market discount rate of 3.4 %. The difference between the fair value of the financial liability and the fair value of the participation options was transferred to capital reserves. In subsequent periods, the financial liability is stated at its amortised cost using the effective interest method.

The Company bought back a total of 137,270 participation rights on 15 November 2006. In accordance with the rules laid down in IAS 32, these are offset directly against participation rights capital presented in the balance sheet, regardless of the fact that the participation right certificates are deposited in a custodian account held by the Company.

The current fair value of participation rights capital in circulation at 31 December 2010 amounted to € 9,424,000 (2009: € 9,340,000).

The participation rights capital fall due for repayment at the close of the ordinary Annual General Meeting at which the financial statements for the year ended 31 December 2013 are presented. The amount repayable is € 7,255,000.

(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.

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

Disclosures in € 000	**31.12.2010**	31.12.2009
Claims under reinsurance policies relating to pension commitments	**125**	**128**

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:

Disclosures in € 000	**2010**	2009
Employer contributions to state pension insurance plans	**6,031**	**5,849**

Reconciliation of defined benefit obligation to pension provisions reported in the balance sheet:

Disclosures in € 000	**31.12.2010**	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Actual defined benefit obligation	20,450	19,236	17,580	19,147	21,106
Net amount of unrecognised actuarial gains / losses (-)	-1,706	-380	1,407	- 4	- 1,788
Carrying amount of provision at 31.12.	**18,744**	**18,856**	**18,987**	**19,143**	**19,318**

The defined benefit obligation changed as follows:

Disclosures in € 000	2010	2009
Balance at 1.1.	19,236	17,580
Actuarial gains and losses / not recognised	1,326	1,787
Pension payments / utilised	-1,258	-1,296
Service cost (personnel expense) / allocated	182	176
Interest expense / allocated	964	989
Balance at 31.12.	**20,450**	**19,236**

Pension provisions developed as follows:

Disclosures in € 000	2010	2009
Balance at 1.1.	18,856	18,987
Pension payments / utilised	1,258	1,296
Service cost (personnel expense) / allocated	182	176
Interest expense / allocated	964	989
Carrying amount of provision at 31.12.	**18,744**	**18,856**

Allocations to pension provisions include € 0 (2009: € 0) relating to actuarial losses recognised.
The main actuarial assumptions applied were as follows:

	31.12.2010	31.12.2009
Interest rate	4.8 %	5.2 %
Salary trend	2.6 %	2.6 %
Pension trend	2.0 %	2.0 %
Fluctuation rate	1.2 %	1.1 %

Pension expense comprised the following:

Disclosures in € 000	2010	2009
Service cost (personnel expense)	182	176
Interest expense	964	989
	1,146	**1,165**

(21) OTHER PROVISIONS

Other provisions developed as follows:

Disclosures in € 000	01.01.10	Utilised	Reversed	Allocated	Interest impact	Translation difference	31.12.10
Non-current provisions							
Personnel	4,593	651	211	321	167	16	4,235
Warranties	355	355	-	391	-	-	391
	4,948	**1,006**	**211**	**712**	**167**	**16**	**4,626**
Current provisions							
Personnel	4,618	3,557	491	4,249	44	- 12	4,851
Taxes	2,613	1,621	83	654	81	- 1	1,643
Warranties	6,507	2,579	315	3,001	-	-	6,614
Outstanding supplier invoices	3,741	2,488	218	5,209	-	189	6,432
Sundry other provisions	2,974	2,416	279	2,317	-	-	2,596
	20,453	**12,661**	**1,386**	**15,430**	**125**	**176**	**22,136**
Total	**25,401**	**13,667**	**1,597**	**16,142**	**292**	**192**	**26,762**

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 2011. 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 pre-retirement part-time working arrangements, the transition to ERA and long-service awards. The ERA (Entgelt Rahmenabkommen – Framework Agreement on Pay) for the Metals and Electrical Industry has the effect of removing the distinction between blue- and white-collar workers (wages and salaries) and has created equal remuneration conditions for all employees. The provision recognised in this connection has been computed in accordance with the regulations laid down in the ERA Framework Agreement. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 691,000 (2009: € 953,000).

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 audit costs, legal disputes, supervisory board remuneration and miscellaneous other items.

(22) LIABILITIES

Disclosures in € 000	**31.12.2010**	31.12.2009
Non-current liabilities		
Liabilities to banks	31,502	17,757
Other financial liabilities	11,596	11,695
Financial liabilities	43,098	29,452
Other liabilities	19	40
	43,117	**29,492**
Current liabilities		
Current income tax liabilities	124	96
Liabilities to banks	11,551	24,647
Other financial liabilities	141	132
Financial liabilities	11,692	24,779
Trade accounts payable	18,402	15,152
Advance payments received	12,182	9,964
Liabilities to affiliated companies	252	299
Liabilities to other group entities	381	409
Liabilities relating to derivative instruments	1,350	1,046
Sundry other liabilities	9,575	8,299
(of which for taxes)	(1,515)	(1,506)
(of which to employees)	(4,207)	(3,693)
(of which for social security)	(214)	(229)
Other liabilities	11,558	10,053
	53,958	**60,044**
Total liabilities	**97,075**	**89.536**

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.

Disclosures in € 000	Carrying amount	Total cash outflows	within one year	1 to 5 years	more than 5 years
Financial liabilities	54,790	55,398	11,836	39,030	4,532
Trade accounts payable	18,402	18,402	18,390	12	-
Derivate instruments	1,350	1,350	213	979	158
Other liabilities	10,277	10,277	10,258	19	-
Total	**84,818**	**85,426**	**40,696**	**40,040**	**4,690**

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

Disclosures in € 000	31.12.2010	31.12.2009
Overdue		
up to 30 days	4,163	6,477
31 to 60 days	1,519	1,530
61 to 90 days	435	474
91 to 180 days	1,814	816
181 to 365 days	631	659
more than one year	60	-
	8,622	**9,956**
Not yet due	9,780	5,196
Carrying amount	**18,402**	**15,152**

Collateral of € 47,095,000 (2009: € 70,922,000) has been given to cover **liabilities to banks**; of this amount, € 30,330,000 (2009: € 54,157,000) relates to pledges and pledge-like collateral and € 16,765,000 (2009: € 16,765,000) to mortgages.

Credit lines totalling € 65,956,000 (2009: € 65,732,000) have been made available by banks. The weighted average interest rate as at 31 December 2010 for liabilities to banks during the past year was 4.6 % (2009: 4.3 %). The Group’s main external financing revolves around a syndicated credit agreement signed in 19 March 2010 with a volume of EUR 50 million. 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 financial year 2010.

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:

Disclosures in € 000	
2011	11,551
2012	5.690
2013	22,565
2014	920
2015	839
thereafter	1,488
	43,053

Liabilities to banks due for repayment in the year 2011 include current account liabilities amounting to € 1,554,000 (2009: € 10,710,000) which are extended from year to year.

Other **financial liabilities** comprise loans payable to parties other than banks (average interest rate of 6.4 % (2009: 6.4 %) as in the previous year) and a convertible bond.

The convertible bond, with a nominal amount of € 8,500,000 and an interest rate of 4.75% was offered (in June 2007) by Schaltbau Holding AG to its shareholders for subscription. The convertible bond was divided on the date of issue into its equity and debt components. The financial liability was recognised at that date at its fair value. This was calculated as the present value of the nominal amount plus the fixed distribution, discounted using a market discount rate of 6.5 %. The difference between the fair value of the financial liability and the fair value of the participation options was transferred to capital reserves. In subsequent periods, the financial liability is stated at its amortised cost using the effective interest method.

In 2010, bearers of convertible bonds converted 1,601 partial bonds with a value of EUR 160,0000t. In the previous year no bonds were converted.

The convertible bond runs until 10 July 2012. The offer for subscription and the bond terms and conditions are posted on the Company's website.

The market value of convertible bonds at 31 December 2010 was € 9,553,000 (2009: € 8,542,000).

Of the **trade accounts payable** total reported at 31 December 2010, 11.9 % (2009: 13.9 %) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 88.0 % (2009: 88.5 %) in Euro, 9.6 % (2009: 8.8 %) in CNY and 1.9 % (2009: 2.4 %) in GBP.

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 has been notified from the Company pursuant to § 26 (1) of the Securities Trading Act (WpHG):

Notification dated January 10, 2011
On 4 January 2011 Deutsche Bank AG advised us the following:

Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 30.12.2010

Pursuant to sections 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, crossed above the threshold of 3% on 27th December 2010 and amounts to 3.20% (60,000 voting rights) as per this date.

Notification dated December 17, 2010
On 15 December 2010 Deutsche Bank AG advised us the following:

Pursuant to sections 21 (1), 24 WpHG ('German Securities Trading Act'), we hereby notify that the percentage of voting rights of our subsidiary Deutsche Asset Management (Japan) Limited, Tokyo, Japan, in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany, fell below the threshold of 3% on 14 December 2010 and amounts to 2.129% (39,878 voting rights) as per this date.

Notification dated April 20, 2010
SATORA Beteiligungs GmbH, Baden-Baden, Germany gave notice pursuant to sec. 21 para 1 WpHG on 20 April 2010 that its voting rights in Schaltbau Holding AG, Munich, Germany (ISIN DE0007170300) went above the threshold of 10 % on 13 March 2008 and that a total of 10.25 % of the voting rights (191.600 voting rights) were held at that date. These voting rights are held directly by SATORA Beteiligungs GmbH

Notification dated March 15, 2010
We, Golden Peaks Capital Management Ltd., St. Peter Port Guernsey GY1 2QE hereby give you notice as follows: We hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 11.3.2010 the voting interest of Golden Peaks Capital Management Ltd. in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% (45,694 voting rights) on this day.

2.44% of the voting rights (45,694 voting rights) are attributable to Golden Peaks Capital Management Ltd. in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG.

Voting rights attributed to us are directly held by Golden Peaks Active Value Master Fund Ltd.

We, Golden Peaks Active Value Master Fund Limited, Grand Cayman, Cayman Islands hereby give you notice as follows: We hereby give notice, pursuant to sec. 21 para. 1 WpHG, that on 11.03.2010 the voting interest of Golden Peaks Active Value Master Fund Ltd. in Schaltbau Holding AG go below the threshold of 3% to 2.44% (45,694 voting rights) on this day.

We, Altamira Holding AG, Zug, Switzerland, hereby give notice pursuant to sec. 21 para. 1 WpHG that on 11.03.2010 the voting interest (45,694 voting rights) of Altamira Holding AG in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% on this day.

2.44% of the voting rights (45,694) are attributable to Altamira Holding AG in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.

Voting rights attributed to us are directly held by Golden Peaks Active Value Master Fund.

I, Adriano Agosti, Switzerland, hereby give notice, pursuant to sec. 21 para. 1 WPHG, that on 11.03.2010 the voting interest (45,694 voting rights) of Adriano Agosti in Schaltbau Holding AG go below the threshold of 3% and amounts to 2.44% on this day.

2.44% of the voting rights (45,694 voting rights) are attributable to Adriano Agosti in accordance with sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sec. 22 para. 1 sent. 2 WpHG.

Voting rights attributed to us are directly held by Golden Peaks Active Value Master Fund.

No notifications were received during the fiscal year 2009.

Notification dated September 6, 2007
IFOS Internationale Fonds Service AG, Vaduz, Lichtenstein, gave notice to us on 5.9.2007 pursuant to § 21 para. 1 WpHG that its voting interest (via shares) in our Company at 27.8.2007 surpassed the threshold of 3% and amounted to 3.52% on that date (corresponding to 65,873 votes).

Notification dated February 10, 2006
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 2010 for the audit of financial statements amounted to € 514,000 (2009: € 515,000). Of this amount € 458,000 (2009: € 440,000) related to KPMG entities belonging to the KPMG ELLP group of companies. In addition, KPMG ELLP was paid € 61,000 (2009: -) for tax advisory services, € 12,000 (2009: € 12,000) for other attestation services and € 187,000 (2009: € 42,000) for other services.

Contingent liabilities and other financial commitments

Disclosures in € 000	**31.12.2010**	31.12.2009
Other financial commitments		
Rental and lease expenses	9,502	10,413
Other commitments	1,280	2,231

There were no **contingent liabilities.**

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 are spread over the following future years as follows: up to one year € 2,520,000 (2009: € 2,476,000), between one and five years € 5,141,000 (2009: € 5,487,000) and later than five years € 1,841,000 (2009: € 2,450,000).

Other financial obligations 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:

31.12.2010 Disclosures 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)]	3,018	-	-	-
Trade accounts receivable	46,096	-	46,096	-
Current income taxes receivable	67	67	-	-
Other current assets	7,586	714	6,635	-
Cash and cash equivalents	11,531	11,531	-	-
Total	**68,298**	**12,312**	**52,731**	-
Liabilities-side financial instruments				
Participation rights capital	7,051	-	7,051	-
Non-current financial liabilities	43,098	-	43,098	-
Non-current other liabilities	19	-	19	-
Current income taxes payable	124	124	-	-
Current financial liabilities	11,692	-	11,692	-
Trade accounts payable	18,402	-	18,402	-
Advance payments received	12,182	-	12,182	-
Other liabilities	11,557	74	10,134	-
Total	**104,125**	**198**	**102,578**	-

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	Derivates in hedging relationships			
Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)	**Total carrying amounts based on IAS 39**	Fair values
-	3,018	-	107	130	**3,018**	3,018
-	-	-	-	-	**46,096**	46,096
-	-	-	-	-	**-**	-
-	-	-	-	-	**6,872**	6,872
-	-	-	-	-	**-**	-
-	**3,018**	-	**107**	**130**	**55,986**	**55,986**
-	-	-	-	-	**7,051**	7,051
-	-	-	-	-	**43,098**	43,098
-	-	-	-	-	**19**	19
-	-	-	-	-	**-**	-
-	-	-	-	-	**11,692**	11,692
-	-	-	-	-	**18,402**	18,402
-	-	-	-	-	**12,182**	12,182
-	-	-	104	1,245	**11,483**	11,483
-	-	-	**104**	**1,245**	**103,927**	103,927

31.12.2009 Disclosures 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)]	2,347	-	-	-
Trade accounts receivable	37,814	-	37,814	-
Current income taxes receivable	97	97	-	-
Other current assets	9,947	450	9,112	-
Cash and cash equivalents	8,506	8,506	-	-
Total	**58,711**	**9,053**	**46,926**	-
Liabilities-side financial instruments				
Participation rights capital	7,026	-	7,026	-
Non-current financial liabilities	29,452	-	29,452	-
Non-current other liabilities	40	-	40	-
Current income taxes payable	96	96	-	-
Current financial liabilities	24,779	-	24,779	-
Trade accounts payable	15,152	-	15,152	-
Advance payments received	9,964	-	9,964	-
Other liabilities	10,053	91	8,916	-
Total	**96,562**	**187**	**95,329**	-

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	Derivates in hedging relationships			
Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)	**Total carrying amounts based on IAS 39**	Fair values
-	2,347	-	-	-	**2,347**	2,347
-	-	-	-	-	**37,814**	37,814
-	-	-	-	-	**-**	-
-	-	-	200	185	**9,497**	9,497
-	-	-	-	-	**-**	-
-	**2,347**	**-**	**200**	**185**	**49,658**	**49,658**
-	-	-	-	-	**7,026**	7,026
-	-	-	-	-	**29,452**	29,452
-	-	-	-	-	**40**	40
-	-	-	-	-	**-**	-
-	-	-	-	-	**24,779**	24,779
-	-	-	-	-	**15,152**	15,152
-	-	-	-	-	**9,964**	9,964
-	-	-	6	1,040	**9,962**	9,962
-	**-**	**-**	**6**	**1,040**	**96,375**	**96,375**

Fair value hierarchy:
At 31 December 2010 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)

Disclosures in € 000	Level 1	Level 2	Level 3	**31.12.2010**
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	107	-	107
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	130	-	130
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	104	-	104
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	1,245	-	1,245

There were no reclassifications during the fiscal year 2010 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.

Net gains and loss by measurement category

Disclosures in € 000	**2010**	2009
Measured at fair value through profit and loss	53	36
Loans and receivables	826	-19
Held to maturity	-	-
Available-for-sale	-	-

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

Net losses of € 121,000 (2009: € 164,000) 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 in 2010 thanks to positive group earnings for the year. At 31 December 2010, group equity stood at € 33.1 million and was therefore € 12.6 million higher than one year earlier. The aim is to improve the group equity ratio further over the coming years from its current level of 17.5 %. The Group's debt coefficient was reduced further in 2010 and now stands at 1.0 (2009: 1.3). 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 has been issued and was posted to the Company's website at http://www.schaltbau.de/de/ir/cg-entsprechenserklaerung.htm on 16 December 2010.

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:

	Volume of services performed		Volume of services received	
Disclosures in € 000	**2010**	2009	**2010**	2009
Associated companies				
Goods and services	2,527	3,043	1,731	940
Other relationships	1	-	123	23
Non-consolidated companies				
Goods and services	6,716	3,992	4,198	3,891
Other relationships	82	230	35	2

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).

	Receivables		Liabilities	
Disclosures in € 000	**2010**	2009	**2010**	2009
Associated companies	849	850	381	141
Non-consolidated companies	2,612	1,930	252	566

For disclosures relating to key management personnel, we refer to the section "key management personnel" at the end of the notes to the consolidated financial statements.

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 Group 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 to group companies without mark-up.

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, unlike expenses for corporate services such as use of the SAP system. The elimination of intra-group profits also takes place at this level. The financial reporting principles used for segment reporting correspond to those used in the consolidated financial statements.

Geographical segments

Disclosures in € 000	Assets		Capital expenditure		External sales	
	31.12.2010	31.12.2009	**2010**	2009	**2010**	2009
Germany	143,184	132,865	7,803	8,837	132,826	130,734
Other EU countries	13,304	11,300	199	87	78,526	68,791
Other European countries	3,421	3,480	-	-	20,556	20,554
China / Hong Kong	27,253	18,424	666	591	35,932	36,713
Other countries	2,390	1,819	1,061	283	12,577	12,977
	189,552	**167,888**	**9,729**	**9,798**	**280,417**	**269,769**

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flow from operating activities (indirect method)

Based on a group net income of € 14.8 million, the cash flow from operating activities in 2010, amounting to € 11.1 million, was approximately € 5.1 million lower than in the previous year. As a result of the sharp rise in total output for the year, current assets went up by EUR 17.3 million, thus resulting in a cash outflow, primarily in connection with the increase in inventories and trade accounts receivable. This compares with a cash inflow of only EUR 4.7 million, attributable mainly to increases in trade accounts payable and advance payments received.

b) Cash flow from investing activities

The cash outflow from investing activities totalled € 5.7 million in 2010 and was therefore € 4.1 million lower than one year earlier. The decrease compared to the previous year was mainly due to receipt of the purchase price receivable relating to the sale of Bode Beijing (EUR 3.3 million) in 2009. The lower level of investment in property, plant and equipment was attributable to the investment made in the previous year in land and buildings at the level of Pintsch Bamag GmbH. Cash outflows for investments incurred in conjunction with the Group's international strategy related on the one hand to the acquisition of Bode Corporation and to further investments in existing subsidiaries outside Germany on the other.

c) Cash flow from financing activities

The negative cash flow from financing activities amounted to EUR 2.7 million and related, alongside the payment of a dividend to the shareholders of Schaltbau Holding AG and to minority shareholders, to changes in liabilities to banks and inter-company financing. In connection with the restructuring of financing at the level of Schaltbau Holding AG and the major German subsidiaries, loans and current account overdrafts totalling € 36.4 million were repaid and raised again as at 31 March 2010. Loan repayments were mostly funded by drawing on current account credit lines.

EVENTS AFTER THE REPORTING PERIOD

On 15 February 2011 Schaltbau GmbH acquired, via its newly founded Schaltbau America Limited Partnership, Delaware, the remaining 50 % of the shares of Schaltbau North America Inc. for a purchased consideration of US$ 3,852,000. The company will be fully consolidated with effect from 1 January 2011; prior to that it has been included in the consolidated financial statements at equity. This transaction will reinforce Schaltbau GmbH's position in the growing railway and industrial lines of business in North America. Calculations relating to the first-time consolidation (recognition and measurement of goodwill or a gain on acquisition below fair value) are expected to be completed during the first half of 2011.

A further important event involved the joint venture contract relating to Xi'an Schaltbau Electric Corporation Ltd., which was extended on 13 October 2010 (before the originally foreseen date) through to 2024. The contract was subject to approval by the Chinese authorities which was officially granted on 11 February 2011. With this move, the Schaltbau Group now has long-term planning certainty in the Components segment in China. A growth strategy has also been approved, which will involve capital expenditure in an additional factory and office building in Xi'an, providing the basis for further growth of this highly successful joint venture.

With effect from16 February 2011 Gebr. Bode & Co. Beteiligungs GmbH acquired 10% of the shares of Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. (Rawag), Rawicz, bringing Bode's investment up to 30%. A purchase option has also been agreed for further shares, giving Bode the opportunity to take over a majority interest in the Polish company. Rawag manufactures door systems for railway vehicles, buses and trams as well as side-windows for buses and trams, primarily for customers in Eastern Europe.

Bode has also founded a company in South Korea jointly with a local industrial partner. Bode has an 80% holding in the new company, which in the future, will focus on gaining a foothold on the Korean market, backed up by its own sales and engineering resources. This move helps to strengthen Bode's position in an important Asian market with good growth prospects.

Schaltbau Holding AG gave notice to terminate the convertible bond 2007/2012 with effect from 12 April 2011 in accordance with the terms and conditions of the bond. This bond, sub-divided into 85,000 partial bonds, had originally been issued for a total nominal amount of EUR 8.5 million. All partial bonds still in circulation are affected by the termination. At 23 March 2011 this related to 66,155 partial bonds; a further 15,986 partial bonds had previously already been converted since the end of 2010. As a result of the special dividend of EUR 0.20 per share granted to shareholders in 2010 the conversion price is EUR 45.80. The bonds can be converted at any time up to 6 May 2011 at the latest.

Segment Information

Disclosures in € 000	Mobile Traffic Technology		Stationary Traffic Technology	
	2010	2009	**2010**	2009
Orders intake (external)	117,872	101,754	90,951	80,649
Sales	117,841	108,795	87,873	95,604
- of which external	117,841	108,795	86,829	94,687
- of which with other segments	0	0	1,044	917
Order book (external)	89,437	89,256	44,483	40,560
EBITDA	9,140	7,507	9,219	10,489
Result from operating activities (EBIT)	7,718	5,978	7,546	8,925
Result from at-equity accounted companies	656	2,019	0	0
Sundry other result from investments	-23	0	-1,002	0
Interest income	67	32	46	74
Interest expense	-804	-881	-1,333	-1,079
Income taxes	-635	623	-221	-523
Segment result / Group result *1)	6,979	7,771	5,036	7,397
Capital expenditure on investments	640	12	1,077	559
Impairment losses on investments	-47	0	-1,002	0
Capital expenditure *2)	1,804	1,257	3,308	5,176
Amortisation and depreciation *2)	-1,422	-1,529	-1,673	-1,564
Impairment losses (without investments)	-42	-85	-483	-226
Reversal of impairment losses (without investments)	105	184	605	193
Other significant non-cash expenses	-4,779	-5,540	-3,677	-4,026
Segment assets *2)	54,356	55,053	71,253	58,156
Investments accounted for at equity	3,421	3,480	0	0
Capital employed *3)	43,296	40,521	44,812	40,496
Segment liabilities *4)	29,623	35,080	54,289	42,685
Employees (average)	468	458	463	463
EBIT margin *5)	6.5%	5.5%	8.7%	9.4%
Return on capital employed (ROCE) *6)	17.8%	14.8%	16.8%	22.0%

*1) transfers in conjunction with profit and loss transfer agreements are added back to the segment result
*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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	79,779	69,240	288,602	251,643	99	76	288,701	251,719
	76,061	66,558	281,775	270,957	1,358	1,188		
	75,649	66,210	280,319	269,692	98	77	280,417	269,769
	412	348	1,456	1,265	-1,456	-1,265		
	37,594	33,587	171,514	163,403			171,514	163,403
	14,965	12,578	33,324	30,574	-3,178	-4,124	30,146	26,450
	12,146	9,639	27,410	24,542	-3,648	-4,223	23,762	20,319
	545	290	1,201	2,309	-1	0	1,200	2,309
	0	0	-1,025	0	0	0	-1,025	0
	32	41	145	147	-75	-72	70	75
	-1,332	-1,293	-3,469	-3,253	-2,802	-2,530	-6,271	-5,783
	-1,088	-569	-1,944	-469	-1,039	-2,359	-2,983	-2,828
	10,303	8,108	22,318	23,276	-7,565	-9,184	14,753	14,092
	3	274	1,720	845	0	0	1,720	845
	0	0	-1,049	0	0	0	-1,049	0
	2,667	1,730	7,779	8,163	230	790	8,009	8,953
	-2,816	-2,933	-5,911	-6,026	-469	-98	-6,380	-6,124
	-406	-836	-931	-1,147	0	-491	-931	-1,638
	491	44	1,201	421	0	10	1,201	431
	-4,708	-3,178	-13,164	-12,744	-3,123	-4,920	-16,287	-17,664
	71,109	61,487	196,718	174,696	-7,166	-6,808	189,552	167,888
	999	736	4.420	4,216	0	1	4,420	4,217
	55,410	46,867	143,518	127,884	-12,695	-12,548	130,823	115,336
	51,539	41,978	135,451	119,743	20,995	27,625	156,446	147,368
	506	504	1,436	1,425	17	12	1,453	1,437
	16.1%	14.6%					8.5%	7.5%
	21.9%	20.6%					18.2%	17.6%

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

Waltraud Hertreiter
Member of the Executive Board

Member of the Supervisory Board of
Textilgruppe Hof AG, Hof

Members of the Supervisory Board

Hans Jakob Zimmermann
Chairman
Director of HSBC Trinkhaus Private Wealth GmbH, Düsseldorf
(since 01.07.2010)

Director of HSBC Trinkhaus Consult GmbH, Düsseldorf (since 01.07.2010)

Representative of Sal. Oppenheim jr. & Cie. KgaA, Cologne (until 30.06.2010)

Chairman of the Supervisory Board of
GARANT Schuh + Mode AG, Düsseldorf
Paragon AG, Delbrück (since 30.09.2010)

Member of the Supervisory Board of
SIAG Schaaf Industries AG, Dernbach
(until 31.10.2010)
MERKUR BANK KGaA, Munich

Member of the Administrative Board of
Rheinzink GmbH & Co. KG, Datteln

Chairman of the Advisory Board of
ante-holz GmbH, Bromskirchen-Somplar

Member of the Advisory Board of
Commerzbank Bank AG, Frankfurt
(formerly: Dresdner Bank AG) (until 31.12.2010)

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

Member of the Supervisory Board of
heristo aktiengesellschaft,
Bad Rothenfelde

Member of the Advisory Board of
heristo holding GmbH,
Bad Rothenfelde
(since 01.01.2010)

Karl Uwe van Husen
Director of Elrega GmbH,
Ludwigsburg

Member of the Supervisory Board of
Elring Klinger AG,
Dettingen/Erms

Marianne Reindl Secretary	**Chairwoman of** Group Works Council of Schaltbau Holding AG, Munich General Works Council of Schaltbau GmbH, Munich **Deputy Chairwoman of** Works Council of Schaltbau GmbH, Werk Aldersbach
Dr. Stefan Schmittmann Member of the Management Board of Commerzbank AG, Frankfurt	**Member of the Supervisory Board of** Verlagsgruppe Weltbild GmbH, Augsburg Eurohypo AG, Eschborn Commerzbank Auslandsbanken Holding AG, Frankfurt BRE Bank SA, Warsaw **Deputy Chairman of the Supervisory Board of** Commerz Real AG, Düsseldorf/Wiesbaden **Chairman of the Administrative Board of** KG Allgemeine Leasing GmbH & Co. KG, Grünwald
Horst Wolf Employee	**Chairman of** Works Council of Pintsch Bamag GmbH, Dinslaken **Member of** Group Works Council of Schaltbau Holding AG, Munich

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the Executive Board for the fiscal year 2010 amounted to € 1,000,000 (2009: € 943,000).

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 7 July 2006.

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 172,000 (2009: € 144,000). In addition, a remuneration of € 13,000 (2009: € 12,000) was paid to one member of the Supervisory Board in 2010 in accordance with the Articles of Incorporation (§ 13 para. 1 of the Articles of Incorporation of Schaltbau Holding AG).

Pension obligations to former members of the Executive Board and their surviving dependents amounted to € 554,000 (2009: € 571,000). The expense for remuneration paid to former members of the Executive Board and their surviving dependents amounted to € 88,000 (2009: € 94,000).

As at 31 December 2010, a total of 221,100 shares of the Company and 768 convertible bonds with a nominal amount of € 100 each (total volume € 76,800) were held, directly or indirectly, by Dr. Cammann. Mr. Zimmermann, a member of the Supervisory Board, holds, directly or indirectly, a total of 188,786 shares of the Company and 7,920 convertible bonds with a nominal amount of € 100 each (total volume € 792,000). Mr. Jahrmarkt, a member of the Supervisory Board, holds, directly or indirectly, a total of 2,098 shares of the Company.

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:

Disclosures in € 000

Payment of a dividend of € 1.10 per share each representing € 3.66 of the Company's share capital of € 6,863,092.92	2.062.678,20
Transfer to revenue reserves	7.600.000,00
To be carried forward	104.950,79
Unappropriated profit	**9.767.628,99**

Munich, 23 March 2011
The Executive Board

Dr. Jürgen H. Cammann **Waltraud Hertreiter**

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, 23 March 2011
Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann **Waltraud Hertreiter**

The Executive Board

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

Waltraud Hertreiter,
Neubeuern

The Supervisory Board

Members of the Supervisory Board:

Hans Jakob Zimmermann

Chairman of the Supervisory Board
Director of HSBC Trinkhaus Private Wealth GmbH, Düsseldorf
Director of HSBC Trinkhaus Consult GmbH, Düsseldorf

Peter Jahrmarkt

Deputy Chairman of the Supervisory Board
Officer with general authority of heristo holding GmbH

Marianne Reindl *

Secretary

Dr. Stefan Schmittmann

Member of Executive Board of Commerzbank AG, Frankfurt

Karl Uwe van Husen

Managing Director of Elrega Grundstücksverwaltung GmbH, Ludwigsburgg

Horst Wolf *

Employee

* Employee representatives

Report of the Supervisory Board

Supervisory Board activities during the reporting year

During the fiscal year 2010 the Supervisory Board of Schaltbau Holding AG again performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, dedicating its attention to the business matters of the Company. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both written and oral reports on business performance, corporate policy and fundamental issues relating to financial, investment and personnel policies as well as on matters concerning the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. Other major topics of report included the strategic orientation of the Schaltbau Group and related activities.

Furthermore, the Supervisory Board regularly advised the Executive Board in its management duties and monitored its governance of the Company. All transactions requiring the approval of the Supervisory Board were discussed in detail with the Executive Board prior to granting approval. 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 complied with, both within Schaltbau Holding AG and throughout the Group. The Executive Board also informed the members of the Supervisory Board regarding important and urgent events between meetings.

Main focus of Supervisory Board meetings

Four regular Supervisory Board meetings took place during the year under report. The meetings were attended by the entire board apart from two, in which one Supervisory Board member was excused from attending on each occasion. Two resolutions put forward by the Executive Board were approved in writing by the Supervisory Board by way of circulation procedure.

The monthly reports were closely examined at each of the Supervisory Board meetings. These status reports provide information concerning incoming orders, sales and profitability – both on a monthly basis and cumulatively, including actual and budget variances. 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 forecasted figures. Furthermore, the Supervisory Board reviewed developments in order intake, sales, costs and earnings for the various segments and subsidiaries of the Schaltbau Group and discussed these with the Executive Board. The discussion and assessment of strategic options and necessities were regular items on the agenda. Furthermore, the Supervisory Board was provided with information at every meeting regarding the progress and possible courses of action to be taken in the project for producing railway platform doors in China.

At its various meetings during the fiscal year 2010 the Supervisory Board primarily concentrated on the following topics in the course of its monitoring activities:

At the meeting held on 16 April 2010 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Group Financial Statements and the Combined Management Report of Schaltbau Holding AG and the Schaltbau Group for the fiscal year 2009. The Supervisory Board approved the statements regarding the further development of the business and the disclosures pursuant to §§ 289 (4, 5) and 315 (2, 5) and (4) of the German Commercial Code as well as the Corporate Governance Statement. The Supervisory Board also thoroughly discussed the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit and concurred with it. In this regard the external auditors present answered numerous questions put to them by the Supervisory Board.

In addition to topics concerning the approval of the Company Financial Statements, the future strategy of the Bode Group was presented to the Supervisory Board during this meeting. Increased internationalisation is an essential part of this strategy. The acquisition of a majority holding in Bode Corporation, USA, which was approved in advance by way of circulation procedure, is an additional component. The Supervisory Board, the Executive Board and the management of Bode held discussions regarding the strategic course to be taken.

On 9 June the Supervisory Board determined the audit plan for the internal audit to be performed in 2010. A further item on the agenda was the business development of the investee company Bubenzer-MyPort Sdn. Bhd. in Johor (Malaysia), with particular regard to the strategic importance of the region for the brakes business, after 100 per cent of the shares of this company were directly acquired on 16 November 2009.

The main topic of the meeting held on 10 September 2010 was the planned further internationalisation of the Bode Group. In this connection, the Supervisory Board exhaustively discussed and subsequently approved the acquisition of a majority holding in the Polish company RAWAG and the formation of a distribution company in South Korea. The Chinese market is becoming increasingly important for the sale of components manufactured by Schaltbau GmbH. Thus a further key topic of discussion was the growth strategy and the investment requirement for the Chinese company Xi'an over the next five years. The Supervisory Board closely examined the annual risk report describing the main individual risks and general potential risks and was provided with a report by the Executive Board describing the preventive compliance measures. In addition, the Supervisory Board carried out the annual efficiency examination.

At the meeting held on 16 December 2010 the forecast for the period 2011-2013 for the Schaltbau Group was approved by the Supervisory Board after in-depth discussion. Furthermore, the Supervisory Board viewed a presentation given by the auditors Deloitte & Touche on the effectiveness of the internal control system and the results of the internal audit within the Schaltbau Group, which were the subject of extensive debate. The Declaration of Compliance with the German Corporate Governance Code was discussed and adopted after the Supervisory Board had closely examined the contents and particularly the changes to the German Corporate Governance Code.

The Chairman of the Supervisory Board and the Executive Board maintained regular contact in addition to their formal meetings and joint consultations. The Chairman of the Supervisory Board was regularly informed by the Executive Board concerning current developments, business performance and important individual events. He was promptly informed by the Executive Board of any extraordinary events relevant for assessing the financial condition and performance of both the Company and the Group.

Personnel Committee work

The Personnel Committee formed within the Supervisory Board held three meetings during the year under report. The main topics of discussion included 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 rules of procedure of the Supervisory Board, but has, however, not been formed in view of the total size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that a consistent flow of all Company and other relevant information to all members of a 6-person Supervisory Board is eminently achievable.

Company and Group Financial Statements 2010

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 Group Financial Statements as at 31 December 2010 as well as the Combined Management Report, 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 made available to each of the members of the Supervisory Board in a timely manner in order to ensure a 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 15 April 2011. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements as at 31 December 2010, the Combined Management Report 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 Group 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, the Group Financial Statements and the Combined Management Report. The Supervisory Board formally approved the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements for the fiscal year 2010 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board approved the Combined Management Report, including the statements regarding the further development of the business and the disclosures pursuant to §§ 289 (4, 5) and 315 (2, 5) and (4) of the German Commercial Code as well as the Corporate Governance Statement.

The Supervisory Board also concurred with the proposal made by the Executive Board regarding the appropriation of unappropriated profit.

The risk management system was reviewed by the external auditor. The external auditor confirmed that the Executive Board has put the required measures in place pursuant to § 91 (2) of the German Stock Corporation Act and has 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 of individual Group entities.

Representative bodies of the Company

The Supervisory Board consists of six members. Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board, and as shareholders' representatives, Karl Uwe van Husen, Waiblingen and Dr. Stefan Schmittmann, Grünwald. The Supervisory Board's term of office will cease at the end of the Annual General Meeting, during which the shareholders will vote on ratifying the actions of the Supervisory Board for the fiscal year 2010. Employees are represented on the Supervisory Board by Marianne Reindl, Egglham, and Horst Wolf, Dinslaken.

The Supervisory Board particularly 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 2011

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2010

ASSETS

Disclosures in € 000	2010	2009
A. FIXED ASSETS		
I. Intangible assets	1,345	1,577
II. Property, plant and equipment	36	43
III. Investments	79,949	79,949
	81,330	**81,569**
B. CURRENT ASSETS		
I. Receivables and other assets	25,751	13,831
II. Marketable securities	0	195
III. Cash and cash equivalents	2,302	3
	28,053	**14,029**
C. PREPA ID EXPENSES	**220**	**331**
	109,603	**95,929**

EQUITY AND LIABILITIES

Disclosures in € 000	2010	2009
A. EQUITY CAPITAL		
I. Subscribed capital (Conditional capital € 1,807,000)	6,863	6,850
Nominal amount of treasury shares	-18	0
Issued share capital	6,845	6,850
II. Capital reserves	8,359	8,212
III. Revenue reserves	31,054	23,231
IV. Participation rights capital	10,000	10,000
V. Unappropriated profit	9,768	9,436
	66,026	**57,729**
B. PROVISIONS		
I. Provisions for pensions and similar obligations	6,992	5,987
II. Other provisions	3,055	4,093
	10,047	**10,080**
C. LIABILITIES	**33,530**	**28,120**
	109,603	**95,929**

Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2010

Disclosures in € 000	2010	2009
1. Sales	1,944	1,465
2. Other operating income	3,816	3,620
3. Cost of materials	704	1,062
4. Personnel expense	2,459	2,781
5. Amortisation and depreciation	469	98
6. Other operating expenses	2,868	2,055
7. Income from investments	2,046	0
8. Income from profit transfers	13,103	13,262
9. Net interest expense	-2,585	-2,137
10. Profit from ordinary activities	**11,824**	**10,214**
11. Extraordinary items, net	-1,323	0
12. Taxes	862	970
13. Net profit	**9,639**	**9,244**
14. Unappropriated profit brought forward	129	192
15. Unappropriated profit	**9,768**	**9,436**

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 comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. 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, March 28, 2011
KPMG AG
Wirtschaftsprüfungsgesellschaft

Zastrow Wirtschaftsprüfer	Moesta Wirtschaftsprüfer

IMPRINT

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Concept & Creation
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Photos
iStockphoto

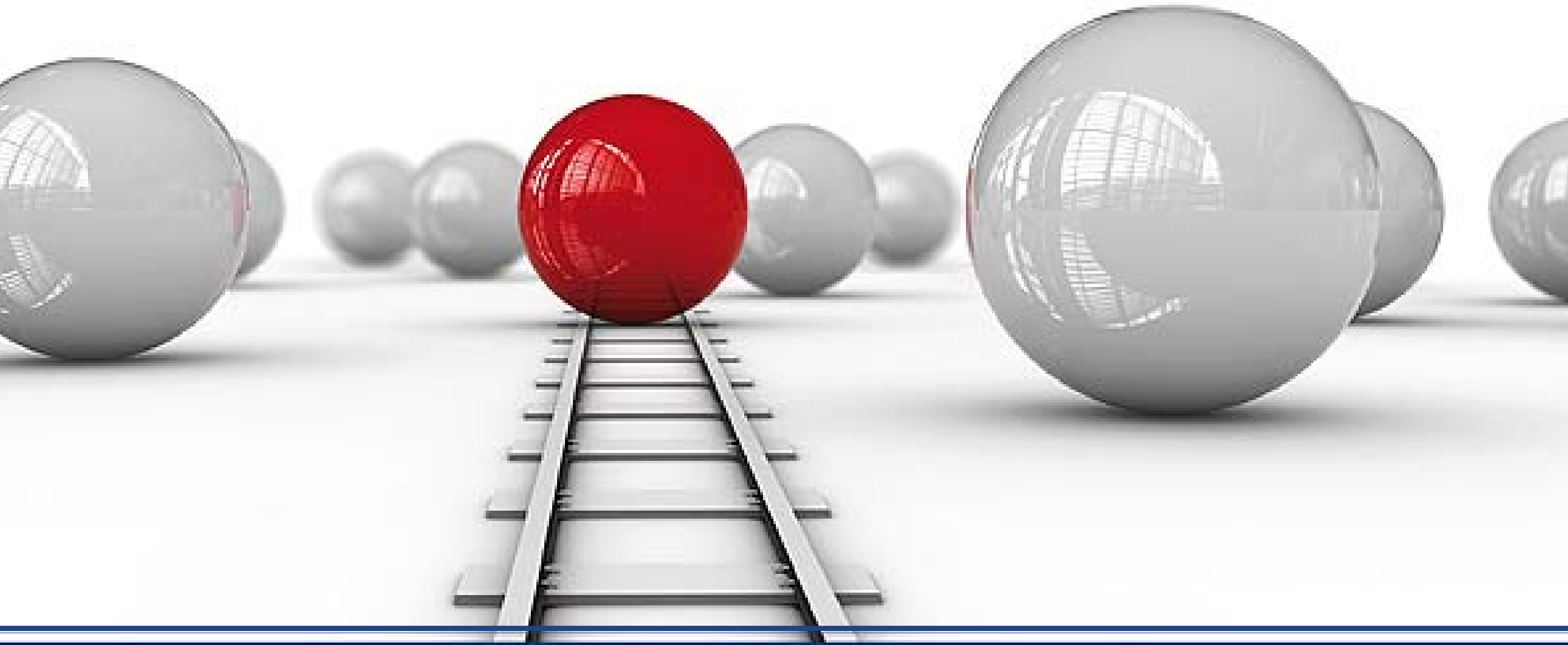
MEV Verlag GmbH

J. Janneck
Reference: Alfred-Wegener-Institut

EvoBus

Bombardier

other photos
Schaltbau Group



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