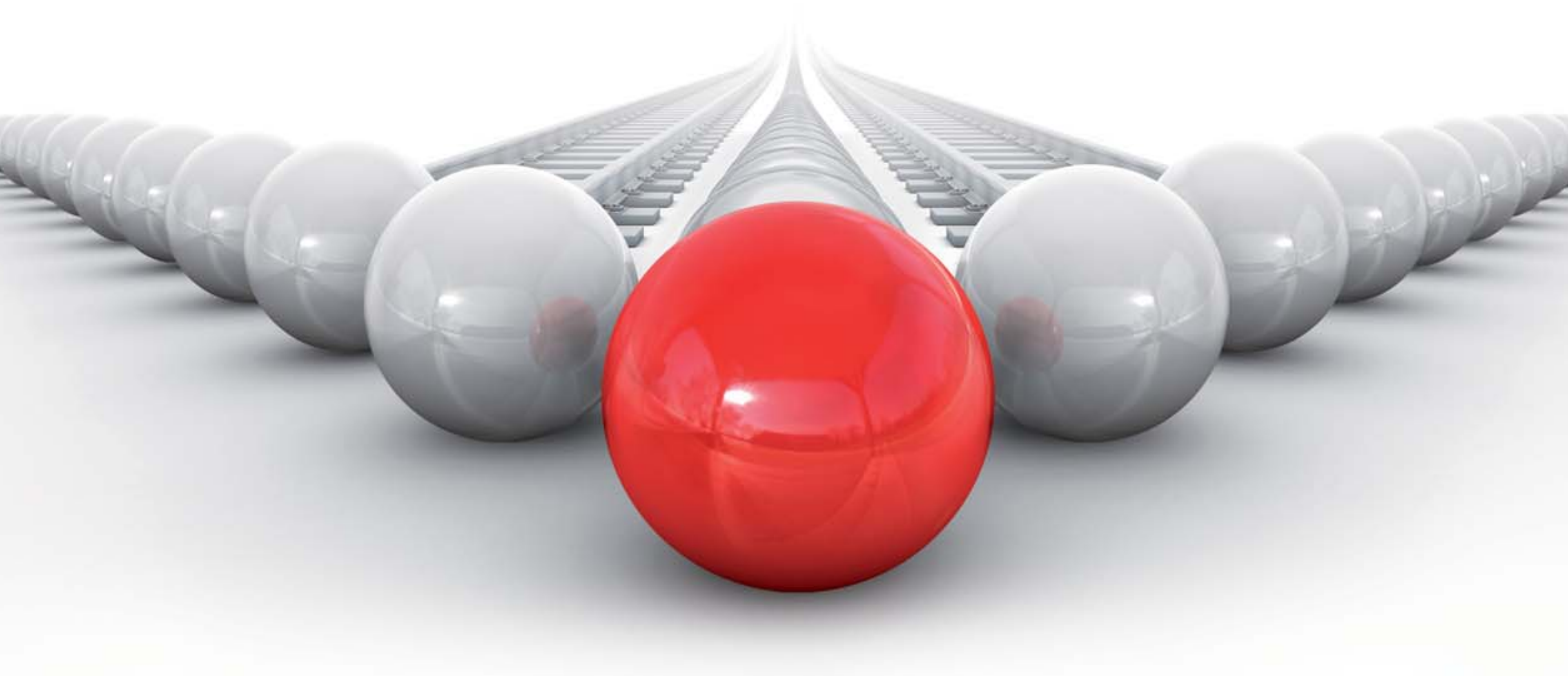
SCHALTBAU



Annual Report 2011

Schaltbau Group 5-year summary

Group key financial figures		**2011**	2010	2009	2008	2007
Order situation						
Order intake	€ m.	**342.8**	288.7	251.7	281.2	271.9
Order book	€ m.	**197.4**	171.5	163.4	181.6	181.3
Income statement						
Sales	€ m.	**318.4**	280.4	269.8	280.2	232.1
Total output	€ m.	**324.4**	288.6	262.1	282.4	236.1
EBITDA	€ m.	**34.7**	30.1	26.5	27.8	19.4
EBIT	€ m.	**27.5**	23.8	20.3	21.9	14.1
EBIT margin	%	**8.6**	8.5	7.5	7.8	6.1
Group net profit	€ m.	**21.7**	14.8	14.1	13.1	8.2
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	**18.7**	12.1	12.3	11.8	7.2
Return on capital employed	%	**18.9**	18.2	17.6	19.4	14.0
Balance sheet						
Fixed assets	€ m.	**74.0**	64.0	61.5	60.5	60.2
Capital expenditure	€ m.	**8.6**	8.0	9.0	6.3	7.9
Amortisation and depreciation	€ m.	**7.2**	6.4	6.1	6.0	5.3
Working capital	€ m.	**71.8**	66.8	53.8	52.2	40.9
Capital employed	€ m.	**145.8**	130.8	115.3	112.6	101.0
Group equity	€ m.	**59.5**	33.1	20.5	8.6	-2.1
Net liabilities to banks	€ m.	**27.4**	31.5	33.9	37.7	41.4
Balance sheet total	€ m.	**213.6**	189.6	167.9	168.1	164.7
Cash flow statement						
Cash flow from operating activities	€ m.	**21.7**	11.1	16.2	13.0	16.1
Cash flow from investing activities	€ m.	**-13.4**	-5.7	-9.8	-8.3	-13.0
Cash flow from financing activities	€ m.	**-7.2**	-2.7	-3.3	-7.4	0.0
Change in cash and cash equivalents	€ m.	**1.2**	3.0	3.2	-2.6	3.3
Personnel						
Employees at 31 December	Number	**1,738**	1,610	1,603	1,599	1,551
Average number of employees	Number	**1,535**	1,453	1,437	1,424	1,372
Personnel expense	€ m.	**95.4**	87.3	81.7	79.4	74.8
Personnel expense per employee	€ 000	**62.1**	60.1	56.9	55.8	54.5
Total output per employee	€ 000	**211.3**	198.6	182.3	198.2	172.1
Key fin. figures for Schaltbau Holding AG		**2011**	2010	2009	2008	2007
Subscribed capital	€ 000	**7,506**	6,863	6,850	6,850	6,840
Equity of the AG	€ m.	**76.9**	66.0	57.7	49.4	41.8
Equity ratio of the AG	%	**66.1**	60.2	60.2	58.0	52.5
Stock market price at 31 December	€	**70.4**	57.3	39.0	38.8	45,5
Market capitalisation at 31 December	€ m.	**144.4**	107.4	73.0	72.6	85,0
Earnings per share (undiluted)	€	**9.38**	6.50	6.62	6.35	3,85
Earnings per share (diluted)	€	**9.38**	6.09	6.19	5.94	3,85
Dividend per share	€	**1.80**	1.10	0.70	0.50	0,30

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.

Members of the Executive Board and the Supervisory Board

Executive Board

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Waltraud Hertreiter
Member of the Executive Board (until 10.06.2011)

Hans Gisbert Ulmke
Member of the Executive Board (since 15.05.2011 to 26.01.2012)

Dirk Christian Löchner
Member of the Executive Board (since 06.02.2012)

Supervisory Board

Hans Jakob Zimmermann
Chairman
Director of HSBC Trinkhaus Private Wealth GmbH, Düsseldorf
Director of HSBC Trinkhaus Consult GmbH, Düsseldorf

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

Karl Uwe van Husen
Director of Elrega GmbH, Ludwigsburg, (until 09.06.2011)

Marianne Reindl
Secretary

Dr. Stefan Schmittmann
Member of the Executive Board of Commerzbank AG, Frankfurt am Main

Friedrich Smaxwil
Consultant, (since 09.06.2011)

Horst Wolf
Employee

Dear Shareholders,

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

The Schaltbau Group continued developing with great success throughout fiscal year 2011. Sales rose by 14 per cent to € 318 million, largely due to the high demand for our innovative products and solutions in a favourable economic environment over the course of the year. We are very happy to report that all of the Group's segments contributed towards this growth.

Performance indicators for the Schaltbau Group improved even more strongly than its sales figures. Despite the acquisition costs for Tiefenbach and impairment losses, the operating result increased to € 27.5 million and the EBIT margin rose to 8.6 per cent. Earnings per share improved by 44 per cent to € 9.38. It should be taken into account, however, that net profit and therefore also earnings per share were positively influenced by a required revaluation. Based on this outstanding earnings performance, the Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of € 1.80 per share be paid, as compared to € 1.10 the previous year.

The economic strength the Schaltbau Group achieved in the most profitable year of its history was rewarded by the capital market in three important ways. Firstly, the higher share price in the spring of last year enabled us to terminate the convertible bond. Secondly, despite the generally weak economic environment and the greater number of shares in circulation, the Schaltbau share gained 23 per cent in value, considerably increasing market capitalisation. The trading volume of the Schaltbau share also grew. Thirdly, these factors led to Schaltbau being included in the SDAX on 19 September. The Schaltbau share is therefore gaining far more attention at international level than ever before.

We regard Schaltbau's inclusion in the SDAX as an endorsement of our accomplishments to date. At the same time this success provides us with great motivation to continue developing the Schaltbau Group along the path of sustainable, profitable growth.

In recent years we have unremittingly worked on forming the solid foundation needed to achieve these goals and in this vein we decisively pressed ahead with our declared international strategy of growth throughout the past fiscal year. The joint venture agreement for Xi'an Schaltbau was extended up to 2024. Moreover, we effectively strengthened our presence in China by forming a company producing platform screen door systems and by concentrating our activities in Shenyang in a new building specially erected for that purpose.

Since 2011 Schaltbau has been present on the South Korean market with a newly formed company. Furthermore, we acquired all of the remaining shares in Schaltbau North America and Bode North America, thereby bolstering our position on the North American market. In Eastern Europe we also successfully increased our holding in Rawag. With our recent investment in the UK-based Rail Door Solutions Ltd. in October 2011 we took another important step into the service market, as we expect the demand for refurbishment to grow rapidly in the face of tense pressure on public spending in a number of countries.

The complete takeover of Tiefenbach GmbH, an internationally operating specialist in the field of shunting and signal equipment, was finalised at the beginning of 2012 and represents a key milestone for the Schaltbau Group. In addition to improving its existing market position, this significant acquisition will enable PINTSCH BAMAG to enter new markets. We continue to see quite considerable growth potential for our Group in the field of rail infrastructure.

In the medium term we expect to see some fundamental structural changes on the European rail market and the high burden of sovereign debt is bound to lead to fewer investments in the infrastructure sector. The extent to which these reductions will be compensated by PPP projects still remains to be seen. A similar development has been apparent on the Chinese market since halfway through 2011 and the volume of investment in this market is liable to remain considerably lower over the next few years. In Russia and South America, however, we expect to see significant growth in the medium term. At the same time, the railway industry is constantly becoming more internationalised.

These factors are likely to additionally expedite the consolidation process currently taking place across the rail sector. With the financial strength the Schaltbau Group has meanwhile achieved (our equity ratio now stands at 28 per cent), we will be playing an active part in this consolidation process and purposefully supplementing our current range of products and services through strategic acquisition.

For the current fiscal year 2012 we forecast a general continuation of the stable performance in our markets. Based on highly favourable order-book figures, we predict a steady volume of business with the railway sector, both in Europe and the USA. On the Chinese market we are expecting a reduced level of investment in this field. Demand for industrial braking systems and components is set to remain stable at the currently good levels. The Executive Board forecasts sales of approximately € 350 million and earnings per share of € 8.83 for fiscal year 2012.

A great deal of upfront expenditure in the personnel field will be needed in the course of the current fiscal year to sustainably follow up on the numerous steps that we have initiated in the growth process. Schaltbau is investing in human resources, as highly qualified employees are a necessity to continue playing a leading role in our industry in the years to come and make profitable use of the ongoing process of consolidation in the rail sector worldwide to expand one's own activities.

We would like to thank you, our shareholders, for the confidence and trust you placed in us throughout 2011. We also specifically wish to thank our employees, without whose great commitment the resounding commercial success of the Group would not have been possible.

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich,
for the fiscal year 2011

The Schaltbau Group again performed with great success in fiscal year 2011, despite moderately worsening economic conditions during the second half of the year. Both sales and Group net profit were significantly up on the previous year's figures and surpassed all of our expectations. These factors, combined with the positive impact of the conversions following the termination of the conversion bond and the improved conditions negotiated for the existing Syndicated Credit Agreement halfway through the year additionally contributed to a fundamental strengthening of the Schaltbau Group's financial base. The improved position is additionally reflected in the Group equity ratio, which rose from 17.5% to 27.9% and this solid financial base has been the foundation from which to purposefully press ahead with the Schaltbau Group's declared strategy of internationalisation. The Executive Board will submit a proposal to the Supervisory Board that a dividend of € 1.80 per share be paid for the fiscal year 2011 as compared with € 1.10 the previous year.

Major events during the fiscal year 2011

An outstanding event related to the joint venture contract for Xi'an Schaltbau Electric Corporation Ltd., which was extended through to 2024 on 13 October 2010, prior to the originally foreseen date. The approval of the Chinese authorities was obtained on 11 February 2011. Now the Schaltbau Group can make long-term plans in the Components segment in China with a high degree of certainty. Moreover, a growth strategy has been adopted that will involve capital expenditure in an additional manufacturing plant and office building in Xi'an, creating the basic conditions for the greater expansion of what is already a highly prosperous joint venture.

Via its newly formed company Schaltbau America Limited Partnership, Delaware, USA, on 15 February 2011 Schaltbau GmbH acquired the remaining 50% of shares in Schaltbau North America Inc. The full consolidation became effective as from 1 January 2011. The company was previously accounted for in the Group Financial Statements using the equity method. With this transaction Schaltbau GmbH has additionally bolstered its position in the railway and industrial sectors of North America.

With effect from16 February 2011 Gebr. Bode & Co. Beteiligungs GmbH acquired an additional 10% share in Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. (Rawag) of Rawicz and with effect from 28 April a further purchase of 7.128% was transacted, enabling Bode to increase its share in Rawag to a total of 37.128%. Furthermore, an agreement has been reached that will enable Bode to gain a majority holding in this Polish company in 2014. Rawag produces door systems, side windows and aluminium parts for railway vehicles and buses, primarily for customers in Eastern Europe, and is an important supplier for the parent company in Kassel.

Furthermore, together with an industrial partner in South Korea, Gebr. Bode & Co. Beteiligungs GmbH established Bode Korea Co. Ltd. during the year under report. Bode holds an 80% share in the new company, which is focusing on growing its share in the Korean market, supported by its own sales and engineering resources. Bode is therefore ideally positioned in a further significantly growing Asian market.

With effect from 12 April 2011 Schaltbau Holding AG terminated its convertible bond 2007/2012 in accordance with the bond's terms and conditions. The bond, which was sub-divided into 85,000 partial bonds valued at € 100 each, had originally been issued for a total nominal amount of € 8.5 million. The termination related to all of the partial bonds in circulation. By 6 May 2011, the last day of the conversion period, 98% of the partial bonds had been converted into Schaltbau shares. The total number of Schaltbau shares in circulation has therefore now increased to 2,050,730. The unconverted partial bonds to the value of € 168,800 were paid back in accordance with the bond conditions.

On 18 April 2011 the Supervisory Board complied with the request of Waltraud Hertreiter to prematurely terminate her Executive Board contract valid till mid-2012 due to family commitments. Mrs Hertreiter began service as Chief Financial Officer of Schaltbau Holding AG on 1 July 2003. Mrs Hertreiter resigned from the Executive Board on 10 June 2011. Furthermore, at the same meeting the Supervisory Board resolved to appoint Mr Hans Gisbert Ulmke as additional member of the Executive Board of Schaltbau Holding AG with effect from 15 May 2011. With the resignation of Waltraud Hertreiter, Hans Gisbert Ulmke took over the post of Chief Financial Officer at Schaltbau Holding AG.

In order to ensure the Group's ability to grow, both organically and by means of acquisition, Schaltbau Holding AG signed a modified version of the existing Syndicated Credit Agreement together with the banks in June 2011. The new agreement provides for a credit volume increase of approximately € 20 million to € 65 million and an extension of the repayment period from March 2013 to June 2016 as well as improved conditions.

On 8 June 2011 Gebr. Bode & Co. Beteiligungs GmbH formed Shenyang Bode Transportation Equipment Co. Ltd. The company supplies door systems for the bus and rail industry, both for inland projects and for the export market.

In September 2011 the four Schaltbau Group companies based in Shenyang were all brought together at one location with the opening of the newly completed production and administration building. The development enables Schaltbau to benefit from synergy effects in both administration and sales, thereby strengthening the Group's position on the Chinese market.

With economic effect from 25 October 2011, Gebr. Bode & Co. Beteiligungs GmbH acquired a 25% share in the British company Rail Door Solutions Ltd. (RDS) of Milton Keynes. Furthermore, a purchase option has been contractually agreed upon for further shares, giving Bode the opportunity to take over a majority interest in the company. The acquisition strengthens Schaltbau's presence on the UK market for door systems and simultaneously enables the Group to begin providing a range of services. RDS is a well-known service partner in the design, modernisation, repair and maintenance of door systems for railway vehicles and in future also buses, primarily serving customers in the UK and Ireland.

On 15 December 2011 Bode & Co. Beteiligungs GmbH increased its share in Bode North America Inc. (formerly Bode Corporation), which is based in Spartanburg, South Carolina, USA, from 67% to 100% and therefore has the power to govern the financial and operating policies of that particular entity.

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
Service

Stationary Transportation Technology

Geschäftsfeld Infrastrukturtechnik

Pintsch Gruppe
Railway Signal Technology
Signal Technology
Train Formation Yards
Vehicle Equipment
Rail Point Heating Systems
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

ACTIVITIES AND GENERAL ECONOMIC ENVIRONMENT

Structure of the Schaltbau Group

Schaltbau Holding AG exercises various functions throughout the Group. It is responsible for Group strategy, the appointing of senior management for subsidiary companies, compliance within the Group, public relations, investor relations and the IT systems. Schaltbau Holding AG is also responsible for Group financial reporting, Group controlling, cash management and risk management, including internal auditing.

The operational business of the Schaltbau Group is divided into three segments: Mobile Transportation Technology, Stationary Transportation Technology (comprising the business fields Rail Infrastructure and Brake Systems) and Components.

BUSINESS ACTIVITIES

Mobile Transportation Technology

The Mobile Transportation Technology segment is represented by the Bode Group, which comprises the following product groups: Door Systems for Railway Vehicles; Door Systems for Buses and Coaches; Boarding Aids and Ramps; Fittings for Sliding Vehicle Doors. A broad network of sales and service partners optimally supports Bode's customers in their global operations and representative offices in Hong Kong, Malaysia and Singapore provide the required proximity to key sales markets. Investee entities in Poland and Turkey, each with their own production plants, safeguard market access in each of those regions. The Group consistently pursued its strategy of internationalisation throughout 2011 and investments in entities in the USA and Poland have both been increased. A majority holding in a South Korean company meanwhile enables the Schaltbau Group to serve this attractive market even more efficiently. Group activities in China have been strengthened by the founding of a subsidiary. The taking over of a 25% holding in the UK-based Rail Door Solutions Ltd. has enabled the Group to expand its portfolio to include a range of services.

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. Its 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 created in the recent past and the cornerstone of the Group's international success is the Bode Innovative Door System (BIDS). The BIDS system consists of the door leaf itself, the sliding or folding step, the drive system, the controls and the emergency handles. The system's elements are all highly standardised and modularly applicable. BIDS therefore covers the railway industry's entire range of requirements.

The Bode Group is European market leader for the door systems used in buses and coaches. It provides its customers with a broad range of complete door systems, including electronic controls and boarding aids. The components can all be optimally combined with one other to suit the requirements of customers. 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. The innovative electrical drive system CADS (Compact Allround Drive System) is of key importance in the field of bus doors. The product range includes outswinging and inswinging 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 commercial vans and cars. The Bode Group supplies numerous well-known manufacturers of commercial vehicles in this field.

Stationary Transportation Technology

The Stationary Transportation Technology segment comprises two business fields. In the Rail Infrastructure business field the Pintsch Bamag Group 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 an essential operating component widely used in all fields of level crossing safety technology. Due to its computer architecture the system guarantees a high degree of safety and technical availability at low production cost. Furthermore, due to its outstanding flexibility and adaptability, the widely used BUEP technology is ordered particularly often for use on branch lines. Based on the BUEP system, the manually operated BUEP-hLz light signal system is suitable for use in simple operating conditions.

With the takeover of the shunting equipment and signals specialist Tiefenbach GmbH at the beginning of 2012, Pintsch Bamag continues to improve its market position as a supplier of signals systems for main and branch lines both in Germany and abroad. In addition, the takeover has enabled the Group to enter new markets in the fields of railway signal engineering, train formation systems and sensor technology.

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

The Vehicle Equipment product group includes power, lighting, door and boarding systems for railway vehicles. The systems developed in this group have proved their reliability over many years in high-speed trains, locomotives, traction units, railway carriages and trams as well as underground and commuter trains. Furthermore, Pintsch Bamag provides its customers with the newly developed platform door system, an ideal product for railway platforms. The system offers added safety at platforms when entering or exiting trains, protects both passengers and staff from wind, dirt and noise coming from tunnels, improves climatic conditions on platforms and raises operating efficiency by enabling shorter cycle times between trains.

In the field of warning technology, acoustic and visual warning systems specially designed for the vehicles of authorities, industry and rescue services as well as for civil management and disaster control are sold throughout Europe. These include lightbars 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 and on inland waterways. Maritime aids made by Pintsch Bamag have been ensuring safety standards in shipping for more than 140 years.

The Brake Systems business field is managed by Pintsch Bubenzer and manufactures products made to handle every situation in which bulky, heavy loads need to be moved, such as the braking systems for 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, crane trolley brakes and swinging arm brakes is of the highest importance. Pintsch Bubenzer is world market leader for maritime crane braking systems.

In the fast-growing market for wind power turbines, Pintsch Bubenzer manufactures tower and rotor brakes and rotor locking systems as well as the accompanying hydraulic systems, brake discs and couplings. The range of products in the field of wind power also includes monitoring systems exactly coordinated to each customer's requirements. Their use helps offshore wind farms to significantly reduce their costs.

Tunnel-digging and clearing machines, conveyor systems and bucket-wheel excavators used in mining are particularly tough challenges for braking systems. Applications for the steel industry and magnet brakes for use in shipping are further fields that test any brake system to its absolute limits. The wide-ranging technological know-how involved in manufacturing state-of-the-art systems of this type makes Pintsch Bubenzer one of the leading development partners and system suppliers worldwide.

Components

The Schaltbau GmbH Group is responsible for the Components segment. The Group develops, manufactures and distributes connectors, snap-action switches, contactors and control devices for a broad number of applications in all kinds of industries. In addition to its German bases, the Group is locally present on key international markets and operates major production plants in China. At its Xi'an plant the Group manufactures components specifically designed for the needs of Asian railway markets and in Shenyang it produces contactors for industrial applications. Schaltbau GmbH is also present on the fast-growing Indian market with its own non-consolidated subsidiary. The Group is represented in the UK by Schaltbau Machine Electrics, primarily producing snap-action switches for industrial trucks. Markets in France, North America and Southeast Asia are served by nationally based subsidiaries and the Russian market has its own representative office.

All of the Group's products are manufactured to meet excellent standards for a wide variety of niche applications. Connectors, for example, are vital components in many fields of communications and railway engineering as well as in industrial trucks. Snap-action switches from Schaltbau are known for their great reliability, long service life, dependability even when subjected to shocks or vibrations and above all for their positive opening operation feature, making them suitable for all types of applications that

demand high standards of safety. For this reason they are also installed in the door systems of railway vehicles of all kinds; a field in which Schaltbau is world market leader. The trend towards miniaturisation will also open up entirely new fields of application for Schaltbau's snap-action switches in the future.

Schaltbau contactors are required wherever high-voltage applications need to be switched using low voltage. The true quality of a contactor shows most when switching off. During the process, electric arcs are ignited, which need to be reliably extinguished within a few milliseconds. Schaltbau contactors dependably perform this task in both industrial trucks and emergency power systems such as those used in telecommunications facilities and computer centres as well as in locomotives and traction units.

Control devices are specially designed for use in railway vehicles and play a crucial role in their safe, convenient 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

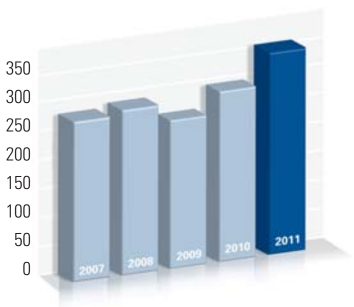
Worldwide economic conditions in 2011

The pace of worldwide economic growth was hampered by a number of factors in 2011. Although neither the political upheavals in the Arab world nor the natural catastrophe and subsequent nuclear meltdown in Fukushima in the first half of the year managed to have more than a temporary and largely regional impact, the growth of the global economy was significantly impaired during the second six months of 2011 by the escalating sovereign debt problem that plagued a number of countries. The US economy lost pace significantly compared to the previous year and Japan slid into a recession stemming from the natural catastrophe and its aftermath. The high growth rates seen in the emerging economies of Asia also slowed perceptibly. Nevertheless, the economies of China and India continued to move forward quickly and again proved to be the key driving forces of the world economy.

Euro zone countries were particularly hard hit by the sovereign debt crisis, in which not only peripheral states but also core countries such as Italy and Spain were forced to implement massive spending cutbacks during the year under report. After a very good first quarter, the impetus of economic growth slowed down noticeably during the further course of the year. According to Eurostat reports, economic output in the euro zone only rose by a total of 1.5% during the year under report after recording 1.9% in 2010.

Germany retained its leading position as the economic powerhouse of Europe. With another above-average rise in gross domestic product of 3.0%, the German economy continued on its upward trend to recovery for the second consecutive year after the financial and economic crisis. However, as the German Federal Bureau of Statistics reported in an initial summary, the upswing mainly took place in the first half of the year. The greatest economic stimulus came from domestic markets and private consumers in particular were a major supporting factor in domestic economic growth. With a real plus of 1.5% their spending increased at a rate last seen five years ago. Moreover, a lot more was invested in equipment (+ 8.3%) and buildings (+ 5.4%) than in the previous year. The external contribution accounted for 0.8 percentage points of GDP growth, although at 8.2% exports grew somewhat more strongly than imports at 7.2%.

Oder intake



Disclosures in € m.

Relevant markets for Schaltbau

The general economic environment on markets important for the Schaltbau Group's companies continued to be favourable throughout 2011. The German market for light commercial vehicles continued to perform positively. According to the VDMA (German Engineering Federation) the inland market for mechanical engineering grew by 14% with surprisingly strong production growth in 2011.

In this favourable economic environment the Door Systems for Buses product group profited from the strong demand for city and intercity buses, which was particularly gratifying in the second half of the year. In a contrasting trend, demand in the travel coaches sector remained sluggish. The Door Systems for Railway Vehicles product group was driven by a renewed increase in demand both from ongoing projects and for replacement parts. The Fittings for Sliding Vehicle Doors product group continued to register brisk demand from the commercial vehicles industry.

The funds provided by the German Federal Ministry of Transport for the service and financing agreement (LuFV) resulted in steady implementation of infrastructural measures by Deutsche Bahn AG throughout 2011. Additional impetus came from the "reorientation of production control" innovation project (NeuPro) for the modernisation of existing control and safety systems operated by DB Netz AG. The vehicle equipment field was impacted by fierce competition in the awarding of several major projects.

The economic environment in the Brake Systems business field showed great improvement in all product groups throughout the entire year under report and achieved performance levels seen prior to the crisis. One of the outstanding features in this pleasing development was the growing demand for the new Wind Energy Braking Systems product group.

The Components business field derived great profit from the positive industrial environment throughout the year under report, particularly in the mechanical engineering sector. Additional demand was also generated in the new "renewable energy" field of application. The keen demand for railway products was a general cause for optimism and primarily due to gains in market share in the USA, whereas China drastically reduced spending in the wake of the tragic accident on a high-speed train line in the eastern part of the country last July.

BUSINESS PERFORMANCE

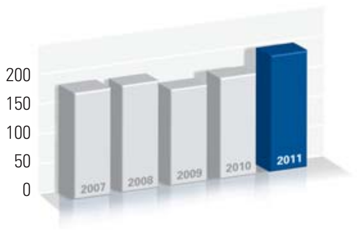
Order intake

The Schaltbau Group was pleased with its overall business performance in 2011. Incoming orders grew at a high rate, particularly during the first nine months of the fiscal year, although the pace of growth was less brisk in the fourth quarter. The total sum of incoming orders rose by 18.7% to € 342.8 million during the year under report. € 5.4 million (after elimination of intragroup items) of this amount was attributable to Schaltbau North America Inc. due to its first-time full consolidation as from 1 January 2011. Order intake the previous year amounted to € 288.7 million.

In absolute figures, again in 2011 the **Mobile Transportation Technology** segment made the largest contribution to the total volume of incoming orders for the Schaltbau Group. The segment even improved on the first-rate result achieved the previous year and order intake rose by an additional € 16.8 million or 14.2% to reach € 134.7 million (2010: € 117.9 million).

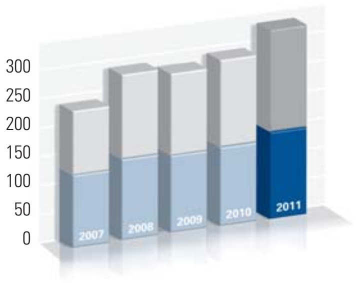
Increased market demand for city and intercity buses caused order volumes in the Door Systems for Buses product group to climb sharply. Not only did the volumes supplied to individual customers increase, in some cases quite considerably, the customer base also became far broader, further reducing the accompanying dependency on a small number of major customers. Despite a shift in market share among Western Euro-

Order book



Disclosures in € m.

Sales



Domestic Abroad

Disclosures in € m.

pean bus manufacturers, Schaltbau successfully maintained its European market leadership as system supplier of bus doors.

In the Door Systems for Railway Vehicles product group, the standardised product innovations established in recent years proved to be the most dependable sources of growth and Schaltbau improved its order-intake figures on all strategically significant platforms of major train and carriage manufacturers. The Group again improved its market position, despite generally stagnating market volumes in Europe.

Highly positive performance with one particular major customer caused an above-average rise in incoming orders for the Fittings for Sliding Vehicle Doors product group. The market launching of the newly developed linear sliding door had a positive impact on order levels.

The **Stationary Transportation Technology** segment recorded order-intake figures of € 111.3 million during the year under report (2010: € 91.0 million), an increase of 22.3% on the previous year.

Order intake for the Rail Infrastructure business field remained stable throughout the course of 2011 due to a steady stream of incoming orders from Deutsche Bahn (German national railways), mainly resulting from infrastructural maintenance measures implemented under the terms of the service and financing agreement entered into with the German Federal Ministry of Transport. Schaltbau gained an important new customer in the Vehicle Equipment product group, despite strong competition.

The powerful upswing seen in the Brake Systems business field during the previous year continued throughout 2011 and all of the field's main product groups contributed to the good results. The young product group Wind Energy Braking Systems grew particularly quickly, practically doubling its order volume during the year under report.

Incoming orders for the **Components** segment rose by 21.2% to € 96.7 million in fiscal year 2011 and included the contribution of Schaltbau North America Inc., which was fully consolidated for the first time due to the additional acquisition of shares. In the previous year the Components segment recorded € 79.8 million.

The order situation of the segment was strengthened by growing demand coming from the investment goods industry, particularly from the mechanical engineering sector. As a consequence, above-average growth rates were achieved for products such as connectors. The Switches product group also made a slight improvement on last year's result. The Contactors product group profited from its successful entry into the renewable energy market. Moreover, the first development agreements in this field of application have been signed with market-leading companies. Overall, the order situation for control devices developed very well, particularly due to orders placed to implement projects in eastern Germany.

The order situation remained brisk throughout the entire year at the Chinese joint venture in Xi'an. The extremely good first six months of the year were followed by a weaker third quarter, which was negatively impacted by a major train accident. However, order volume grew again in the last quarter to surpass the previous year's figure. At Schaltbau North America Inc., which was fully consolidated for the first time as from 1 January 2011, business performance was better than in the previous year, partly due to greater demand for the contactors used in solar energy systems and good project business with railway products.

Order book

The Schaltbau Group's order book grew by 15.1% on the previous year's figure to total € 197.4 million on 31 December 2011 (2010: € 171.5 million). The Mobile Transportation Technology segment reported another steep rise towards the end of the year and surpassed the good previous year's level to achieve € 101.7 million (2010: € 89.4 million). The

Stationary Transportation Technology segment order book rose to € 49.6 million (2010: € 44.5 million). The increased number of orders for the Rail Point Heating Systems product group was particularly noticeable. The order book for the Components segment grew to € 46.1 million during the reporting period, primarily due to the first-time full consolidation of Schaltbau North America Inc. (2010: € 37.6 million).

Sales

Driven upwards by the favourable order situation, sales for the Schaltbau Group in fiscal year 2011 grew by 13.6% from € 280.4 million last year to € 318.4 million, surpassing the Group's own growth expectations, and each segment of the Schaltbau Group played an active part in achieving this positive performance.

The **Mobile Transportation Technology** segment continued to grow throughout 2011 and sales rose by 4.0% to total € 122.5 million (2010: € 117.8 million). Sales in the Door Systems for Buses product group were again high, primarily boosted by series deliveries for city and intercity buses. In the Door Systems for Railway Vehicles product group the standardised BIDS systems and sliding steps boarding aids again proved highly popular. The Fittings for Sliding Vehicle Doors product group posted above-average growth on the back of a special order and for the first time a significant level of sales revenue was achieved with the "linear sliding door".

The **Stationary Transportation Technology** segment improved its sales figures by 21.4% to € 105.4 million in fiscal year 2011 (2010: €

86.8 million). The Rail Infrastructure business field recorded higher sales volumes, particularly for railway crossing systems and point heating units. The upward sales trend seen in the Brake Systems business field since the third quarter 2010 continued at an even greater pace throughout the year under report.

Powered by the highly favourable business environment in key industrial fields and an overall consistent level of demand in the rail industry as well as the first-time full consolidation of Schaltbau North America Inc. with sales of € 3.0 million (after elimination of intragroup sales), the **Components** segment increased its sales by 19.6% to record € 90.4 million in 2011 (2010: € 75.6 million). Sales in China continued to perform dynamically and business with customers in Eastern Europe and the USA also grew extremely rapidly. In Western Europe, however, sales performance remained generally sluggish. Although each of the product groups showed significant growth during the year under report, sales for control devices and connectors grew at an above-average rate.

Group earnings performance

Group earnings in 2011 benefited from a € 38.0 million increase in sales to € 318.4 million. Including the rise in inventories of work in progress and finished goods amounting to € 5.5 million (2010: € 6.6 million) and own capitalised work amounting to € 0.5 million (2010: € 1.5 million), total output for the year rose to € 324.4 million (2010: € 288.6 million). Compared to the previous year, this represented an increase of 12.4%.

Despite generally higher purchase prices for raw materials during the year under report, the cost of materials ratio, at 51.4% of total output, was almost identical to the previous year's level of 51.2%. Personnel expense went up by 9.3% to € 95.4 million (2010: € 87.3 million) and thus at a less pronounced rate than the increase in total output. Output per employee increased from € 198,600 in 2010 to € 211,300 in 2011, a clear reflection of improved productivity.

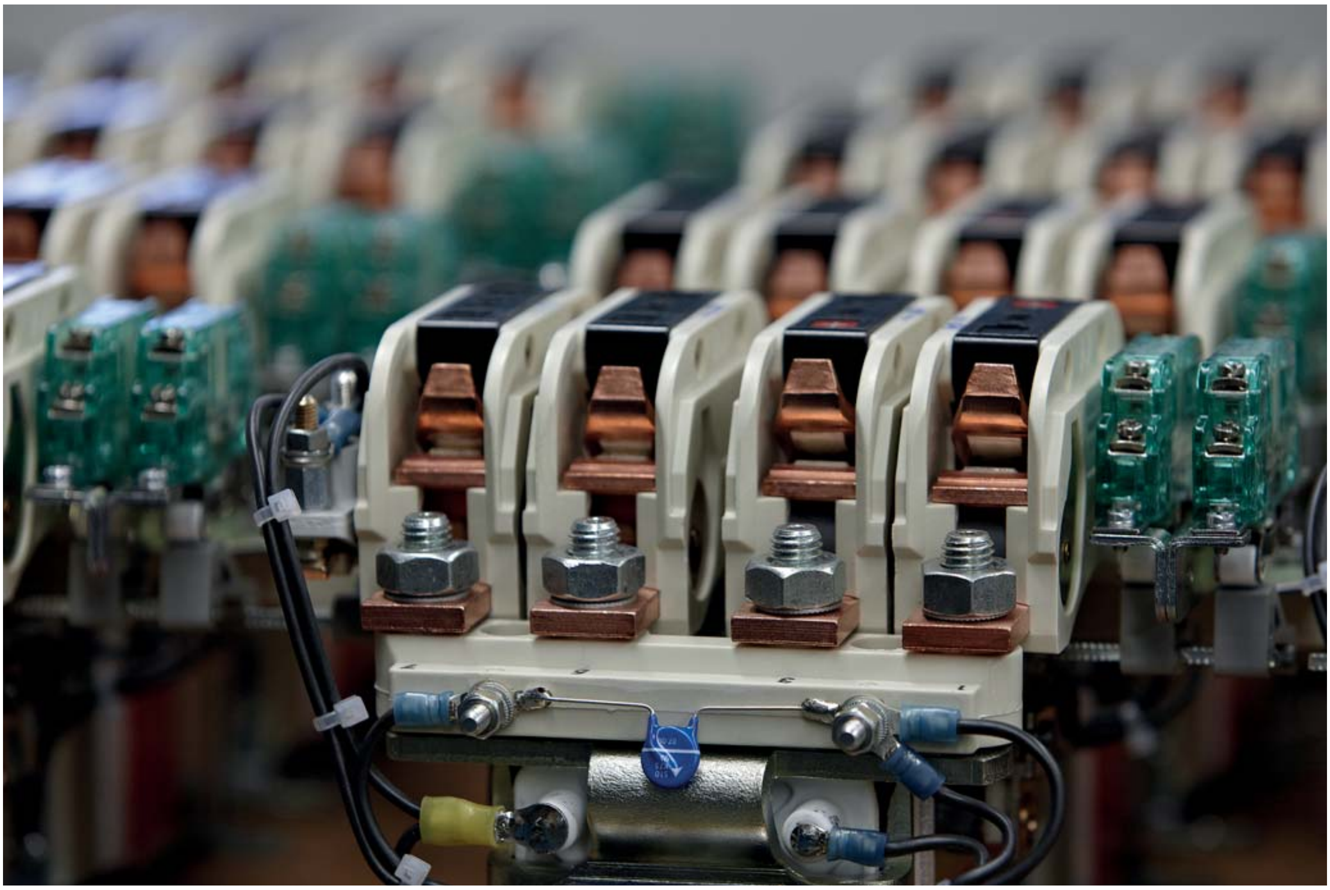
Other operating expenses were € 3.5 million higher at € 32.5 million (2010: € 29.0 million), mostly a result of a rise in selling costs in line with sales. This line item also includes significantly higher employee training costs and one-time expenses incurred in 2011 prior to the acquisition of Tiefenbach GmbH, which was finalised at the beginning of 2012. Other operating income in 2011 amounted to € 5.0 million (2010: € 5.6 million). The amortisation and depreciation expense for the year rose by € 0.8 million to € 7.2 million.

Group EBIT amounted to € 27.5 million (2010: € 23.8 million), influenced by increased sales and cost reductions on the one hand and a number of exceptional factors relating to first-time consolidations and acquisition-related costs on the other. Overall, the EBIT margin, expressed as a percentage of sales, improved from 8.5% to 8.6%.

The net result from investments jumped from € 0.2 million in 2010 to € 3.9 million in 2011. This sharp increase was due on the one hand to measurement gains arising in conjunction with the full takeover of Schaltbau North America Inc. and the increase in the investment in RAWAG, Poland. The result from equity-accounted entities also benefited from the significantly higher level of earnings of BoDo Bode Dogrusan and, for the first time, from RAWAG, which more than compensated for the fact that this line no longer includes the result of Schaltbau North America Inc. (which is now fully consolidated).

It should be noted that net financial result includes costs arising in conjunction with the modification of the Syndicated Credit Agreement, which will generate cost savings due to improved conditions, particularly in the medium term. Redemption of the convertible bond also had a positive impact. Overall, the financial expense increased from € 6.2 million in 2010 to € 6.5 million in 2011.

Income tax expense edged up from € 3.0 million to € 3.3 million, resulting in an effective tax rate of 13.2% (2010: 16.8%).



Group net profit for the year increased at an even faster rate and amounted to € 21.7 million (2010: € 14.8 million). This improvement also includes measurement gains of € 2.8 million arising in conjunction with the first-time full consolidation of Schaltbau North America Inc. and the first-time inclusion of RAWAG using the equity method. The profit attributable to minority shareholders amounted to € 2.9 million (2010: € 2.6 million).

The profit attributable to shareholders of Schaltbau Holding AG amounted to € 18.7 million, a substantial improvement on the previous year's figure of € 12.1 million. Earnings per share (undiluted) rose sharply from € 6.50 in 2010 to € 9.38 in 2011.

In view of the excellent earnings performance in 2011 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 € 1.80 per share be paid for the fiscal year 2011. For the previous fiscal year, the Company paid a dividend of € 1.10.

The **Mobile Transportation Technology** segment generated EBIT of € 7.4 million in the year under report compared to € 7.7 million one year earlier. The EBIT margin dropped accordingly from 6.5% to 6.0%. Factors to consider when assessing this performance are the expiry of the restructuring tariff agreement covering employees in Germany at the end of 2010 and the high level of upfront expenditure necessary to achieve international growth.

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

The **Stationary Transportation Technology** segment benefited from strong growth in the brakes line of business. Largely thanks to this performance, the segment operating profit improved from € 7.5 million in 2010 to € 9.6 million in 2011, giving a segment EBIT margin of 9.1% (2010: 8.7%).

The **Components** segment recorded a 20% increase in sales and saw its EBIT improve from € 12.1 million to € 15.8 million. The EBIT margin rose further from 16.1% in 2010 to 17.5% in 2011. The segment's figures for 2011 include the fully consolidated Schaltbau North America Inc. for the first time.

Group net assets and financial position

Balance sheet ratios improved significantly in 2011 as a result of the Group net profit for the year and the switch from debt to equity capital following the successful conversion of 98% of convertible bonds. Group equity at 31 December 2011 stood at € 59.5 million compared to € 33.1 million one year earlier. The equity ratio improved from 17.5% to 27.9%. Including participation rights capital of € 7.1 million, which is similar in nature to equity, the Group equity ratio was equivalent to 31.2% (2010: 21.2%).

Total assets increased by 12.7% to € 213.6 million without giving rise to any significant change in the overall structure of the assets side of the balance sheet. Non-current assets (excluding deferred tax assets) stood at € 74.0 million (2010: € 64.0 million) and accounted for 34.6% of the balance sheet total (2010: 33.8%).

Capital expenditure on property, plant and equipment and on intangible assets totalled € 8.6 million and related mostly to replacements and new investments. Additions were higher than the depreciation/amortisation/impairment loss expense for the year of € 7.2 million (including a write-down of € 0.5 million on assets recorded in conjunction with the purchase price allocation for Schaltbau North America Inc.).

Non-current financial assets were influenced by earnings of the at-equity accounted entities BoDo Bode Dogrusan, RAWAG and RDS as well as by capital increases and impairment losses recorded for non-consolidated foreign companies.

The Group's working capital climbed from € 66.8 million to € 71.8 million. Inventories increased by € 9.5 million, primarily in conjunction with the rise in total output. Working in the opposite direction, advance payments received from customers increased by € 4.6 million and trade accounts payable by € 1.6 million. Trade accounts receivable increased by only € 1.7 million as the average receivables period fell from 59 to 54 days.

Capital employed was € 15.3 million higher at € 145.8 million. The return on capital employed (ROCE) stood at 18.9% compared to 18.2% one year earlier.

Deferred tax assets at 31 December 2011 amounted to € 10.4 million (2010: € 9.0 million). This figure includes deferred tax assets of € 4.8 million recognised on timing differences (2010: € 4.3 million) and deferred tax assets of € 5.6 million (2010: € 4.7 million) recognised on tax losses available for carry-forward. Deferred tax liabilities on timing differences amounted to € 6.6 million (2010: € 6.8 million).

Financing within the Schaltbau Group is organised in the form of cash pooling arrangements headed by Schaltbau Holding AG; all major Group companies with the exception of Bode participate in these arrangements. Financing arrangements for the cash pool were modified in June 2011 in order to secure organic growth on the one hand and growth through acquisitions on the other. In this context, credit facilities available were raised by approximately € 20 million to € 65 million. The term of these facilities was extended from March 2013 to June 2016 and improved conditions agreed. The instalment loan received as part of the financing package was reduced in 2011 by € 2.0 million of scheduled repayments.

Gebr. Bode, Kassel, has its own financing arrangements, which were also restructured towards the end of 2011. Under the new arrangements, some of Bode's debt became long-term, collateral provided was reduced and credit conditions were improved. Bode has access to credit lines amounting to € 12.4 million (2010: € 13.9 million), including an overdraft facility of € 6.0 million available until further notice.

Net liabilities to banks throughout the Group were reduced to € 27.4 million (2010: € 31.5 million). The ratio of net debt to EBITDA improved from 1.0 at the end of the previous year to 0.8 at 31 December 2011.

Non-current other financial liabilities decreased from € 11.6 million to € 3.6 million, mainly as a result of the conversion of the convertible bond.

The Group had access to credit lines totalling € 82.4 million at 31 December 2011 (2010: € 66.0 million), of which € 28.3 million (2010: € 28.5 million) have been disbursed as loans. Current account credit lines totalled € 54.1 million (2010: € 37.5 million), of which € 45.0 million is available until June 2016. Scheduled loan repayments in 2011 totalled € 4.4 million (2010: € 6.5 million). At 31 December 2011 € 16.1 million (2010: € 19.4 million) of the current account credit lines (including guarantee lines) were being utilised. The Group's cash funds at 31 December 2011 totalled € 12.7 million (2010: € 11.5 million).

Cash flow from operating activities of € 21.7 million was € 10.6 million higher than in the previous year. Cash outflows of € 8.3 million in conjunction with the increase in current assets compared with cash inflows of € 6.8 million from increases in current liabilities. Overall, therefore, the cash flow from operating activities was roughly in line with the Group net profit for the year. Other non-cash items were more or less compensated by depreciation, amortisation and impairment losses.

The cash outflow from investing activities totalled € 13.4 million in 2011 and was therefore € 7.7 million higher than one year earlier. The increase over the previous year mainly related to the purchase of the remaining 50% of the shares of Schaltbau North America Inc. and additional capital funds provided to foreign Group entities to finance expanding operations. Moreover, the receipt in 2010 of the purchase price receivable relating to the sale of Bode Beijing (€ 3.3 million) in 2009 gave rise to an exceptional effect.

The negative cash flow from financing activities amounted to € 7.2 million and resulted partly from the increased dividend payment to shareholders of Schaltbau Holding AG and to minority shareholders and partly from repayments of short-term bank liabilities.

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 (AktG).

Sales revenues of the non-operational Schaltbau Holding AG totalled € 2.2 million (2010: € 1.9 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 € 13.8 million, were marginally higher than in the previous year. The profit transferred by Pintsch Bamag was up, thanks to the improved

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

earnings performance of Pintsch Bubenzer GmbH, and more than compensated for the lower earnings contribution from Schaltbau GmbH, whose previous year's result had benefited from the reversal of a previous write-down on an investment in accordance with HGB rules.

Other operating income dropped from € 3.8 million in 2010 to € 0.3 million in 2011 as a result of one-time items in 2010. The profit distribution from Gebr. Bode GmbH & Co. KG is recorded on this line. The lower result from investments is attributable to a change in the statutes of Gebr. Bode GmbH & Co. KG in 2011, as a consequence of which the KG's annual result is now recorded one year later after the appropriation of results has been resolved. In the previous year, the profit for the year of € 2.0 million was allocated to Schaltbau Holding AG (as limited partner) in accordance with Gebr. Bode GmbH & Co. KG's statutes in the same year that it had arisen.

Since the restructuring of Group financing in 2010, financing is concentrated more on Schaltbau Holding AG with credits passed on to companies participating in cash pool arrangements, thus having a corresponding impact on interest income and expense reported by Schaltbau Holding AG. The net interest result improved significantly as a result of the modification of the Syndicated Credit Agreement with improved conditions, concluded in June 2011.

As a result of the higher profit transferred directly by Pintsch Bamag and indirectly by Pintsch Bubenzer and Schaltbau GmbH, the Company's tax expense for the year rose sharply.

The net profit of € 4.9 million was € 4.7 million lower than in the previous year, when earnings were positively influenced by exceptional factors.

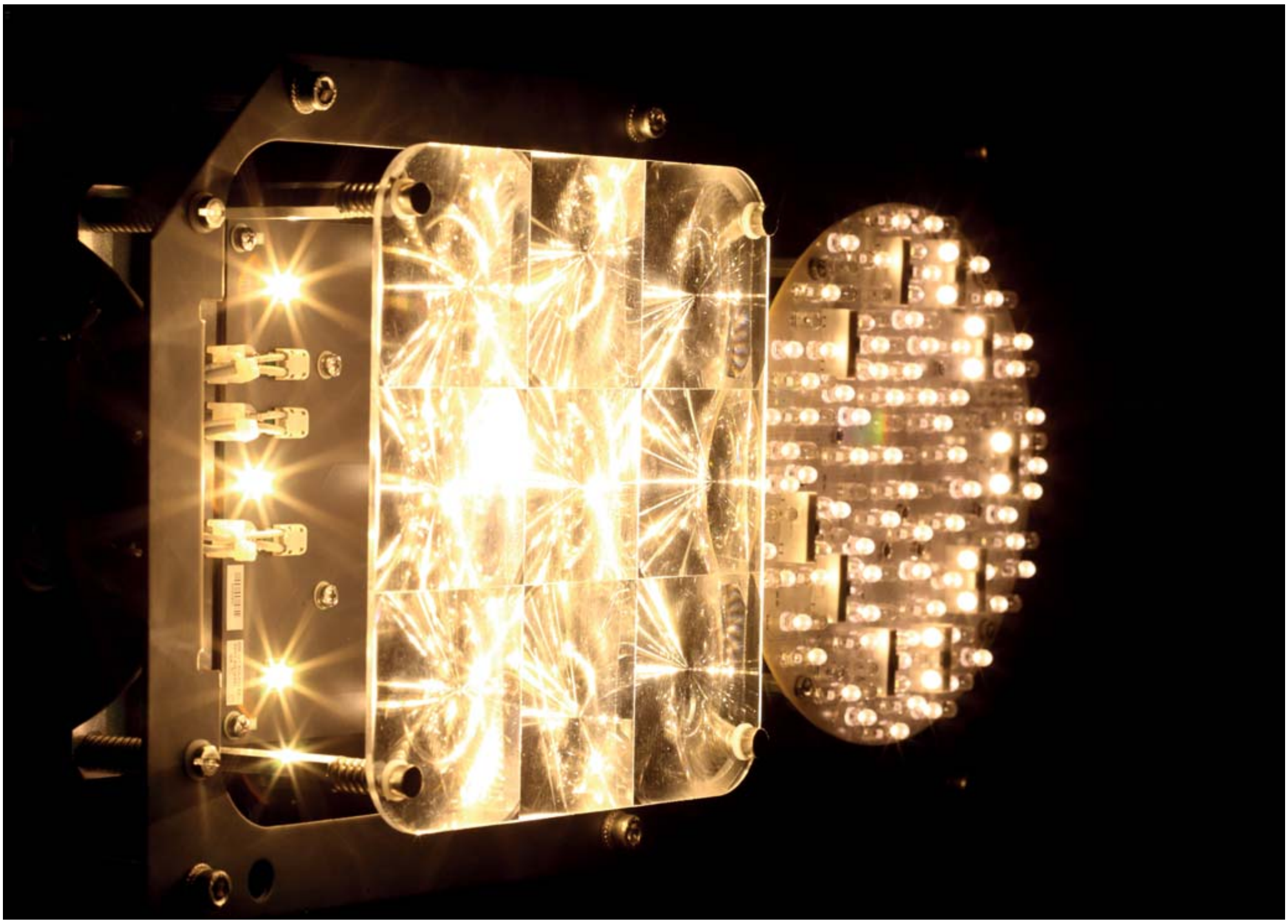
Schaltbau Holding AG's assets and liabilities structure is dominated by its investment holdings with a carrying amount of € 82.9 million at 31 December 2011. The increase of € 3.0 million compared to the previous year resulted from a capital increase at the level of Schaltbau GmbH.

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 € 3.3 million at 31 December 2011. The participation rights are now fully available to the Company. At present there is no intention to sell or cancel the participation rights.

Schaltbau Holding AG's net liabilities to banks decreased substantially from € 19.4 million at the end of the previous year to € 11.4 million at 31 December 2011. The Company complied again in 2011 with the covenants contained in the Syndicated Credit Agreement.

The Company issued a convertible bond totalling € 8.5 million in June 2007. With effect from 12 April 2011 Schaltbau Holding AG gave notice to terminate the bond in accordance with the bond's terms. The termination related to all partial bonds in circulation. 98% of the convertible bond was converted into shares of the Company prior to 6 May 2011, the final day of the conversion period. Following the conversion, the total number of shares increased to 2,050,730. The non-converted bonds amounting to € 168,800 were redeemed in accordance with the bond terms.

Schaltbau Holding AG's equity rose from € 66.0 million to € 76.9 million, giving an equity ratio of 66.2% at the end of the period under report (2010: 60.2%). The financial strength built 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 2011 totalled € 8.6 million as compared with € 8.0 million one year earlier. Capital expenditure was therefore once again higher than the amortisation and depreciation expense of € 7.2 million (2010: € 6.4 million). Capital expenditure was focused on a number of replacement, re-equipping and rationalisation measures as well as the purchasing of tools to manufacture new products. Financial investments in 2011 doubled to € 3.4 million (2010: € 1.7 million). The figure reflects funds invested in both new and existing foreign entities in line with the Schaltbau Group's declared internationalisation strategy.

Research and development

Innovative products and solutions secure Schaltbau's technological edge and thus form a solid base for sustained economic prosperity. For this reason the Schaltbau Group continually performs targeted research and development work aimed at satisfying the needs of its markets in all of its business fields. The high degree of expenditure invested in this future-oriented work demonstrates the great strategic significance attached to it. During the year under report a total of 5.9% of Group earnings were invested in this field (2010: 6.6%). The amount invested in skilled staff for the Company's research and development departments amply demonstrates its consistent striving to broaden its technological base. With 212 employees, more than every

Dr Ernst Raphael, Management Spokesman of Gebr. Bode GmbH & Co. KG, Kassel, receiving the innovation prize in the Hesse Champions competition.

tenth person employed within the Group is involved in setting the course for its continued economic success.

In the **Mobile Transportation Technology** segment, the standardised compact drives in the Door Systems for Buses product group were again at the forefront of development activities in 2011. Particular attention was paid to the continued development of the Compact Allround Drive System (CADS) compact technology and its adaptation to the requirements of various major customers. The purely electrical system is destined to replace the previous generation of pneumatically driven 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 greater convenience and safety and is cheaper to maintain than the conventional pneumatic systems. The system combines a considerable number of competitive advantages, making it a viable option for installation in future generations of buses for both existing and potential customers and becoming preferred partner for the supply of complete door systems. The technical design of this innovative drive system also convinced the Hesse Ministry for Economics and Transport as well as the association of Hessian trade associations (VhU). With the CADS system, Gebr. Bode won the innovation and growth prize of the State of Hesse in the "innovations" category. At the festive prize-giving ceremony at the VhU's Hessian entrepreneur's day on 25 October 2011, Dr Ernst Raphael, Managing Director of Bode, was presented with the prize by Volker Bouffier, Minister President of the State of Hesse. Apart from its wide application in inswinging plug doors, the CADS drive system was also adapted for use with outswinging plug doors during the year under report. Series delivery was commenced at the same time.

The Door Systems for Railway Vehicles product group mainly focused on testing a sliding door system primarily designed for use in underground trains. The innovation broadens the Bode range with a new product group that has an extremely large sales volume potential worldwide. A second development project of key importance relates to the standardised high-speed door system BIDS-BHS (Bode high-speed door system), which is destined to replace the previous generation of high-speed door systems well-known from the ICE trains. The new door system is fully electrically driven and has corresponding advantages with respect to maintenance and error diagnosis. The delivery of an initial system for a field trial is scheduled for mid-2012.

In the Rail Infrastructure business field of the **Stationary Transportation Technology** segment the main focus of R&D activities was on further developing a complete railway platform door system. The first of these Platform Screen Doors (PSD), which were first presented at the InnoTrans 2010, were installed in five railway stations in Shenyang, China at the end of 2011, providing Schaltbau with the reference the market requires. On this basis the PSDs are currently being adapted to suit the specific requirements of additional countries, particularly those of Latin America.

In the field of level crossing safety systems the main emphasis was on final work relating to the development of the RBUEP as new platform for both main lines and branch line systems. Although the next steps in the authorisation process have been taken, finalisation was hampered by an official backlog. The aim in a further project involving railway line signals is to improve the LED technology, which is to be gradually installed in all signal systems step by step. LEDs have a great many advantages when compared with conventional lighting systems. With a view to their use in railway engineering, the main advantages are their exceptional insensitivity to shocks and vibrations, their high degree of reliability and the precision with which their light can be directed as well as their low energy consumption and purchase cost.

The main focus of development in transportation technology was the market launching of the ZIRKON lightbar (including a product configurator for lightbars). The new technology will successively replace the TOPas product family, the diversity of the new products will be limited and the required degree of modularisation gradually raised.

A new diagnostic system for hydraulic brakes, which is needed to supplement the existing SOS system, was of primary relevance for the Brake Systems business field during the year under report. The diagnostic system displays all of the functions such as power, wear, ventilation and temperature. The system enables Schaltbau to offer significantly improved technical solutions to steelworks and mining companies, including the corresponding competitive advantages and additional marketing possibilities. In addition, the Group's developers worked on product-testing facilities and the improvement of braking systems for wind energy and hydraulic brakes as well as dynamic tests for friction linings at high revolution speeds.

The product series in the **Components** segment were supplemented as part of the usual product maintenance measures and specifically expanded to include the latest innovations in fiscal year 2011. In the Connectors product group, for example, UIC-model railway couplings for numerous customer applications were additionally equipped, firstly to include an option to reconfigure cable connections and a mobile locking system for maintenance work and secondly to include an ethernet interface. A special pilot contact adaptor was also developed for the charging connectors of a new battery management system.

In the field of snap-action switches, new polyetherimide casings were developed for the new Premium Line in order to fulfil special customer requirements such as resistance to certain known critical chemicals and to broaden the existing temperature range. One series of contactors was fitted with a standardised magnet drive for railway and industrial applications, which has now significantly improved DC switching behaviour. In the Control Devices product group, a new product family of toggle switches was added for use in the control panels of railborne vehicles and also in the consoles of cranes and cable cars. The design of this particular series was the winner of the "iF product design award 2012". Traction and brake control units were fitted with additional specific applications in order to meet requirements in railway vehicles.

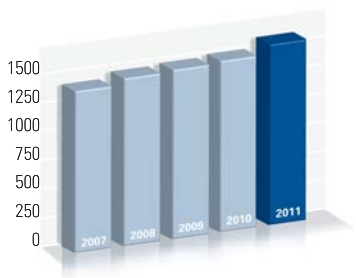
Total output per employee

Disclosures in € 000

Trade fairs

Again in 2011, the companies of the Schaltbau Group displayed their various ranges of products and their innovative strength at the foremost trade fairs of their particular industries. Events of this nature are not only an ideal platform to present the Group's latest products and innovations, they are also a good way of maintaining contact with customers. Customers as well as sales and trading partners from Europe and overseas take the opportunity of our presence at trade fairs for an intensive exchange of views and ideas with the various Schaltbau companies.

Employees on average



Number of employees

The UITP World Congress and Mobility & City Transport Exhibition, which was open to trade visitors from 10 to 13 April 2011 in Dubai, was the most important trade fair of the reporting year in the field of railway engineering. The event again proved to be an important barometer for gauging the industry and particularly underlined the opportunities in the quickly growing regions of the Middle East and North Africa.

The "Busworld 2011", which was held in Kortrijk, Belgium from 21 to 26 October 2011, was the most important presentation platform for the Door Systems for Buses product group manufactured by the Mobile Transportation Technology segment. Under the motto "Bode electrifies" the complete range of products relating to the standardised electrical compact drive system CADS was presented. The system is fully available and mature for the series production of inswinging plug doors. Solutions for outswinging plug doors were also presented and currently undergoing field tests in intercity buses.

The new components for solar power applications were on display for the first time at the Intersolar trade fair in Munich in June 2011. Furthermore, representatives from the Components business field visited selected trade fairs in the electrical engineering and logistics industries. The Brake Systems business field presented its latest innovations at various trade fairs specialising in port facilities, shipbuilding and wind power. The Rail Infrastructure business field was represented at the Rail-Tech Europe trade fair, held in Amersfoort, the Netherlands in March 2011. Moreover, the Schaltbau Group's warning technology products were on display at a number of trade fairs.

The North American subsidiaries of Gebr. Bode and Schaltbau GmbH took the opportunity to present their latest lines of railway technology products at the APTA EXPO, which took place in New Orleans in October 2011. The APTA EXPO is held every three years and is the most important trade fair for public transport, bus and rail travel on the American continent.

Employees

The number of people working for the Schaltbau Group rose to stand at 1,738 employees on 31 December 2011 after registering 1,610 at the end of the previous year. The largest employer in the Schaltbau Group remained the Bode Group, which again took on considerable numbers of new staff due to the constantly growing level of demand for its products and to support the international expansion and implementation of its various projects worldwide. Pintsch Bamag also increased its staff numbers significantly, partly to keep up with the increased demand for products by Deutsche Bahn AG, but also to serve the fast-growing customer demand for platform door systems. In order to handle the high volume of orders, Pintsch Bubenzer employed the highest number of new staff members in percentage terms. The brisk level of demand also prompted Schaltbau GmbH to employ new staff, particularly in the production department. The size of workforces in the smaller companies of the Schaltbau Group grew moderately in most cases.

The additional qualification of staff based on changing requirements is highly relevant for the sustained success of the Group's companies. For this reason the Schaltbau Group invested € 1,002,000 during the year under report (2010: € 543,000) in training sessions, workshops, courses and seminars in which participants had the opportunity to increase their specialised knowledge. The main focuses were on further training in the areas of lean management and the continual improvement process, the Six-Sigma quality management methodology and also foreign languages.

Qualified employees are absolutely essential for the manufacturing 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 trainees working throughout the Group. Therefore on 31 December 2011 a total of 84 young people at various Schaltbau entities were undergoing training in attractive professions such as industrial mechanic, industrial business management assistant and IT specialist. Bode was training 24, Pintsch Bamag 20, Pintsch Bubenzer 9 and Schaltbau GmbH 18 young men and women in various skills. Schaltbau's foreign subsidiaries also offered training to young people. Schaltbau France, for example, had two trainees and Xi'an eleven. In Germany in 2011 a total of 20 trainees completed their training and nearly all of them were subsequently awarded job contracts, mostly for limited periods.

A total of 26 people at various Group companies were employed under pre-retirement part-time working arrangements, 13 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 rose from € 87.3 million in 2010 to € 95.4 million in the year under report, owing to tariff-based pay rises and the further recruitment of skilled workers and executive staff as well as increased capacity utilisation. Due to the increased volume of business, the total output per employee, including trainees and management, improved from € 198,600 in 2010 to € 211,300 in the year under report.

An average of 1,535 full-time staff members were employed in the Group over the year, compared with 1,453 in 2010.

Purchasing

The situation on purchasing markets was highly strained for the greater part of 2011 and particularly true for the precious metals market. With a price leap of more than 60% in the first four months of 2011 to a record high of almost 50 US dollars per fine ounce and a large degree of price volatility at a high level during the further course of the year, the situation on the silver market was particularly fraught. Gold continued the steep upward trend seen in recent years and, after a 35% rise in the first eight months, reached its historic all-time high of over 1,900 US dollars per fine ounce in early September 2011. During this period, important non-ferrous metals such as aluminium and copper were also traded at prices far above the average levels seen the previous year. However, the situation stabilised somewhat during the last four months of 2011. Moreover, the situation for electronic components continued to be difficult due to their limited availability.

In response to this market situation, the Schaltbau Group initiated measures designed to improve its in-house stock replenishment processes. In this regard the Group took further steps to internationalise its procurement markets and made optimum use of corresponding country- and market-specific advantages. The use of tendering portals also helped identify suppliers from the southern and eastern EU regions as well as Asia, who subsequently became qualified and established as series suppliers. Therefore in-house purchasing management helped counteract the impact of rising supplier prices and contributed to the continuity of company processes.

Again one of the key tasks in the field of material purchasing during 2011 was the securing of long-term, mostly project-related framework agreements that were a firm guarantee of price stability for the duration of entire projects. The Schaltbau Group has entered into agreements of this type with all of its main suppliers, resulting in an increased ratio of framework agreements. Furthermore, the in-house lead buyer concept was more widely practiced, enabling synergy effects within the Schaltbau Group to be more effectively exploited. Together with the expansion of the internet shop and the more intensive use of the system for flexible, decentralised production process management (Kanban), value analysis teams and TCO analyses, these measures were key factors in optimising cost structures.

Despite the higher average prices of raw materials compared to the previous year, at 51.4% of total output the cost of materials ratio was practically held down at the previous year's level of 51.2%.

Considering the extreme market fluctuations seen in 2011, raw materials analysts predict that the average price of gold will be around 1,860 US dollars during 2012. According to forecasts, copper will also become more expensive and by mid-2012 is likely to have reached prices seen at the end of 2011. In 2012 the purchasing market for electronic assemblies and components is likely to continue feeling the impact of lengthened delivery times and supply difficulties. As in 2011 there were no moves made to increase capacities and, as in the steel industry for example, capacities have even been reduced in some cases, early planning continues to be an absolute necessity in order to adequately handle the market situation.

Significant events after the balance sheet date

Pintsch Bamag Antriebs- und Verkehrstechnik GmbH completed the purchase of Tiefenbach GmbH, Sprockhövel, at the beginning of 2012. One related operation in the USA was also acquired at the same time. The acquisition took economic effect on 1 January 2012. Tiefenbach GmbH was founded in 1950 and has established itself as one of the leading specialists for railway shunting and signalling systems. As well as having location and cooperation partners on four continents, Tiefenbach GmbH can boast the successful completion of some 300 projects at international level.

With this acquisition, Pintsch Bamag intends to strengthen its existing market position as supplier of signalling equipment for main and branch lines, both in Germany and abroad, and to develop new markets for railway signalling technology, train formation facilities and sensor technology. The complementary operations of the Pintsch Bamag Group and Tiefenbach GmbH in the field of railway signal systems supplement each other ideally. By strengthening its market position as a manufacturer of process elements for signalling and safety systems, Pintsch Bamag will further consolidate its position as a component and sub-system supplier for railway companies. The combination of the two businesses opens enormous opportunities for expansion in new areas.

On 26 January 2012 the Supervisory Board accepted Hans Gisbert Ulmke's notice to step down from the Executive Board of Schaltbau Holding AG with immediate effect. Mr Ulmke will leave the Company with effect from the end of 31 July 2012 by mutual agreement as a result of differences in opinion regarding business strategy.

On 6 February 2012 Dirk Christian Löchner, currently member of the Board of Directors of Gebr. Bode GmbH & Co. KG, was appointed as further member of the Schaltbau Holding AG Executive Board. Mr Löchner takes over responsibility for accounting, financial reporting and controlling.

Opportunities and risks report

The primary aims of the risk management system implemented in the Schaltbau Group are to identify any risks at the earliest possible stage, to minimise business losses by taking suitable measures and to avoid any possible danger to the Group's going-concern status. The risk management system is also designed to identify opportunities and make optimum use of them.

The Group has integrated the risk management system in its corporate workflows. The strategy therefore serves to actively counteract risks and make the best of any opportunities that arise. Seen from this standpoint, risk management makes a major contribution towards 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 the Group's policy. It includes a comprehensive system of documentation and reporting. In addition to quarterly reports that cover the entire range of risks and any possible opportunities, an in-house ad hoc report is promptly 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 planning, the previous year's situation and the rolling forecast. Market and competition trends as well as development projects are also considered and analysed. The focus of the monthly reviews is generally forward-looking. Their purpose is to identify threats at an early stage or detect potential for the future in the various business fields and take the corresponding measures.

The Executive Board of Schaltbau Holding AG, the Group's Controlling department and the management teams of the various subsidiaries are responsible for continuously updating the risk management system. The external auditor is responsible for ascertaining the basic functionality and suitability of the risk management system every year.

On 1 April 2011 a Compliance Officer was appointed at the level of Schaltbau Holding AG and is required to report directly to the Executive Board. The Compliance Officer is charged with the task of concentrating and coordinating the existing activities in this field within the Schaltbau Group. Based on a regulatory framework of rules and policies and accompanied by training and further education activities, it is the task of the Compliance Officer to instil and strengthen awareness for the topic of compliance. Audits too are aimed at ensuring compliance with both statutory and company in-house guidelines in both national and international entities of the Schaltbau Group.

Description of the essential characteristics of the internal control and risk management system with regard to the Group's accounting and financial reporting process (section 289 (5) and section 315 (2) no. 5 of the German Commercial Code)

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 properly maintained 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 various 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 these systems.

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

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

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

The monthly figures of each of the Group's companies are reviewed for plausibility by the Group's Controlling department or at the monthly review 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.

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

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 stronger than ever and continue to display a high potential for growth. China is producing large amounts of exports and securing its access to raw materials in particular by means of geopolitical measures. Economic cycles are becoming shorter and market volatility is becoming increasingly pronounced. The high level of sovereign debt in the industrial countries constitutes an increasing threat to economic development and poses the greatest threat to economic growth at the present time. The expiry of economic stimulus packages and the low efficiency of new governmental efforts to stimulate demand coupled with less expansive monetary policies could have a negative impact on economic performance in 2012. Any further weakening of the economy in China or any slipping into a recession in the USA would have an unwelcome impact on the volume of foreign trade. The strong driving force coming from the stock replenishment cycle in 2011 is likely to lose impetus.

Spending cuts in the public sector exert an influence on the corresponding business fields of 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 and the number of potential customers is therefore limited. These structures lead to a high degree of market transparency, which can result in exacerbated 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 in avoiding risk is the intensive management of customer relationships.

As German and European market leader on the volatile bus market, Bode is directly dependent on the business performance of bus manufacturers and their demand behaviour. Bode counters this risk by purposefully broadening its international customer base, with product innovations and with a highly flexible manufacturing organisation.

The Rail Infrastructure business field is both directly and indirectly dependent on the readiness of the German national railway company Deutsche Bahn AG to invest and also on public spending behaviour in general. Cutbacks in public spending can have a negative impact 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 volumes of business. In order to minimise the resulting risks, Schaltbau Group entities are stepping up their international activities. In addition, industrial business is being deliberately increased, bringing with it a broader customer base and the opportunity to explore new fields of application.

One factor continually gaining 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 by establishing an international presence through its locally based entities. 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 interruptions, quality problems or risks posed by industrial safety and environmental risks. These risks are minimised by the utilisation of comprehensive policies and procedural regulations regarding quality management, product and industrial safety.

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

Group business processes are highly reliant on the support of IT systems. The companies of the Schaltbau Group take both technical and organisational precautions to minimise risks regarding availability, confidentiality and reliability.

Legal risks
Legal risks can principally arise from customer complaints, guarantee claims, legal disputes, patent law infringements and claims for damages. Latent risks are covered by insurance policies or by corresponding 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, which is particularly pronounced on Asian markets. The cultivating and supplying of these markets and working together with local partners also increases the risk of selective know-how drift. Explicit contractual restrictions in the transfer of technical knowledge and the rapid development of new products and processes help to maintain the Group's technical edge.

Financing risks
In order to safeguard the Group's ability to grow, both organically and by means of acquisition, Schaltbau Holding AG signed a modified version of the existing Syndicated Credit Agreement together with the participating banks in June 2011. The modified agreement included a credit volume increase of approximately € 20 million to € 65 million and an extension of the repayment period from March 2013 to June 2016 as well as improved conditions.

The credit agreement is linked to a number of warranties, guarantees and constraints that must be adhered to. Furthermore, 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 headroom for the fulfilling of these covenants.

Restrictions in the approval of credit can have an impact on our customers and suppliers, which could, in turn, negatively affect the recoverability of receivables or impair purchasing processes. Both of these aspects are closely monitored.

The Group's entities in China require a high degree of working capital typical for that country, leading to a correspondingly high financing requirement and unused potential.

The Group has made allowance for the risk of rising interest rates by means of various long-term hedges nominally totalling € 17.25 million. Financing for the acquisition of Pintsch Bubenzer is hedged with an interest swap for a nominal amount of € 2.25 million. A cash-pool credit volume of € 28.5 million (as at 31 December 2011) 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. Furthermore, a cross-currency swap is in place to hedge the interest/currency risk relating to a euro loan held by a foreign subsidiary (volume of hedges at nominal amount as at 31 December 2011: € 1.0 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 continually improving productivity and ensuring geographical diversification to enable the Group to remain competitive, irrespective of the currency in which it does business. Moreover, the Group endeavours to operate a system of "natural hedging" through the targeted, purposeful balance of flows of goods supplies.

The current risk analysis has not identified any risks that pose a threat to the going-concern status of the Group.

Opportunities

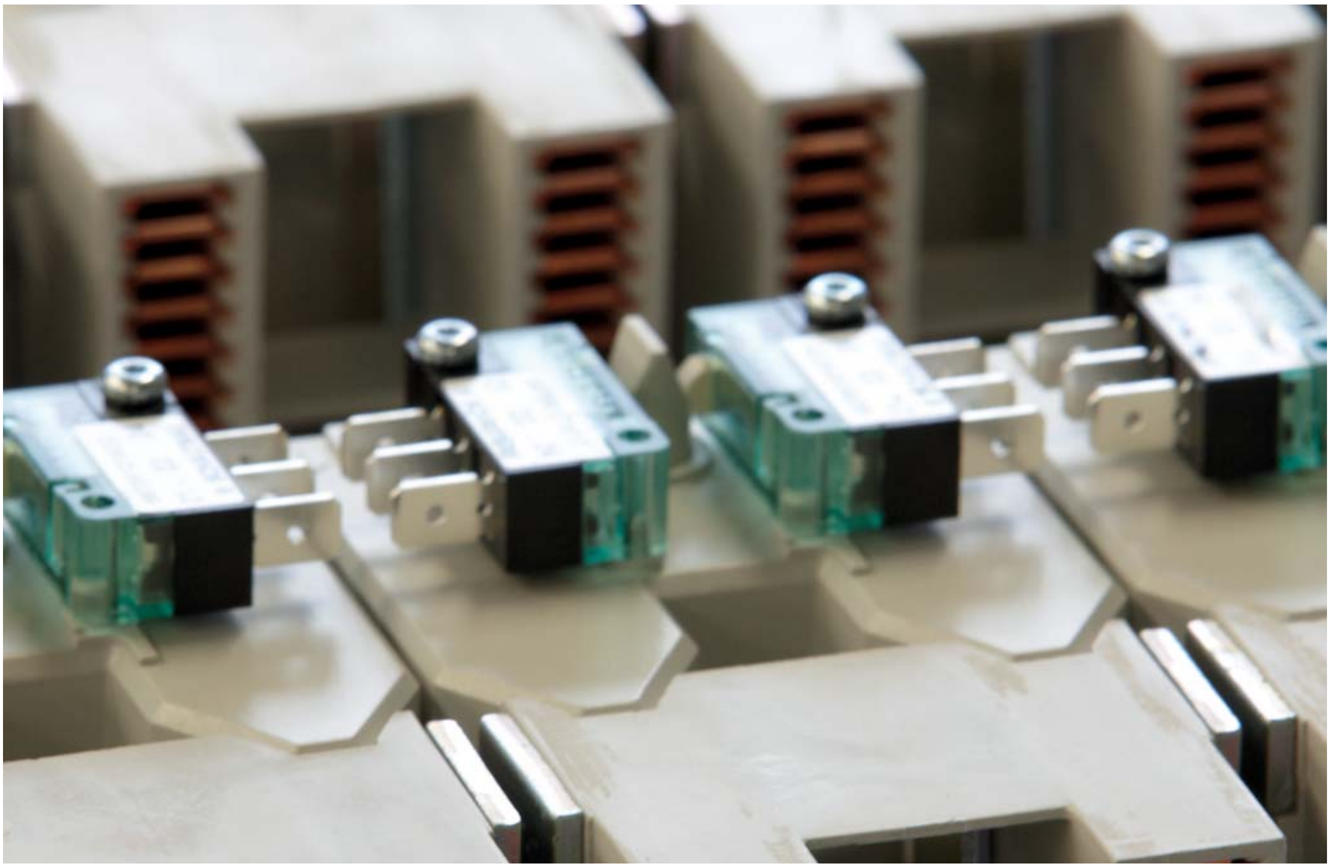
The medium- and long-term prospects for the Schaltbau Group are favoured by major global trends such as increasing urbanisation, the growing mobility of the population as a whole, the long-term upward tendency in world trade and the above-average growth rates of the BRIC states, which are, in turn, leading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

Its pronounced innovative strength, consistently reinforced by high R&D expenditure and an international operating strategy, open up a great number of growth opportunities for the Schaltbau Group. Even in economically difficult times, the Group's operational companies are capable of generating additional demand on markets with regular product innovations, such as its wind energy braking systems or its CADS door drives.

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 that depend on the development of Group net profit. A pension plan is not in place.

Criteria for the appropriateness of compensation include the particular tasks performed by each of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business taking the market environment into due consideration, the customary amount of compensation and the compensation structure compared with the wage and salary structure both within the enterprise itself and in other companies of comparable size and industry. The compensation structure is oriented on the basis of sustainable corporate development. The variable compensation components contained in the new Executive Board contracts of service are based on long-term assessment and include regulations providing for an appropriate reduction if the business



situation of the enterprise 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 on further disclosures pursuant to section 289 (4) HGB / section 315 (4) HGB (German Commercial Code)

1. The subscribed capital comprises the following: a share capital of € 7,505,671.80, divided into 2,050,730 bearer shares (shares without nominal value).

2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.

3. The only major shareholder owning either a direct or an indirect share of capital exceeding 10 from 100 share voting rights is the Cammann family, which owns 11.01% of the total number of Group shares (as at 31 December 2011).

4. There are no shareholders with special controlling rights.

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

6. Section 6 of the Articles of Incorporation of Schaltbau Holding AG deals with the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Super-

visory 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. The Company's subscribed capital (share capital) is sub-divided into 2,050,730 non-par value shares (2010: 1,875,162 shares). From this total, 5,000 of the Company's own shares are offset on the face of the balance sheet at their arithmetically calculated amount.

   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 purchase its own shares up to a maximum value 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 2011.

   Based on the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2010: € 234.24) was still in place on 31 December 2011. The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 64 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable shares to be issued for option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase is only to be implemented to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far a total of 499,936 options have been exercised and the Company's share capital has been accordingly increased by € 1,829,765.76. No options were exercised in 2011.

   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 (old)). Conditional Capital II (old) was resolved to enable 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, may have been issued by the Company through to 30 June 2010. In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II also served to issue shares to holders of participation rights with conversion or option rights ("extension of scope" resolution). Following the termination by the Company on 12 April 2011 of the convertible bond originally issued in 2007, a total of 80,453 partial bonds, each with a nominal value of € 100, were converted by the Company in 2011, resulting in 175,568 new shares at a par value of € 3.66 per share. Hence the share capital was increased in 2011 by € 643,000 to € 7,506,000 and the share premium of € 7,397,000 was transferred to the capital reserves. At the end of the conversion period on 6 May 2011, non-converted partial bonds at a nominal value of € 169,000 were paid back to the bondholders. Following the request of the Executive Board, Conditional Capital II (old) was then recorded as cancelled by the registry court.

Based on the resolution of the Annual General Meeting of 12 June 2008 authorised capital of € 3,294,000 was in place as at 31 December 2011. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 11 June 2013 by issuing new shares in return for either cash deposits or investments in kind, which may not exceed a total of € 3,294,000. With the approval of the Supervisory Board, the Executive Board may decide to exclude subscription rights.

Based on a resolution of the Annual General Meeting on 9 June 2011, at 31 December 2011 a (new) Conditional Capital II was put in place totalling € 3,294,000 by the conditional issue of up to 900,000 bearer shares. Subject to the approval of the Supervisory Board, up to 8 June 2016 the Executive Board is entitled to issue convertible and option bearer bonds as well as participation rights with either conversion or option rights.

8. Schaltbau Holding AG's main loan agreements include change-of-ownership clauses, which grant creditors an extraordinary right of termination.

9. The Company has not 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 PURSUANT TO SECTION 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 promote 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 the following link: http://www.schaltbau.de/en/portraet/codeofconduct.htm.

The basic principles of corporate governance are presented in the Corporate Governance Report, which is part of the Schaltbau Group's 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 makes all decisions within the scope of its legal responsibilities. The agenda, travel directions and information on voting proxies are published on the Company website in advance with the aim of making participation in the Annual General Meeting of Schaltbau Holding AG as straightforward as possible for the 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 article 8 (1) of the Articles of Incorporation, the Supervisory Board of Schaltbau Holding AG comprises six members. One third of these members are employee representatives and the remaining two thirds represent the shareholders. The shareholder representatives are elected at the Annual General Meeting and the employee representatives are elected by the staff. The Supervisory Board elects its chairman from among its members. The term of office of the shareholder representatives ceases 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 2015.

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 when making 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 Personnel Committee is the Chairman of the 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 corporate and other relevant information to all members of a six-person Supervisory Board is eminently achievable.

Executive Board
The Executive Board manages the Company 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 and 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 Executive Board with effect from 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 promptly reports to the Chairman of 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 section 161 of the German Stock Corporation Act (AktG).

Transparency
Schaltbau Holding AG utilises the company's website as a platform for providing shareholders and investors with prompt information: www.schaltbau.de. In addition to the Annual Report, which also includes the Corporate Governance Report and 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 of the

important dates and corporate publications well in advance. In accordance with section 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. This so-called "Annual Document" can be downloaded at: www.schaltbau.de.

Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG) as at 9 December 2011

Declaration of the Executive Board and the Supervisory Board of Schaltbau Holding AG pertaining to the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to section 161 of the German Stock Corporation Act (AktG) ("Declaration of compliance")

The Executive Board and the Supervisory Board of Schaltbau Holding AG issued the previous Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 AktG on 16 December 2010. The following declaration relates to the version of the code dated 26 May 2010 and published on 2 July 2010 in the electronic Federal Gazette for the time period from 16 December 2010 to 9 December 2011.

The Executive Board and the Supervisory Board of Schaltbau Holding AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" were observed and continue to be observed with the following exceptions:

Re 3.8:
The D&O insurance policy taken out by Schaltbau Holding AG does not provide for a deductible for the members of the Supervisory Board. Schaltbau Holding AG is of the opinion that the motivation and responsibility with which the members of the Supervisory Board perform their tasks cannot be improved by the introduction of a deductible and has thus decided to refrain therefrom.

Re 4.2.3:
There is no plan to introduce stock option models as variable compensation components for Executive Board members. Long-term incentive components for the Executive Board are to be primarily created by such variable compensation components that can be measured in terms of the profit achieved for the Group. Thus the compensation of individual Executive Board members consists solely of fixed and success-oriented components as 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. Therefore, 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:
Based on the resolution decided upon at the Annual General Meeting on 9 June 2011, the total compensation of each member of the Executive Board will not be disclosed.

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 Audit Committee has been provided for under the Supervisory Board's rules of procedure, but has not been formed, in view of the total size of the Supervisory Board. No further committees have been 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 concentrates solely on each candidate's technical and personal suitability as well as on proper expediency that promotes the function of the Supervisory Board. This includes, for instance, the selecting of members with suitable entrepreneurial 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 will not be individually disclosed as the structure of the compensation is decided by the Annual General Meeting and an individual disclosure would therefore not provide additional transparency for shareholders. The compensation of Supervisory Board members is stipulated in the Articles of Association of the company. Supervisory Board members are not granted benefits for services personally rendered, in particular consulting or agency services.

Membership in committees is not taken into account in the compensation of Supervisory Board members as apart from a Personnel Committee no other committees have been formed.

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, so far the Group Financial Statements have not been made publicly accessible within 90 days after the end of the fiscal year.

Outlook

According to current forecasts, the ongoing sovereign debt crisis in many countries and the resulting volatility on international capital markets is likely to slow down worldwide economic performance in 2012. The dampening impact mainly originates from the euro zone. Experts predict a moderate contraction in economic output for the region as a whole, although Germany is likely to be the exception with a slight increase in GDP. The US economy is expected to recover gradually, whereas economic growth in China is predicted to lose some of its previous pace. Economic growth in Russia and India is likely to gradually gather speed again in 2012. Japan is set to join the road to recovery after the preceding year of recession.

However, the markets relevant for the Schaltbau Group are generally expected to continue performing dependably. Based on its highly favourable order-book figures, the Schaltbau Group expects the currently steady volume of business with the railway sector in Europe and the USA to continue in 2012. However, seen from the present standpoint, a lower level of demand for railway systems must be expected on the Chinese market for the time being after a sharp reduction in investments for all new railway construction projects in China since August 2011 in the wake of a serious rail accident. Business with industrial braking systems and components is set to remain stable at the currently favourable levels.

However, fundamental structural changes can also be expected in several of these markets. High levels of public debt and the resulting necessity to make drastic cuts in spending could have a negative medium-term impact on governmental investments in expansion and equipment replacements in the infrastructure sector, particularly in euro zone countries. Shrinking market volumes and increased pressure from competitors is likely to speed up the current process of consolidation in the railway industry, similar to that being witnessed in the solar and wind power industries.

With the financial strength the Schaltbau Group has meanwhile achieved, it will be taking an active part in this consolidation process and purposefully supplementing its current range of products and services through strategic acquisition. Furthermore, the Schaltbau Group intends to increase its activities in the field of related services. With the conclusion of its investment in Rail Door Solutions Ltd. in the UK in October 2011 the Schaltbau Group successfully took another step in this direction and plans to continually increase the percentage that services play in its total sales volume.

The Group intends to continue pursuing a well-balanced portfolio strategy and for this reason the focus of takeovers will not only be on the railway industry, but also on companies manufacturing and servicing other industrial goods.

The Schaltbau Group has started well into the year 2012. Including the share of sales generated by the newly acquired Tiefenbach GmbH, the Schaltbau Group expects sales figures for fiscal year 2012 to grow to around € 350 million. Due to integration costs and other one-time expenses, the acquisition will only make a minor positive contribution to earnings during the first year. Moreover, in fiscal year 2012 upfront expenditure will be required for additional staff needed to successfully continue taking the previously initiated steps in the Group's ongoing growth strategy. The Executive Board abides by the forecast made in November 2011. On this basis, earnings from operating activities (EBIT) of € 28.9 million can be expected for 2012. Group net profit for 2012 is thus predicted to reach € 20.8 million with earnings per share of € 8.83.

With its most recent acquisitions, company launchings and increased investments in other entities, the Schaltbau Group has been successful in strategically supplementing its portfolio in its core fields of business. We also expect additional organic growth from new, innovative products and solutions such as the BIDS and CADS door systems, wind energy braking systems and the state-of-the-art contactors designed for applications in the solar industry. In the course of its targeted strategy of internationalisation, the Group will consistently strive to enter new markets. In view of these factors, provided the business environment remains stable, both sales and earnings are set to continue performing positively in 2013.

Other disclosures

This Management Report contains facts and forecasts that reflect the future performance of the Company and the 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 considerably from that expected. This may be due to a number of reasons, such as changes in the business and economic environment, major changes in customers' projects or in the investment behaviour of customers.

Munich, 16 March 2012
The Executive Board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The Schaltbau share

During the first seven months of 2011 international share markets remained relatively stable and at levels above those seen at the previous year's closing. However, in March the earthquake and the subsequent tsunami with its devastating consequences for the reactors at the Fukushima nuclear plant in Japan caused a short-term market downturn that was more severely felt in Asia than on the stock markets of western industrial countries. In July, looming state bankruptcy in the USA also temporarily sent share prices on US stock markets tumbling. The increasingly acute sovereign debt problem in key euro zone countries, particularly Italy, dramatically increased downward pressure on Europe's stock markets during the first ten days of August. Share prices dropped sharply and trading was highly volatile at a low level for the remainder of the year.

In this market environment, the DAX finished the 2011 trading year at 5,898 points; 14.7 per cent down on one year earlier. The small caps of the German stock market lost even more ground. Compared to closing prices at the end of 2010, the SDAX had deteriorated by 14.6 per cent to 4,421 points by the last day of trading in 2011.

Schaltbau share bucks market trend and gains 23.0 per cent

In contrast to the general downward market trend, the Schaltbau share again delighted shareholders with a fine performance. After finishing 2010 at € 57.25, the share price initially sank to € 55.20 on 5 January 2011. However, that marked its lowest point for the year and from then on the Schaltbau share gained ground in a sustained upswing that was only seriously interrupted by the general price correction in the wake of the nuclear accident in Japan. On 7 July the Schaltbau share recorded its highest price for the year at € 83.89 and was largely able to maintain that level, despite a certain amount of profit-taking. In August the Schaltbau share price was forced down, in line with the general market trend, but recovered well as from September with the announcement of the upwardly adjusted forecast for 2011, finishing the last day of trading in 2011 at € 70.41, up 23 per cent over the 12-month period.

Inclusion in the SDAX

At 31 December 2011 the share capital of Schaltbau Holding AG amounted to € 7,505,671.80 (2010: € 6,863,092.92), divided into 2,050,730 shares (2010: 1,875,162 shares). The company continues to hold 5,000 of its own shares. The increase in share capital during the period under report is attributable to the convertible bond 2007/2012 that was originally issued for a total nominal amount of € 8.5 million and terminated on 12 April 2011. By 6 May 2011, the last day of the conversion period, 98% of the partial bonds had been converted into Schaltbau shares. The conversion rights exercised since the beginning of 2011 caused the total number of shares to increase by 175,568 in the course of the year and the share capital to rise by € 642,578.88. The unconverted partial bonds to the value of € 168,800 were redeemed in accordance with the bond conditions.

The volume of Schaltbau shares traded in the course of 2011 again rose significantly compared with the previous year. A total of 1,345,282 Schaltbau shares were traded on German stock exchanges during the fiscal year, 120,052 shares more than the number traded in 2010, in which a steep rise had also been recorded. The strong share price performance saw the total value of Schaltbau shares rise from € 55.9 million to € 91.7 million over the course of the year. Schaltbau improved its ranking to 91st in terms of the MDAX/SDAX criterion "shares traded" for the twelve-month period to 31 December 2011 (end of December 2010: 95th) and was even ranked 93rd in terms of market capitalisation (end of December 2010: 109th), i.e. an improvement of 16 places.

With its improved positioning in the indexrelevant criteria "shares traded" and "market capitalisation", on 19 September 2011 the Schaltbau share achieved a listing in the SDAX, which comprises the 50 companies below the MDAX. The move places the Schaltbau share in the focus of a far broader spectrum of investors.

Family shareholders remain a firmly established factor

Family shareholders were again a firmly established factor in the shareholder structure during the year under report. Due to the dilution caused by the conversion of conver-tible bonds, the percentage of shares held by Dr. Cammann's family (SATORA Beteiligungs GmbH) decreased slightly to 11.0 per cent from 11.8 per cent the previous year. The Zimmermann family continued to hold 9.9 per cent of Schaltbau Holding AG stock at the end of 2011.

One change had an impact on the institutional investors' shareholder group. The Biberach District Savings Bank reported that it had exceeded the threshold of 3 per cent of the voting rights in the company in August 2011. By contrast, Deutsche Bank, via its subsidiary DWS Invest SICAV, reduced its holding to approximately 2.9 per cent at the end of May, after having held around 3.2 per cent at the end of 2010. According to company information, IFOS Internationale Fonds Service AG currently holds 3.2 per cent of Schaltbau Holding AG shares.

Shareholder structure*

* Stockholdings subject to report as at 31 December 2011

Intensive dialogue with capital market bears fruit

The overall number of fund investors grew considerably during the year under report. The trend is partly due to the increased attention the Schaltbau share is receiving in view of its gratifying operating performance and recent inclusion in the SDAX. Furthermore, the interest of potential investors is being encouraged by an open and intensive dialogue with capital markets. During the fiscal year 2011, members of the Executive Board held well over 100 talks with both existing and potential investors as well as analysts in the form of conferences, roadshows and individual contacts. The major focus of Schaltbau's investor relations activities is to communicate with those investors who primarily concentrate on European companies in the small caps market, particularly the influential investor group of asset managers who are actively interested in this share segment.

The Schaltbau Holding AG website acts as a central platform for information and all of the relevant documents are promptly published on www.schaltbau.de. This is the place where potential investors can find detailed information about the Schaltbau Group and its subsidiaries. It is mandatory to publish the latest information regarding the share, the shareholder structure, Director's Dealings and the financial calendar on the Schaltbau website. Furthermore, annual and interim reports, analysts' recommendations, ad hoc announcements, press releases and important information regarding the Annual General Meeting as well as other important documents in both German and English are available for download.

Xetra, closing prices		2011	2010	2009
Highest	€	**83.89**	61.00	44.15
Lowest	€	**55.20**	33.85	26.05
Closing price	€	**70.41**	57.25	39.00
Earnings per share (undiluted)	€	**9.38**	6.50	6.62
Earnings per share (diluted)	€	**9.38**	6.09	6.19
Number of shares		**2,050,730**	1,875,162	1,871,668
Share capital	€ m.	**7.50**	6.86	6.85
Market capitalisation as at 31 December	€ m.	**144.39**	107.35	73.00
Trading volume all exchanges / Xetra	€ m.	**91.72**	56.26	32.06
Shares traded		**1,345,282**	1,229,419	920,429

Corporate Governance Report of Schaltbau Holding AG, München

Corporate Governance at Schaltbau

Schaltbau Holding AG 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 re-election of the Supervisory Board took place at the Annual General Meeting held on 9 June 2011.

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. If there were any indications of conflicts of interest among members of the Supervisory Board, those members either declined to participate in or abstained from voting.

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 cooperation 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 website, 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

Peter Jahrmarkt
(Deputy Chairman)

Dr. Stefan Schmittmann

Friedrich Smaxwil

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 held at 31 December 2011 the following Schaltbau Holding AG stock (WKN 717030) 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.

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 9 June 2011, the compensation of individual members of the Executive Board will not be publicly disclosed.

Compensation for the active members of the Executive Board totalled € 1,010,000 for the fiscal year 2011. The compensation includes

Person subject to report	Position	Shareholding at 31 Dec. 2011
Dr. Jürgen Cammann	Spokesman of the Executive Board	225,849
Hans Gisbert Ulmke	Member of the Executive Board	200
Hans Jakob Zimmermann	Chairman of the Supervisory Board	202,926
Peter Jahrmarkt	Deputy Chairman of the Supervisory Board	1,598
Friedrich Smaxwil	Member of the Supervisory Board	70

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 € 83,000 in 2011. Pension provisions totalling € 504,000 (IFRS) are recognised at 31 December 2011.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2011.

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 2011 was above this level and for this reason a total of € 66,607.66 was paid out.

Membership of committees is not separately compensated.

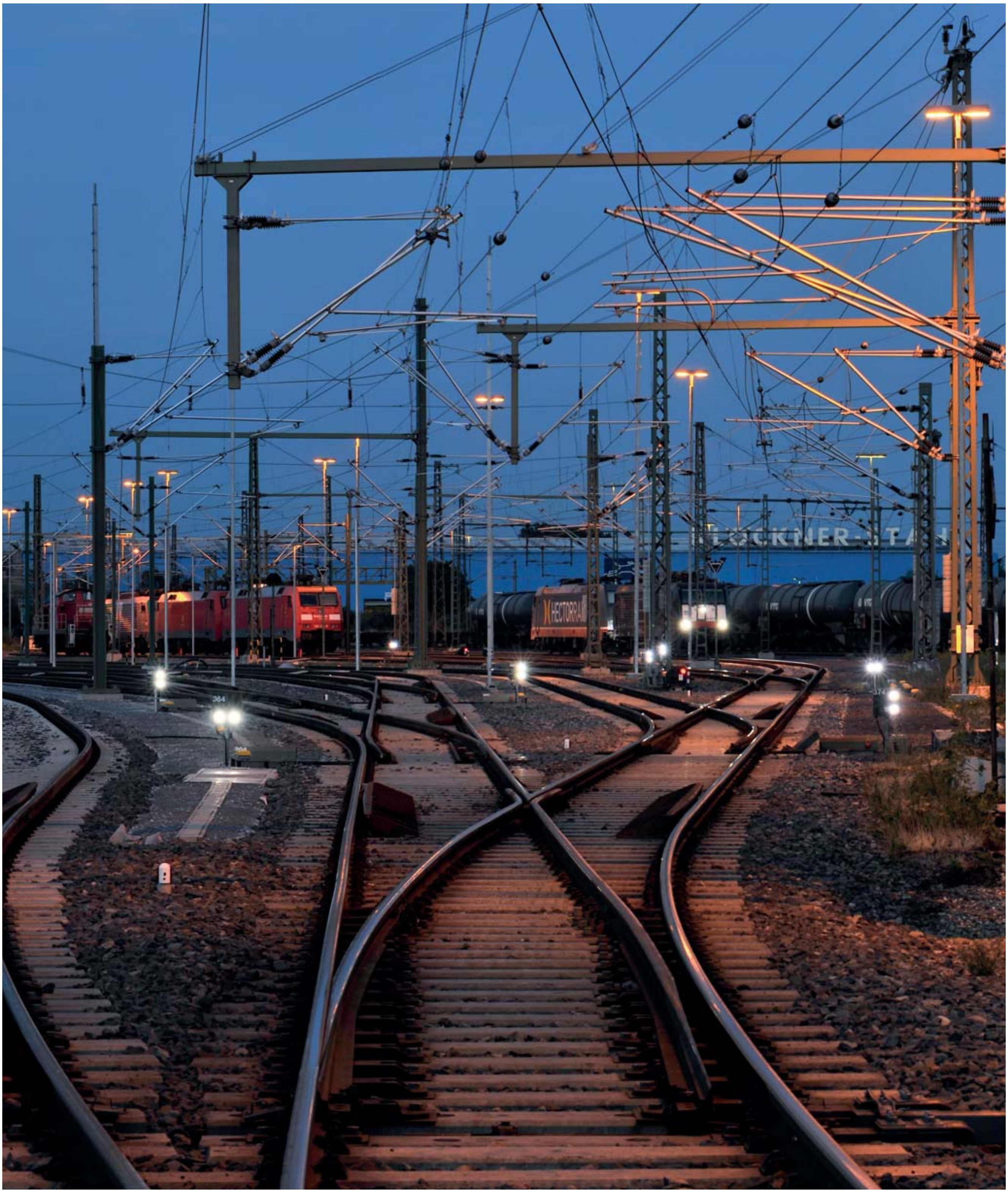
In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 22,000 for additional time spent on behalf of the company in 2011.
The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view of the amount of compensation 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 9 December 2011 and is an integral part of the Corporate Governance Statement, which is in turn an integral part of the Management Report.

Munich, April 2012

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 share-holders 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 2011.

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

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

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 2011

in € 000	Notes	2011	2010
1. Sales	(1)	318,391	280,417
2. Change in inventories of finished goods and work in progress	(2)	5,468	6,637
3. Own work capitalised	(2)	498	1,531
4. Total output		**324,357**	**288,585**
5. Other operating income	(3)	5,005	5,594
6. Cost of materials	(4)	166,792	147,734
7. Personnel expense	(5)	95,407	87,292
8. Amortisation and depreciation		7,192	6,383
9. Other operating expenses	(6)	32,482	29,008
Profit from operating activities		**27,489**	**23,762**
a) Result from at-equity accounted investments		2,049	1,200
b) Sundry other result from investments		1,871	-1,025
10. Results from investments	(7)	3,920	175
a) Interest income		26	70
b) Interest expense		6,486	6,271
11. Financial result	(8)	-6,460	-6,201
12. Profit before tax		**24,949**	**17,736**
13. Income taxes	(9)	3,296	2,983
14. Group net profit for the period		**21,653**	**14,753**
Analysis of the Group net profit for the period			
attributable to minority shareholders		2,946	2,621
attributable to the shareholders of Schaltbau Holding AG		18,707	12,132
Group net profit for the period		**21,653**	**14,753**
Earnings per share - undiluted	(10)	**€ 9.38**	**€ 6.50**
Earnings per share - diluted		**€ 9.38**	**€ 6.09**

Consolidated Statement of Comprehensive Income of Schaltbau Holding AG, Munich
1 January - 31 December 2011

in € 000	2011 Before tax	2011 Tax effect	2011 After tax	2010 Before tax	2010 Tax effect	2010 After tax
Group net profit for the period			**21,653**			**14,753**
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			1,169			541
- from at-equity accounted companies			-580			139
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	-1,404	421	-983	-837	251	-585
- Realised gains (-) / losses (+)	334	-100	234	663	-199	464
Revaluation of land			0			0
Total income and expenses recognised directly in equity			**-160**			**559**
Group comprehensive income			**21,493**			**15,312**
of which:						
attributable to minority shareholders			3,473			2,891
attributable to the shareholders of Schaltbau Holding AG			18,020			12,421

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich

1 January – 31 December 2011

in € 000	Notes	2011	2010
Group net profit for the period		**21,653**	**14,753**
Amortisation and depreciation on non-current assets		8,540	7,429
Gain on disposal of non-current assets		97	13
Finance result		6,460	6,201
Income tax expense		3,296	2,983
Change in current assets		-8,349	-17,268
Change in provisions		-3,837	979
Change in current liabilities		6,799	4,729
Dividends received		563	915
Interest paid		-4,783	-4,759
Interest received		26	70
Income taxes paid		-3,644	-3,631
Other non-cash income / expenses		-5,124	-1,279
Cash flows from operating activities	(a)	**21,697**	**11,135**
Payments for investments in:			
- Property, plant and equipment and intangible assets		-8,595	-8,009
- Financial investments		-2,980	-1,269
- Acquisitions of fully consolidated entities less cash acquired		-2,050	0
Proceeds from disposal of:			
- Property, plant and equipment		33	328
- Financial investments		144	3,279
Cash flows from investing activities	(b)	**-13,448**	**-5,671**
Dividend payment by Schaltbau Holding AG		-2,057	-1,307
Distribution to minority interests		-1,388	-427
Capital increase by minority shareholders		554	0
Change in participation rights capital		0	0
Amounts repaid in conjunction with refinancing		-6,290	-36,407
Amounts borrowed in conjunction with refinancing		6,425	36,407
Loan repayments		-4,569	-6,592
New loans raised		4,100	0
Change in current financial liabilities		-3,995	5,660
Cash flows from financing activities	(c)	**-7,220**	**-2,666**
Change in cash and cash equivalents due to exchange rate fluctuations		167	227
Change in cash funds due to changes in group reporting entity		0	0
Change in cash and cash equivalents		**1,196**	**3,025**
Cash and cash equivalents at the end of the year		12,727	11,531
Cash and cash equivalents at the beginning of the year		11,531	8,506
		1,196	**3,025**

Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2011

ASSETS

in € 000	Notes	2011	2010
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	20,020	14,523
II. Property, plant and equipment	(11)	43,975	42,063
III. At-equity accounted investments	(11)	6,347	4,420
IV. Other investments	(11)	3,655	3,018
V. Deferred tax assets	(9)	10,382	8,961
		84,379	**72,985**
B. CURRENT ASSETS			
I. Inventories	(12)	60,833	51,286
II. Trade accounts receivable	(13)	47,830	46,096
III. Income tax receivables	(13)	242	67
IV. Other receivables and assets	(13)	7,603	7,587
V. Cash and cash equivalents	(14)	12,727	11,531
		129,235	**116,567**
		213,614	**189,552**

EQUITY AND LIABILITIES

in € 000	Notes	2011	2010
A. EQUITY	(15)		
I. Subscribed capital	(16)	7,506	6,863
II. Capital reserves	(17)	15,805	8,585
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	6,819	-2,507
V. Reserve for income/expenses recognised directly in equity	(17)	273	211
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		18,707	12,132
VIII. Equity attributable to shareholders of Schaltbau Holding AG		52,382	28,556
IX. Minority interests	(18)	7,150	4,550
		59,532	**33,106**
B. NON-CURRENT LIABILITIES			
I. Participation rights capital	(19)	7,077	7,051
II. Pension provisions	(20)	18,504	18,744
III. Personnel - related accruals	(21)	3,578	4,235
IV. Other provisions	(21)	334	391
V. Financial liabilities	(22)	36,700	43,098
VI. Other liabilities	(22)	10	19
VII. Deferred tax liabilities	(9)	6,602	6,814
		72,805	**80,352**
C. CURRENT LIABILITIES			
I. Personnel - related accruals	(21)	5,676	4,851
II. Other provisions	(21)	16,117	17,285
III. Income taxes payable	(22)	561	124
IV. Financial liabilities	(22)	7,120	11,692
V. Trade accounts payable	(22)	20,023	18,402
VI. Advance payments received	(22)	16,823	12,182
VII. Other liabilities	(22)	14,957	11,558
		81,277	**76,094**
		213,614	**189,552**

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

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
				Other	Derivative financial instruments	
Balance at 01.01.2010	**6,850**	**8,443**	**231**	**-12,435**	**-727**	**3,041**
Profit brought forward	0	0	0	12,349	0	0
Transfer to capital reserves (§ 232 AktG)	0	0	0	0	0	0
Transfer to revenue reserves	0	0	0	0	0	0
Bonds issued / converted	13	142	0	0	0	0
Dividend paid	0	0	0	-1,307	0	0
Change in group reporting entity	0	0	0	0	0	0
Other changes	0	0	0	-266	0	0
Group net profit for the period	0	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	0	-121	0
Group comprehensive income	0	0	0	0	-121	0
Balance at 31.12.2010	**6,863**	**8,585**	**231**	**-1,659**	**-848**	**3,041**
Balance at 01.01.2011	**6,863**	**8,585**	**231**	**-1,659**	**-848**	**3,041**
Profit brought forward	0	0	0	12,132	0	0
Transfer to capital reserves (§ 232 AktG)	0	0	0	0	0	0
Transfer to revenue reserves	0	0	0	0	0	0
Shares issued / converted	643	7,220	0	0	0	0
Dividend paid	0	0	0	-2,057	0	0
Change in group reporting entity	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Group net profit for the period	0	0	0	0	0	0
Income and expenses recognised directly in equity	0	0	0	0	-749	0
Group comprehensive income	0	0	0	0	-749	0
Balance at 31.12.2011	**7,506**	**15,805**	**231**	**8,416**	**-1,597**	**3,041**

				Minority interests			Group equity
Reserve for income/expenses recognised directly in equity		Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
relating to fully consolidated entities	relating to at-equity accounted entities						
-345	**179**	**12,349**	**17,586**	**1,191**	**1,743**	**2,934**	**20,520**
0	0	-12,349	0	1,743	-1,743	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	155	0	0	0	155
0	0	0	-1,307	-1,275	0	-1,275	-2,582
0	0	0	0	0	0	0	0
0	-33	0	-299	0	0	0	-299
0	0	12,132	12,132	0	2,621	2,621	14,753
271	139	0	289	270	0	270	559
271	139	12,132	12,421	270	2,621	2,891	15,312
-74	**285**	**12,132**	**28,556**	**1,929**	**2,621**	**4,550**	**33,106**
-74	**285**	**12,132**	**28,556**	**1,929**	**2,621**	**4,550**	**33,106**
0	0	-12,132	0	2,621	-2,621	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	7,863	554	0	554	8,417
0	0	0	-2,057	-1,427	0	-1,427	-3,484
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	18,707	18,707	0	2,946	2,946	21,653
642	-580	0	-687	527	0	527	-160
642	-580	18,707	18,020	527	2,946	3,473	21,493
568	**-295**	**18,707**	**52,382**	**4,204**	**2,946**	**7,150**	**59,532**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG, Munich
for the Fiscal Year 2011

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 2011 were approved for publication by the Executive Board on 16 March 2012. 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. 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.

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

CONSOLIDATED COMPANIES

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

In addition to **Schaltbau Holding AG**, the following 8 (2010: 8) German and 6 (2010: 4) foreign companies are included in the Consolidated Financial Statements of **Schaltbau Holding AG**:

Company	Registered office	Share-holding
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.S.	Argenteuil (F)	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	100%
Schaltbau America Ltd. Partnership	Wilmington (USA)	100%
Schaltbau North America Inc.	Huntington (USA)	100%
Alud Grundstücksverwaltungs GmbH & Co. Vermietungs KG	Wiesbaden	95%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%

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

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 2011 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (Poland)	37%
Rail Door Solutions Ltd.	Milton Keynes (UK)	25%

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

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

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

In order to strengthen and reinforce its position in the growing railway and industrial lines of business in North America, on 15 February 2011 Schaltbau GmbH acquired, via the newly founded and fully consolidated Schaltbau America Limited Partnership, Wilmington, Delaware (USA), the remaining 50% of the shares of Schaltbau North America Inc. for a purchased consideration of US$ 3,852,000. Schaltbau North America Inc. has been fully consolidated with effect from 1 January 2011 on the basis that control over the entity had already been attained; previously, it had been consolidated using the equity method.

Compared to 31 December 2010, two fully consolidated companies have therefore been added to the group reporting entity.

With effect from February 16, 2011, Gebr. Bode & Co. Beteiligungs GmbH acquired a further 10% of the shares of Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. (Rawag), Rawicz, (Poland) for a purchase consideration of € 398,000; this was followed by the acquisition of a further 7.128% for a purchase consideration of € 243,000 on 28 April 2011. As a result of these transactions, Bode now has a 37.128% shareholding. The company has been consolidated using the equity method since the date on which the additional 10% of the shares were acquired. As a result of the purchase consideration paid for the shares, the previous carrying amount of the investment was increased by € 679,000 which is recorded as a gain in other results from investments. The purchase of further shares has been agreed for 2014, giving Bode the opportunity to take over a majority interest in the Polish company.

On 25 October 2011, 25% of the shares of Rail Door Solutions Ltd., Milton Keynes, (UK) were acquired for a purchase consideration of GBP 500,000. A further 25% will be acquired on 31 March 2013 at a price still to be determined. This entity has been consolidated using the equity method since 1 November 2011. In addition, a put / call option has been agreed for the period from 1 April 2015 to 31 March 2020 with respect to further shares which would give Bode the opportunity to take over a majority interest in the British company.

Gebr. Bode & Co. Beteiligungs GmbH also founded two new companies during the period under report. Bode Korea Co., Ltd. in Seoul (South Korea) was founded jointly with a local industrial partner with effect from 18 February 2011, with Bode holding 80% of the shares. Shenyang Bode Transportation Equipment Co., Ltd. in Shenyang (China) was founded with effect from 8 June 2011, with Bode holding 100% of the shares. Due to the low volume of business, the two new companies are not consolidated.

On 15 December 2011 Gebr. Bode & Co. Beteiligungs GmbH acquired the remaining 33.1% of the shares of Bode North America Inc., Spartanburg, South Carolina, (USA) and now holds 100% of the shares of that company which – as in the previous year – is not consolidated due to the low volume of business conducted.

Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, which has its registered office in Dinslaken, founded Pintsch Bamag US Inc. in Marion, Illinois, (USA) on 23 November 2011 as a strategic measure. The new company has not yet commenced operations and is not consolidated at 31 December 2011. We refer to the disclosures made for events after the balance sheet date.

In accordance with an agreement certified by public notary on 18 April 2011, the investment in OLB Oberlandbahn Fahrzeugbereitstellungs GmbH, Munich, was sold for a consideration of € 144,000. This entity had previously been accounted for at-equity and stood in the balance sheet with a carrying amount of zero.

Bode Polska Sp.z.o.o., Rzeszow (Poland) was liquidated, having never commenced operations. The company was removed from the Commercial Register on 11 July 2011.

As a result of the changes in the group reporting entity, the figures reported in the consolidated financial statements are not fully comparable with the previous year. The principal effects on the consolidated balance sheet at 31 December 2011 attributable to the acquisition of the remaining shares in Schaltbau North America Inc. and the foundation of Schaltbau America Limited Partnership are shown in the following balance sheet. In order to achieve better comparability, the amounts shown must be deducted from the corresponding line items in the consolidated balance sheet as at 31 December 2011 (or added when the figure is preceded by a negative sign).

BALANCE SHEET
PER 31 DECEMBER 2011

in € 000

Intangible assets and property, plant and equipment	5,608	Revenue reserves including translation differences	137
Investments	-999	Retained earnings	2,994
Deferred tax assets		Deferred tax liabilities	120
Inventories	1,020	Provisions	132
Amounts due from associated companies	-1,164	Liabilities to banks	2,548
Trade accounts receivable and other assets	1,143	Amounts due to associated companies	-
Cash and cash equivalents (including marketable securities)	441	Trade accounts payable and other liabilities	118
	6,049		**6,049**

The amount reported as "Investments" corresponds to the at-equity valuation at 31 December 2010 since no at-equity adjustments have been recorded in conjunction with the provisional consolidation in 2011.

The following summary shows the impact of these transactions on the income statement after elimination of intragroup items. In order to achieve better comparability, the amounts shown must be deducted from the corresponding line items in the consolidated income statement for the period ended 31 December 2011.

INCOME STATEMENT
1 JANUARY – 31 DECEMBER 2011

in € 000

Revenues	2,977
Change in inventories	518
Other operating income	51
Cost of materials	805
Personnel costs	878
Amortization and depreciation	514
Other operating expenses	366
Result on investments	2,400
Net interest result	-89
Income taxes	300
Group net profit for the period	2,994

Fair value adjustments on acquired assets and liabilities resulted in the recognition of an asset of € 791,000 for orders taken over, net of a deferred tax liability of € 316,000. The order book is being amortised over a period of three years in line with the recognition of related revenues. The corresponding expense (€ 484,000) relating to the work completed on acquired orders during the fiscal year 2011 is included in the amortisation and depreciation expense for the period ended 31 December 2011. A corresponding deferred tax benefit worked in the opposite direction. No other unrecognised fair value adjustments have been identified.

Based on the fair value of assets and liabilities measured at the date of first-time consolidation (1 January 2011), the gaining of control over Schaltbau North America Inc., through the acquisition of the remaining shares in that entity had the following impact:

in € 000	Carrying amounts at acquisition date	Adjustments	Fair values at acquisition date
Intangible assets	185	606	791
Property, plant and equipment	1		1
Inventories	380		380
Receivables and other assets	764		764
Cash and cash equivalents (including marketable securities)	802		802
Total assets acquired	**2,132**	**606**	**2,738**
Deferred tax liabilities		316	316
Other provisions	425		425
Trade accounts payable and other liabilities	875		875
Total liabilities acquired	**1,300**	**316**	**1,616**
Net assets acquired			**1,122**
Acquisition costs	2,852		
Fair value of own shares of acquired entities	3,399		6,251
Net assets acquired			-1,122
Goodwill			**5,129**

The addition of the new shares to the 50% already held and the provisional consolidation treatment applied resulted in a gain from investments for IFRS purposes amounting to € 2.4 million.

It is assumed that goodwill will not be deductible for tax purposes.

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	
	31.12.2011	31.12.2010	**2011**	2010
Chinese renminbi yuan	8.2339	8.7626	9.0032	9.0004
US dollar	1.2950	1.3253	1.3926	1.3279
British pound	0.8379	0.8568	0.8680	0.8589
New Turkish lire	2.4648	2.0610	2.3355	2.0008
Polish zloty	4.4326	3.9715	4.1180	4.0029

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 Executive 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 growth of one percent will be achieved after the third year. A post-tax interest rate of 7.7% (2010: 11% and 13%) is currently applied. The discount rate is based on a risk-free interest rate of 2.75% and a market risk premium of 6.25%. In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and the Group's capital structure are taken into account when measuring the recoverable amount of a cash-generating unit.

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

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets 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 (equity instruments) presented in the balance sheet as **investments** are stated at the lower of cost or, 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, applying interest rates of between 7.3% and 8.0% for each individual investment. Specific country risks in China and Turkey resulted in interest rates of between 11% and 14%. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment. Impairment losses on equity instruments recognised through profit or loss are not reversed even if the reason for the impairment loss no longer exists. Non-current loans are stated at their amortised cost.

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

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

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

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

Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts), to hedge interest rate risks (interest rate swaps) and in one case to hedge an interest rate / currency risk (cross – currency swap). The interest rate swaps and the cross currency swap are structured as cash flow hedges. In addition, since the third quarter 2011, the Group uses commodity contracts to hedge against price fluctuations relating to the silver content of intermediate products. The Group applies hedge accounting to hedge against interest rate risks, cross interest rate/currency risks and significant currency exposures as well as against risks attached to forward commodity contracts. All other derivative financial instruments qualify as "held for trading".

Derivative financial instruments are measured at their fair value which corresponds to the market value. The market value reflects the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. Due to the volatility of market data relevant for measuring the value of an instrument, the market value of a derivative financial instrument measured at the balance sheet date can differ from the amounts that will actually be realised. The market value of forward exchange contracts is calculated on the basis of the foreign exchange spot rates prevailing 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, forward commodity contracts 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 – with the exception of entitlements from reinsurance contracts for early retirement part-time working obligations – 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. In addition, specific warranty provisions are recognised for known damages. Provisions that contain an interest component are discounted using an appropriate market interest rate.

Provisions for early retirement part-time working arrangements (based on work and work-free phases) are measured at their present value using actuarial principles. Whereas settlement arrears 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 with the effective interest method.

In the case of **leasing** contracts, 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 correspond to contingent obligations existing at the balance sheet date.

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

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 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 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.

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 that 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.

The first-time application of Standards and Interpretations did not have any impact on the consolidated financial statements of Schaltbau Holding AG for the year ended 31 December 2011.

The IASB has published other financial reporting pronouncements which were required to be applied for the first time in the financial year 2011, 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
The Schaltbau Group does not plan to apply early any of the following new or amended Standards and Interpretations which do not become mandatory until subsequent financial years. Unless stated otherwise and assuming that the new or amended Standards and Interpretations are endorsed by the EU in this form, the impact on the consolidated financial statements of Schaltbau Holding AG is still being investigated.

Already endorsed by the EU:
In November 2011, the EU endorsed 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 the reporting period. The amended IFRS 7 is mandatory for the first time – subject to a possible 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.

Not yet endorsed by the EU:
During 2011 the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

In June 2011 the IASB published amendments to **IAS 1** Presentation of Financial Statements under the title "Presentation of Items of Other Comprehensive Income". The amendments require items reported in Other Comprehensive Income (OCI) to be split into items that will be recycled at a later date through the income statement and those that will not. The amendments to IAS 1 are mandatory for annual periods beginning on or after 1 July 2012. Earlier application is permitted. The Schaltbau Group does not expect that application of the amendments, if endorsed in their current form by the EU, will have a significant impact on the presentation of the consolidated financial statements.

In June 2011 the IASB published amendments to **IAS 19** Employee Benefits.

In addition to more extensive disclosure requirements with respect to employee benefits, the amended Standard gives rise to the following changes:

At present, entities can decide on one of a number of ways how to report unexpected fluctuations in pension obligations caused by actuarial gains and losses. These can be recognised (a) through profit and loss, (b) though OCI or (c) using the so-called "corridor method". The new version of IAS 19 removes this choice and replaces it with a more transparent and comparable treatment: in future actuarial gains and losses must be recognised through OCI.

In addition, the expected return on plan assets is currently determined on the basis of subjective expectations of management with regard to future changes in value of any plan assets. IAS 19 (revised 2011) requires that the return on plan assets must be determined using the same interest rate that is applied to discount the related pension obligations.

The amendment – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013.

Since the Schaltbau Group currently uses the corridor method, the amendment would, based on circumstances at 31 December 2011, result in a € 2.4 million increase in the pension provision. Following a change from the corridor method to the new method, Schaltbau Holding AG's consolidated income statement will no longer be affected by actuarial gains and losses (e.g. due to interest rate fluctuations) since these will have to be recognised through OCI.

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

The amendment – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013. The Schaltbau Group does not currently consolidate any joint ventures on a proportionate basis.

Amendments to **IAS 32** and **IFRS 7** – Offsetting Financial Assets and Financial Liabilities: The amendment to IAS 32 clarifies the criteria for offsetting financial instruments. Under the new rules, the significance of enforceable rights of offset is explained and the situations in which items should be reported on a gross or net basis are clarified. In connection with these clarifications, disclosure requirements for notes to financial statements are expanded by IFRS 7.

The amendment to IAS 32 – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2014.

The amendment to IAS 7 – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013.

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. The recognition and measurement requirements for financial instruments previously contained in IAS 39 will be superseded by IFRS 9. In future financial assets must be allocated to one of two measurement categories: measured at amortised cost or measured at fair value. The category "financial assets measured at amortised cost" comprises all financial assets which give rights to receive interest and repayment on pre-defined dates and which are held as part of a business model, the objective of which is to hold assets. All other financial assets must be allocated to the fair value measurement category. Under certain circumstances, an entity can elect – as previously – to apply the fair value option to measure items allocated to the first measurement category.

Changes in the value of financial assets allocated to the fair value measurement category must be recognised as general rule through profit or loss. An entity can, however, also elect to recognise changes in the fair value of certain equity instruments through OCI; dividend entitlements attached to these assets must, however, be recognised through profit or loss.

The requirements for financial liabilities generally correspond to those contained in IAS 39. The most significant difference relates to the recognition of fair value gains and losses on financial liabilities. In future, these have to be divided into the portion that relates to the entity's own credit risk (to be recognised through OCI) and the remainder which is required to be recognised through profit or loss.

IFRS 9 – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2015.

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

IFRS 10 Consolidated Financial Statements sets out a new definition of control. If one entity controls another entity, the parent company must consolidate the subsidiary company. Under the new concept, an entity controls another entity if it has the ability to direct its activities on the basis of voting or other rights, if it participates in positive and negative variable returns from controlled entity and if it has ability to influence the amount of returns.

The new Standard has implications for the scope of the entities required to be consolidated i.e. special purpose entities.

The new Standard – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013. IFRS 10 must be applied retrospectively if qualification of the investment as a subsidiary is different between IAS 27/SIC-12 and IFRS 10. Early application is only permitted if IFRS 11 and IFRS 12 and the revised versions of IAS 27 and IAS 28 are applied early and concurrently.

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

The new Standard – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013. Specific transitional provisions apply e.g. transition from the proportionate consolidation method to the equity method. Early application is only permitted if IFRS 10 and IFRS 12 and the revised versions of IAS 27 and IAS 28 are applied early and concurrently. The Schaltbau Group does not currently consolidate any entities on a proportionate basis.

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

The amended IAS 27 contains only accounting and disclosure requirements for subsidiaries, joint ventures and associated companies which are relevant for separate financial statements drawn up in accordance with IFRS. The new Standard – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement stipulates uniform requirements with respect to fair value measurement in IFRS financial statements. All fair value measurements required by other Standards must be carried out in future in accordance with the uniform rules contained in IFRS 13; the only Standards for which specific rules apply are IAS 17 and IFRS 2.

Fair Value is defined in IFRS 13 as an exit price, i.e. price that would be received to sell an asset or paid to transfer a liability. Similar to the current fair value measurement of financial assets, the Standard introduces a 3-level hierarchy system based on the dependence of measurement on observable market prices. The new fair value requirements could result in difference fair value measurements from those arising under the previous rules.

The new Standard – subject to a possible different mandatory date in conjunction with EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2013.

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 2011, the Group had 12 forward exchange contracts in place with banks (2010: 56) for a total amount of US$ 9,562,000 (2010: US$ 14,978,000), to hedge cash flows with foreign customers. The forward exchange contracts, comprising US$ 9,562,000 (2010: US$ 13,647,000) for sales contracts and US$ 0 (2010: US$ 1,331,000) for purchase contracts and all fall due in 2012. An unrealised loss of € 357,000 (2010: € 248,000) has been recognised for contracts with a negative fair value and an unrealised gain of € 3,000 (2010: € 176,000) has been recognised for contracts with a positive fair value.

26 silver forward contracts (2010: 0) with a total value of € 2,477,000 were in place at 31 December 2011 to hedge against price fluctuations relating to the silver content of intermediate products. The forward contracts all mature in 2012. An expense of € 543,000 was recognised in the fiscal year 2011 for the unrealised losses relating to the negative fair value of these contracts.

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 € 1,025,000 at 31 December 2011 (31 December 2010: € 1,275,000) had a positive market value of € 56,000 at the end of the reporting period (31 December 2010: € 96,000).

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

Foreign currency risk						
in € 000	USD		JPY		INR	
	2011	2010	**2011**	2010	**2011**	2010
Trade accounts receivable	-104	-308	-	-	-40	-73
Receivables from affiliated companies	-78	-139	-	-	-	-
Other assets	-	-	-	-	-	-
Trade accounts payable	13	29	9	-	-	-
Payables to affiliated companies	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Gross risk exposure	**-169**	**-418**	**9**	**-**	**-40**	**-73**
Currency hedging	225	386	-	-	-	-
Net risk exposure	**56**	**-32**	**9**	**-**	**-40**	**-73**

In addition, the following four interest rate swaps were in place at the end of 2011:

Nr.	Nominal amount in € 000	**Fair value 31.12.2011 in € 000**	Fair value 31.12.2010 in € 000	Maturity date
1	6,000	-822	-611	30.12.2016
2	6,000	-557	-158	28.06.2019
3	2,250	-123	-197	30.06.2014
4	3,000	-96	-171	31.12.2012
Σ	**17,250**	**-1,598**	**-1,137**	

As a result of obligations relating to interest-rate swaps, an amount of € 257,000 (2010: € 332,000) 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 the market situation.

As a result of the termination of hedging relationships (hedge accounting), € 234,000 (2010: € 464,000) of amounts previously recognised directly in OCI been reclassified to other operating expenses and deferred taxes (see Consolidated Statement of Comprehensive Income).

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

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

Notes to the consolidated income statement

(1) SALES

Sales by segment

in € 000	2011	2010
Mobile transportation technology	122,528	117,841
Stationary transportation technology	105,379	86,829
Components	90,385	75,649
Holding company	99	98
	318,391	**280,417**

Sales by market

in € 000	2011	2010
Germany	147,167	132,826
Other EU countries	82,808	78,526
Other European countries	26,239	20,556
China / Hong Kong	43,894	35,932
North America	12,081	5,118
Other countries	6,202	7,459
	318,391	**280,417**

87.2% (2010: 88.4%) of sales were billed in euro, 7.1% (2010: 7.0%) in Chinese renminbi yuan and 4.9% in US dollar (2010: 3.8%); other currencies accounted for 0.8% (2010: 0.8%). On the expense side, 92.6% (2010: 93.8%) of personnel, material and other non-personnel expenditure were settled in euro and 4.0% (2010: 4.0%) in renminbi yuan; 3.4% (2010: 2.2%) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 108,375,000 or 34.0% (2010: € 93,863,000 or 33.5%).

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

in € 000	2011	2010
Change in inventories	5,468	6,637
Own work capitalised	498	1,531
	5,966	**8,168**

(3) OTHER OPERATING INCOME

in € 000	2011	2010
Reversal of allowances	367	488
Reversal of provisions	2,208	1,514
Public-sector grants	94	146
Exchange gains	1,154	1,557
Gains on derivatives	263	587
Sundry other operating income	919	1,302
	5,005	**5,594**

The other operating income includes income of € 2,654,000 (2010: € 2,345,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

in € 000	2011	2010
Cost of raw materials, supplies and purchased goods	147,911	130,672
Cost of purchased services	18,881	17,062
	166,792	**147,734**

Cost of materials was increased in 2011 by € 109,000 (2010: € 0) as a result of forward commodity contracts on silver. 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

in € 000	2011	2010
Wages and salaries	80,463	73,332
Social security, pension and welfare expenses	14,944	13,960
	95,407	**87,292**

Number of employees	2011	2010
Development	207	192
Purchasing and logistics	162	154
Production	788	765
Sales and marketing	217	190
Administration including Executive Board members and group company directors	141	134
Trainees	19	18
	1,534	**1,453**

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

in € 000	2011	2010
Operational costs	3,642	3,408
Administrative costs	11,698	10,110
Selling costs	12,267	11,196
Employee-related costs	1,742	1,098
Losses on the disposal of non-current assets	103	19
Allowances on receivables	395	81
Exchange losses	1,016	1,407
Losses incurred on derivative instruments	218	211
Other taxes	446	307
Sundry other expenses	955	1,171
	32,482	**29,008**

Expenses relating to prior periods totalled € 351,000 (2010: € 229,000).

Research and development expenditure in 2011 amounted to € 18,851,000 (2010: € 18,622,000), and the corresponding expense was € 18,699,000 (2010: € 17,628,000). Accordingly, a total of € 152,000 (2010: € 994,000) 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 2011 and 2010 was € 3,063,000 and € 2,933,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 3,896,000 (2010: € 2,520,000) payable in up to one year, € 5,542,000 (2010: € 5,141,000) in up to five years and € 1,291,000 (2010: € 1,841,000) later than five years.

Purchases from the five largest suppliers accounted for 12.0% (2010: 11.7%) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

in € 000	**2011**	2010
Result from equity accounted investments	2,049	1,200
Sundry other result from investments	1,871	- 1,025
	3,920	**175**

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 positive result from equity accounted investments relates to the Group’s share of the profit for the year of BoDo Bode-Dogrusan, Turkey and, for the first time, of RAWAG, Poland and Rail Door Solutions Ltd, UK. The previous year still includes the Group’s share of the result of Schaltbau North America Inc. (USA).

Sundry other result from investments includes the gain arising on the sale of OLB Oberlandbahn Fahrzeugbereitstellungs GmbH (€ 144,000), gains arising on the additional investment and provisional valuations for the purposes of consolidating Schaltbau North America Inc. (€ 2,400,000) and RAWAG (€ 679,000). This line item also includes impairment losses on investments in non-consolidated foreign subsidiaries amounting to € 1,353,000 (2010: € 1,049,000). Impairment losses were calculated using the DCF method described in the section on accounting policies (intangible assets). Impairment losses relate to non-consolidated foreign subsidiaries whose financial condition required an adjustments to the carrying out of the investment or whose prospects, contrary to expectations, cannot be reliably determined.

If exchange rates had been 10% more / less favourable, the result from equity accounted investments would have been € 2,252,000 / € 1,843,000 (2010: € 1,317,000 / € 1,105,000).

(8) FINANCIAL RESULT

in € 000	2011	2010
Other interest and similar income (of which from affiliated companies)	26 (7)	70 (19)
Interest and similar expenses (of which to affiliated companies)	- 6,486 (-8)	- 6,271 (-6)
	- 6,460	**- 6,201**

Interest expenses include € 1,074,000 (2010: € 1,052,000) relating to the interest component of allocations to pension provisions and € 1,322,000 (2010: € 409,000) relating to the unwinding of interest on liabilities. Also included is an interest expense of € 1,114,000 (2010: € 1,113,000) on participation rights capital. The interest expense for the year increased by € 368,000 (2010: € 475,000) 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 2011 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.

in € 000	**Balance at 31.12.2011**		+ 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	- 1,598	4.40%	+ 630	+ 90	+441	- 675	- 90	- 473
Bank interest				-173			+ 173	
Sundry other interest				-5			+ 5	
Total cash flow sensitivity				**- 88**			**+ 88**	

in € 000	**Stand 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				**- 145**			**+ 145**	

(9) INCOME TAXES

in € 000	**2011**	2010
Income tax expense	4,830	2,717
Deferred tax income (2010: deferred tax expense)	-1,534	266
	3,296	**2,983**

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 income/expense related to the following balance sheet items:

in € 000	**31.12.2011**			31.12.2010		
	Deferred tax assets	Deferred tax liabilities	Net tax income	Deferred tax assets	Deferred tax liabilities	Net tax expense
Fixed assets	1,464	5,565	309	1,423	5,516	-165
Inventories	761	-	275	481	-	-2
Other current assets	283	115	92	292	250	-44
Pension provisions	756	-	-27	782	-	-217
Other provisions	793	-	-103	896	-	223
Liabilities	714	922	53	412	1,048	-17
Tax losses available for carryforward	5,611	-	935	4,675	-	-44
	10,382	**6,602**	**1,534**	**8,961**	**6,814**	**-266**

No deferred tax assets are recognised on German corporation tax losses available for carryforward amounting to € 16,911,000 (2010: € 31,113,000) and on German municipal trade tax losses available for carryforward amounting to € 14,557,000 (2010: € 22,280,000). In addition, no deferred tax assets are recognised on tax losses available for carryforward at the level of foreign companies totalling € 2,087,000 (2010: € 2,060,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 15,878,000 (2010: € 12,037,000) 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

in € 000	2011	2010
Profit before tax	**24,949**	**17,736**
Expected tax expense (30%)	7,485	5,321
- different computation of taxes outside Germany	-946	-905
- tax-exempt income	-262	-409
- non-deductible expenses	439	527
- associated companies and interests accounted for using the equity method	-1,113	-39
- tax expense and reimbursements for prior years	64	34
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-2,854	-1,903
- foreign withholding taxes	210	221
- other differences	273	135
Income tax expense	**3,296**	**2,983**
Effective tax rate	13.2%	16.8%

(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.

The convertible bond issued in June 2007 allowed for conversion after the first business day following the Annual General Meeting in 2008 is therefore taken into account in the following calculation of diluted earnings per share. The convertible bond was terminated by the Company in 2011. In total, 175,568 new shares arose as a result of conversions in 2011 (see also explanatory comments in note (16) Subscribed capital and (22) Liabilities); in the previous year, 3,494 new shares arose as a result of conversions.

	2011	2010
Shares in circulation at beginning of year	1,875,162	1,871,668
New shares arising from convertible bond: 175,568 (2010: 3,494) - weighted on basis of bond duration	125,096	349
Share buy-back	- 5,000	- 5,000
Calculated weighted number of shares at end of fiscal year	1,995,258	1,867,017
Further potential shares from convertible bond	0	179,347
Further potential shares from share options [diluted]	64 (60)	64 (59)
Actual and potential shares at end of year [diluted]	1,995,318	2,046,423
Weighted shares - undiluted	1,995,258	1,867,017
Weighted shares - diluted	1,995,318	2,046,423

Earnings per share	**2011**	2010
Group net profit for the year (€ 000)	21,653	14,753
Profit attributable to minority shareholders (€ 000)	2,946	2,621
Profit attributable to shareholders of Schaltbau Holding AG (€ 000)	18,707	12,132
plus: diluting effect of convertible bond (€ 000)	0	325
Diluted portion attributable to shareholders of Schaltbau Holding AG (€ 000)	18,707	12,457
Earnings per share - undiluted	€ **9.38**	€ **6.50**
Earnings per share - diluted	€ **9.38**	€ **6.09**

Reconciliation of undiluted and diluted weighted shares	**2011**	2010
Weighted shares - undiluted	1,995,258	1,867,017
64 share options not exercised by 31.12.2011; weighted	60	59
(2010: convertible bonds not converted)	0	179,347
Weighted shares - diluted	1,995,318	2,046,423

Notes to the consolidated balance sheet

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

Goodwill totalling € 10,362,000 (2010: € 5,061,000) comprises € 5,061,000 (2010: € 5,061,000) allocated to the Stationary Transportation Technology segment and – for the first time in 2011 – € 5,301,000 allocated to the Components segment. There was no requirement to recognise any impairment losses on goodwill during the year under report. Even after reducing forecast free cash flows by 10% for sensitivity analysis purposes, no impairment losses were necessary.

Intangible assets include **capitalised development costs** with a carrying amount of € 6,576,000 (2010: € 6,424,000).

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:

in € 000	**31.12.2011**	31.12.2010
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 equity method** represent goodwill and are included as part as the carrying amount of those companies. No scheduled write-downs are recorded. Instead, the assets are tested annually for impairment. No impairment losses were recognised in 2010 or 2011.

Negative at-equity values are not recognised in the consolidated balance sheet. In the previous year, the only Schaltbau Group company with a negative value (€ 3,339,000) was OLB Oberlandbahn Fahrzeugbereitstellungs GmbH which was in line with a tax-based business model. This company was sold during the year so that there are no negative at-equity values at the end of the period under report.

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

in € 000	**31.12.2011**			31.12.2010		
	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,609	354	50.0%	3,421	354
BORA	37.1%	2,079	0	-	-	-
BOUK	25.0%	659	99	-	-	-
OLB	-	-	-	49.8%	0	-
SBUS	-	-	-	50.0%	999	305
		6,347	**453**		**4,420**	**659**

BODO: BoDo Bode-Dogrusan A.S.
BORA: RAWAG Sp.z.o.o.
BOUK: Rail Door Solutions Ltd.
OLB: OLB Oberlandbahn Fahrzeugbereitstellungs GmbH
SBUS: Schaltbau North America Inc.

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

in € 000	31.12.2011		31.12.2010	
	100%	Group's share	100%	Group's share
Assets	23,735	9,780	28,624	14,278
Liabilities	10,671	4,169	28,116	14,011
Sales	44,934	17,612	18,696	9,342
Net profit for the year	5,305	2,219	2,177	1,088 *

* Before reversal of impairment losses recorded at Schaltbau Group level

Mortgages totalling € 16,765,000 (2010: € 16,765,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 0 (2010: € 4,411,000).

(12) INVENTORIES

in € 000	31.12.2011	31.12.2010
Raw materials and supplies	27,955	23,000
Work in progress	23,423	18,788
Finished products, goods for resale	9,383	8,982
Advance payments to suppliers	72	516
	60,833	**51,286**

Group entities have pledged inventories totalling € 0 (2010: € 12,453,000) as collateral for liabilities to banks. Write-downs totalling € 1,235,000 (2010: € 851,000) were recognised on inventories in 2011. Reversals of write-downs totalling € 609,000 (2010: € 794,000) were recognised on inventories in 2011 as a result of clearance sales and changes in quantity requirements.

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31 December 2011

in € 000 Note: Rounding differences may arise due to the use of electronic rounding aids.	Acquisition/manufacturing cost						
	01.01.11	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.11
I. Intangible assets							
1. Concessions and similar rights	5,637	8	791	276	-2,707	0	4,005
2. Software	8,192	11	0	709	-2,537	-28	6,347
3. Goodwill	33,215	177	5,124	0	0	0	38,516
4. Capitalised development costs	0	0	0	0	0	0	0
5. Ongoing development projects	6,424	0	0	152	0	0	6,576
6. Payments in advance	6	0	0	0	0	-3	3
	53,474	**196**	**5,915**	**1,137**	**-5,244**	**-31**	**55,447**
II. Property, plant and equipment							
1. Land and buildings	37,265	11	0	926	-49	14	38,167
2. Plant and machinery	26,636	31	18	1,827	-321	1,045	29,236
3. Other plant and equipment	35,273	70	15	3,462	-1,998	548	37,370
4. Assets under construction	1,741	0	0	1,242	0	-1,576	1,407
	100,915	**112**	**33**	**7,457**	**-2,368**	**31**	**106,180**
III. Investments							
1. Investments in subsidiaries	4,103	0	0	2,117	0	0	6,220
2. At-equity accounted investments	2,212	0	-445	1,296	0	128	3,191
3. Investments in other companies	128	0	0	0	0	-128	0
4. Other loans	19	0	0	1	0	0	20
	6,462	0	-445	3,414	0	0	9,431
	160,851	**308**	**5,503**	**12,008**	**-7,612**	**0**	**171,058**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.11	Translation differences	Change in group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.11	31.12.11	31.12.10
4,224	8	0	983	-2,620	0	2,595	1,410	1,413
6,573	8	0	632	-2,535	0	4,678	1,669	1,619
28,154	0	0	0	0	0	28,154	10,362	5,061
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	6,576	6,424
0	0	0	0	0	0	0	3	6
38,951	**16**	**0**	**1,615**	**-5,155**	**0**	**35,427**	**20,020**	**14,523**
14,266	9	0	835	-45	0	15,065	27,456	27,353
20,349	27	18	1,549	-321	0	21,622	7,614	6,287
28,591	64	13	3,188	-1,984	0	29,872	7,498	6,682
0	0	0	0	0	0	0	1,407	1,741
63,206	**100**	**31**	**5,572**	**-2,350**	**0**	**66,559**	**43,975**	**42,063**
1,232	0	0	1,353	0	0	2,585	3,635	2,871
-2,208	0	554	0	0	-1,502	-3,156	6,347	4,420
0	0	0	0	0	0	0	0	128
0	0	0	0	0	0	0	20	19
-976	0	554	1,353	0	-1,502	-571	10,002	7,438
101,181	**116**	**585**	**8,540**	**-7,505**	**-1,502**	**101,415**	**73,997**	**64,024**

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 2010

in € 000

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

	Acquisition/manufacturing cost					
	01.01.10	Translation differences	Additions	Disposals	Reclassfications/ Reversals of impairment losses	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

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

in € 000	**31.12.2011**	31.12.2010
Trade accounts receivable	47,830	46,096
Receivables from affiliated companies	2,959	2,352
Receivables from associated companies	571	849
Receivables from companies with which an investment relationship exists	0	260
Income tax receivables	242	67
Positive fair values of derivative instruments	58	236
Sundry other assets	4,015	3,890
	55,675	**53,750**

Receivables from affiliated and associated companies comprise trade accounts receivable and loan receivables totalling € 241,000 (2010: € 816,000).

Allowances comprised the following:

in € 000	**1.1.11**	Changes in group reporting entity	Utilised	Reversed	Allocated	Currency/ other	**31.12.11**
Trade accounts receivable:							
Specific allowances	735	-	44	231	202	-	662
Additional risk allowance	1,383	18	11	2	157	75	1,620
	2,118	**18**	**55**	**233**	**359**	**75**	**2,282**
Other allowances	112	-	2	109	4	-	5
Total	**2,230**	**18**	**57**	**342**	**363**	**75**	**2,287**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 13,613,000 (2010: € 16,936,000).

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

in € 000	31.12.2011			31.12.2010		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	4,882	-68	4,814	6,715	-113	6,602
31 to 60 days	2,384	-56	2,328	3,556	-79	3,477
61 to 90 days	2,452	-93	2,359	1,345	-35	1,310
91 to 180 days	4,826	-336	4,490	4,244	-150	4,094
181 to 365 days	2,965	-291	2,674	2,239	-222	2,017
more than one year	1,461	-1,169	292	1,739	-1,349	390
	18,970	**-2,013**	**16,957**	**19,838**	**-1,948**	**17,890**
Not yet due	31,142	-269	30,873	28,376	-170	28,206
	50,112	**-2,282**	**47,830**	**48,214**	**-2,118**	**46,096**

Of the trade accounts receivable total reported at 31 December 2011, 24.0% (2010: 20.1%) relate to the five largest debtors. 67.6% (2010: 67.6%) of total receivables are denominated in euro, 25.4% (2010: 20.9%) in CNY, 5.6% (2010: 9.3%) in USD, 0.8% (2010: 1.5%) in INR and 0.6% (2010: 0.7%) in GBP.

Group entities have pledged trade accounts receivable totalling € 0 (2010: € 13,466,000) as collateral for liabilities to banks.

(14) CASH AND CASH EQUIVALENTS

in € 000	31.12.2011	31.12.2010
Cheques and cash on hand	30	3,197
Cash at bank	12,697	8,334
	12,727	**11,531**

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 2,050,730 (2010: 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 (2010: € 234.24) remained in place at 31 December 2011; 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 2011.

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 (old))**. Conditional Capital II (old) had been 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 be issued through to 30 June 2010. In accordance with the authorisation given at the Annual General Meeting on 12 June 2007, Conditional Capital II could also be used to issue shares to holders of participation rights with conversion/option rights ("Extension of Scope" resolution). Out of the convertible bond issued in 2007, a total of 80,453 partial bonds, each with a nominal value of € 100, were converted by the Company during the fiscal year under report after the convertible bond had been terminated on 12 April 2011; this gave rise to 175,568 new shares with a par value of € 3.66 per share. The Company's share capital was increased accordingly in 2011 by € 643,000 to € 7,506,000 and a share premium of € 7,397,000 (less € 177,000 resulting from an adjustment to reserves in accordance with IFRS), was transferred to capital reserves. Non-converted bonds with a nominal amount of € 169,000 were redeemed from bondholders on expiry of the conversion period (6 May 2011). Conditional Capital II (old) was thereupon removed from the Commercial Register on application from the Executive Board.

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 2011; 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.

In accordance with the resolution passed at the Annual General Meeting on 9 June 2011, a (new) Conditional Capital II amounting to € 3,294,000 was in place at 31 December 2011 following the conditional issue of up to 900,000 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue up to 8 June 2016 bearer convertible bonds and bonds with warrants as well as participation rights capital with conversion or option rights.

(17) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 13,701,000 (2010: € 6,481,000). The increase in 2011 (€ 7,220,000: 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 € 749,000 (2010: € 121,000) in connection with the fair value measurement of interest rate and currency swaps and forward commodity contracts.

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 0.24% 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 2010 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 7.600,000 was transferred to revenue reserves and a dividend of € 2,057,000 (€ 1.10 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

in € 000	**31.12.2011**	31.12.2010
Participation options: 362,730 (number)	**7,077**	**7,051**

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 2011 amounted to € 8,706,000 (2010: € 9,424,000).

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:

in € 000	**31.12.2011**	31.12.2010
Claims under reinsurance policies relating to pension commitments	**122**	**125**

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

in € 000	**2011**	2010
Employer contributions to state pension insurance plans	**6,301**	**6,031**

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

in € 000	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Actual defined benefit obligation	20,931	20,450	19,236	17,580	19,147
Net amount of unrecognised actuarial gains/losses (-)	-2,427	-1,706	-380	1,407	- 4
Carrying amount of provision at 31.12.	**18,504**	**18,744**	**18,856**	**18,987**	**19,143**

The defined benefit obligation changed as follows:

in € 000	2011	2010
Balance at 1.1.	20,450	19,236
Actuarial gains and losses / not recognised	721	1,326
Pension payments / utilised	-1,382	-1,258
Service cost (personnel expense) / allocated	199	182
Interest expense / allocated	943	964
Balance at 31.12.	**20,931**	**20,450**

Pension provisions developed as follows:

in € 000	2011	2010
Balance at 1.1.	18,744	18,856
Pension payments / utilised	1,382	1,258
Service cost (personnel expense) / allocated	199	182
Interest expense / allocated	943	964
Carrying amount of provision at 31.12.	**18,504**	**18,744**

Allocations to the pension provision do not include the amortisation of any actuarial gains or losses. The main actuarial assumptions applied were as follows:

	31.12.2011	31.12.2010
Interest rate	4.5%	4.8%
Salary trend	2.6%	2.6%
Pension trend	2.0%	2.0%
Fluctuation rate	1.2%	1.2%

Pension expense comprised the following:

in € 000	2011	2010
Service cost (personnel expense)	199	182
Interest expense	943	964
	1,142	**1,146**

(21) OTHER PROVISIONS

Other provisions developed as follows:

in € 000	01.01.11	Changes in group reporting entity	Utilised	Reversed	Allocated	Interest impact	Currency/ other	31.12.11
Non-current provisions								
Personnel	4,235	0	624	68	575	169	-709	3,578
Warranties	391	0	391	0	334	0	0	334
	4,626	**0**	**1,015**	**68**	**909**	**169**	**-709**	**3,912**
Current provisions								
Personnel	4,851	76	4,061	501	5,259	48	4	5,676
Taxes	1,643	340	849	217	1,991	0	-16	2,892
Warranties	6,614	0	1,876	1,262	1,423	0	0	4,899
Outstanding supplier invoices	6,432	0	5,233	163	4,709	1	116	5,862
Sundry other provisions	2,596	0	2,243	214	2,317	6	2	2,464
	22,136	**416**	**14,262**	**2,357**	**15,699**	**55**	**106**	**21,793**
Total	**26,762**	**416**	**15,277**	**2,425**	**16,608**	**224**	**-603**	**25,705**

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 2012. As a result of the “minimum taxation” rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

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

Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards, pre-retirement part-time working arrangements and the transition to ERA. 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 € 709,000 (2010: € 691,000) and are offset against non-current personnel-related provisions in the column “Currency / other”.

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

in € 000	**31.12.2011**	31.12.2010
Non-current liabilities		
Liabilities to banks	33,145	31,502
Other financial liabilities	3,555	11,596
Financial liabilities	36,700	43,098
Other liabilities	10	19
	36,710	**43,117**
Current liabilities		
Current income tax liabilities	561	124
Liabilities to banks	6,970	11,551
Other financial liabilities	150	141
Financial liabilities	7,120	11,692
Trade accounts payable	20,023	18,402
Advance payments received	16,823	12,182
Liabilities to affiliated companies	724	252
Liabilities to other group entities	473	381
Liabilities relating to derivative instruments	2,499	1,350
Sundry other liabilities (of which for taxes) (of which to employees) (of which for social security)	11,261 (1,392) (4,177) (178)	9,575 (1,515) (4,207) (214)
Other liabilities	14,957	11,558
	59,484	53,958
Total liabilities	**96,194**	**97,075**

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

in € 000	Carrying amount	Total cash outflows	within one year	1 to 5 years	more than 5 years
Financial liabilities	43,820	43,820	7,120	31,685	5,015
Trade accounts payable	20,023	20,023	19,842	174	7
Derivate instruments	2,499	2,499	1,212	933	354
Other liabilities	12,971	12,971	12,961	10	-
Total	**79,313**	**79,313**	**41,135**	**32,802**	**5,376**

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

in € 000	**31.12.2011**	31.12.2010
Overdue		
up to 30 days	3,591	4,163
31 to 60 days	1,975	1,519
61 to 90 days	638	435
91 to 180 days	2,608	1,814
181 to 365 days	693	631
more than 1 year	202	60
	9,707	**8,622**
Not yet due	10,316	9,780
Carrying amount	**20,023**	**18,402**

Collateral of € 17,290,000 (2010: € 47,095,000) has been given to cover **liabilities to banks**; of this amount, € 525,000 (2010: € 30,330,000) relates to pledges and pledge-like collateral and € 16,765,000 (2010: € 16,765,000) to mortgages.

Credit lines totalling € 82,351,000 (2010: € 65,956,000) are available. The weighted average interest rate as at 31 December 2011 for liabilities to banks during the past year was 3.4% (2010: 4.6%). The Group's main external financing revolves around a syndicated credit agreement, the terms of which were changed on 6 June 2011. Under the new terms, the facility was raised from € 50 million to € 65 million, a term of 5 years (to June 2016) agreed and other conditions improved. As in the past, the Group was not required to provide collateral. The credit agreement is subject to various assurances, guaranties and conditions which must be complied with. The financing arrangements are also subject to compliance with various defined financial performance indicators (covenants) based on the IFRS consolidated financial statements, which – in the event of non-compliance at the relevant reporting date (for a rolling 12-month period up to the quarter-end) – give the lending banks extraordinary rights of termination; these covenants relate to the equity ratio, the EBITDA- interest-coverage ratio and a specifically defined debt to EBITDA ratio. All key performance indicators were complied with for the fiscal year 2011.

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

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

in € 000	
2012	6,974
2013	5,227
2014	5,235
2015	5,270
2016	15,244
thereafter	2,165
	40,115

Liabilities to banks due for repayment in the year 2012 include current account liabilities amounting to € 1,756,000 (2010: € 1,554,000) which are extended from year to year.

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

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 at € 100 each, had originally been issued for a total nominal amount of € 8,500,000. All partial bonds still in circulation were affected by the termination. 98% of the convertible bonds were converted into Schaltbau Holding AG shares prior to 6 May 2011, the final day of the conversion period (see also explanatory comments in note (17) Capital Reserves / Revenue Reserves / Other Reserves). The non-converted bonds amounting to € 168,800 were redeemed in accordance with the bond terms. The convertible bond was offered for subscription to Schaltbau Holding AG shareholders in June 2007 at an interest rate of 4.75%. 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 was stated at its amortised cost using the effective interest method.

80,453 bonds (2010: 1,601 bonds) with a nominal value of € 8,045,000 (2010: € 160,000) were converted during the year under report.

Of the **trade accounts payable** total reported at 31 December 2011, 12.0% (2010: 11.9%) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 68.5% (2010: 88.0%) in euro, 27.6% (2010: 9.6%) in CNY and 2.3% (2010: 1.9%) 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 16 August 2011

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

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

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

Notification dated 6 June 2011
On 3 June 2011 Deutsche Bank AG advised us the following:

Notification of voting rights pursuant to sec. 21 para 1 WpHG

We hereby inform you in the name and on behalf of DWS Invest SICAV, Luxembourg, Luxembourg, pursuant to Section 21 para. 1 sentence 1 WpHG, that the voting rights of DWS Invest SICAV fell below the threshold of 3% on 31 May 2011 and amounts to 2.926% (60,000 voting rights) in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany as per this date.

Notification dated 29 April 2011
SATORA Beteiligungs GmbH, Baden-Baden, Germany notified us on 29 April 2011 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went under the threshold of 10% on 29 April 2011 and amounted to 9.9286% at that date (corresponding to 198,348 voting rights).

Notification dated 10 January 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 6 September 2007
IFOS Internationale Fonds Service AG, Vaduz, Liechtenstein, gave notice on 5 September 2007 pursuant to § 21 WpHG that its share of voting rights in the Company on 27 August 2007 had exceeded the 3% threshold and that it amounted to 3.52% on that date (corresponding to 65,873 votes).

Notification dated 10 February 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 2011 for the audit of financial statements amounted to € 512,000 (2010: € 514,000). Of this amount, € 418,000 (2010: € 420,000) related to audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. In addition, KPMG AG received € 3,000 (2010: € 60,000) for tax advisory services, € 0 (2010: € 12,000) for other attestation services and € 82,000 (2010: € 187,000) for other services.

Contingent liabilities and other financial commitments

in € 000	**31.12.2011**	31.12.2010
Other financial commitments		
Rental and lease expenses	9,454	9,502
Other commitments	1,275	1,280

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 € 3,896,000 (2010: € 2,520,000), between one and five years € 5,542,000 (2010: € 5,141,000) and later than five years € 1,290,000 (2010: € 1,841,000).

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:

31.12.2011 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)]	3,655	-	-	-
Trade accounts receivable	47,830	-	47,830	-
Current income tax receivables	242	242	-	-
Other current assets	7,603	588	6,956	-
Cash and cash equivalents	12,727	12,727	-	-
Total	**72,057**	**13,557**	**54,786**	-
Liabilities-side financial instruments				
Participation rights capital	7,077	-	7,077	-
Non-current financial liabilities	36,700	-	36,700	-
Non-current other liabilities	10	-	10	-
Current income tax payables	561	561	-	-
Current financial liabilities	7,120	-	7,120	-
Trade accounts payable	20,023	-	20,023	-
Advance payments received	16,823	-	16,823	-
Other liabilities	14,957	58	12,400	-
Total	**103,271**	**619**	**100,153**	-

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
-	3.655	-	-	-	**3,655**	3,655
-	-	-	-	-	**47,830**	47,830
-	-	-	-	-	**-**	-
-	-	-	3	56	**7,015**	7,015
-	-	-	-	-	**-**	-
-	**3.655**	-	**3**	**56**	**58,500**	**58,500**
-	-	-	-	-	**7,077**	7,077
-	-	-	-	-	**36,700**	36,700
-	-	-	-	-	**10**	10
-	-	-	-	-	**-**	-
-	-	-	-	-	**7,120**	7,120
-	-	-	-	-	**20,023**	20,023
-	-	-	-	-	**16,823**	16,823
-	-	-	217	2,282	**14,899**	14,899
-	-	-	**217**	**2,282**	**102,652**	**102,652**

31.12.2010 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 tax receivables	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 tax payables	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						
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	-	-	-	**3,018**	3,018
-	-	-	-	-	**46,096**	46,096
-	-	-	-	-	**-**	-
-	-	-	107	130	**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**

Fair value hierarchy:
At 31 December 2011 the financial assets and liabilities shown in the following table were measured at fair value.

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

Level 1: based on prices quoted (applied without adjustment) on active markets for identical assets and liabilities
Level 2: based on input data for the asset or liability observable either directly (in the form of prices) or indirectly (derived from prices) which do not represent quoted prices according to level 1
Level 3: input data not based on observable market data to measure the asset or liability (non-observable input data)

in € 000	Level 1	Level 2	Level 3	**31.12.2011**
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	2	-	2
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	56	-	56
Financial liabilities				
Measured at fair value through profit and loss				
Derivates in hedging relationships	-	217	-	217
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	2,282	-	2,282

There were no reclassifications during the fiscal year 2011 between level 1 and level 2 in conjunction with measurement at fair value. There were similarly no reclassifications to level 3 in conjunction with measurement at fair value.

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

Net gains and losses by measurement category

in € 000	2011	2010
Measured at fair value through profit and loss	44	53
Loans and receivables	111	826
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 € 984,000 (2010: € 121,000) 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 2011 thanks to positive group earnings for the year. At 31 December 2011, group equity stood at € 59.5 million and was therefore € 26.4 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 27.9%. The Group's debt coefficient was reduced further in 2011 and now stands at 0.8 (2010: 1.0). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

Corporate governance

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code were issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 9 December 2011 at http://www.schaltbau.de/de/ir/cg-entsprechenserklaerung.htm.

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	
in € 000	2011	2010	2011	2010
Associated companies				
Goods and services	4,275	2,527	5,212	1,731
Other relationships	-	1	-	123
Non-consolidated companies				
Goods and services	5,893	6,716	1,911	4,198
Other relationships	247	82	137	35

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		Payables	
in € 000	**2011**	2010	**2011**	2010
Associated companies	571	849	473	381
Non-consolidated companies	2,959	2,612	724	252

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. By contrast, expenses incurred for providing centralised services (e.g. SAP system costs) are recharged. The elimination of intragroup 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

in € 000	Assets		Capital expenditure		External sales	
	31.12.2011	31.12.2010	**2011**	2010	**2011**	2010
Germany	155,028	143,184	8,251	7,803	147,167	132,826
Other EU countries	13,748	13,304	1,581	199	82,808	78,526
Other European countries	3,609	3,421	-	-	26,239	20,556
China / Hong Kong	31,007	27,253	1,363	666	43,894	35,932
North America	9,707	2,104	143	605	12,081	5,118
Other countries	515	286	671	456	6,202	7,459
	213,614	**189,552**	**12,009**	**9,729**	**318,391**	**280,417**

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flow from operating activities (indirect method)
Based on a group net income of € 21.7 million, the cash flow from operating activities in 2011, also amounting to € 21.7 million, was approximately € 10.6 million higher than in the previous year. Despite a further sharp rise in total output for the year, the cash outflow increased at an even faster rate as a result of the € 8.4 million increase in current assets (primarily due to the increase in inventories). This compares with a cash inflow of € 6.8 million, attributable mainly to increases in advance payments received, other liabilities and trade accounts payable. Overall, the cash flow from operating activities was kept at the level of the group profit for period under report and was increased significantly compared to the previous year. Non-cash income and expenses include increases in investment values in conjunction with provisional consolidations and the Group's share results of associated companies accounted for using the equity method.

b) Cash flow from investing activities
The cash outflow from investing activities totalled € 13.4 million in 2011 and was therefore € 7.8 million higher than one year earlier. The increase compared to the previous year mainly related to the purchase of the remaining 50% of the shares of Schaltbau North America Inc. and additional capital funds provided to foreign group entities to finance expanding operations. Moreover, the receipt in 2010 of the purchase price receivable relating to the sale of Bode Beijing (€ 3.3 million) in 2009 gave rise to an exceptional effect.

c) Cash flow from financing activities
The negative cash flow from financing activities amounted to € 7.2 million and related, alongside the increased payment of a dividend to the shareholders of Schaltbau Holding AG and to minority shareholders, to repayments of liabilities to banks and changes in inter-company financing. In connection with the restructuring of financing at the level of Gebr. Bode GmbH & Co. KG, loans and current account overdrafts totalling € 6 million were repaid and taken up with other banks as at December 31, 2011. The restructuring of financing at the level of Schaltbau Holding AG resulted on the one hand on the loans being increased by € 4 million which more or less offset loan repayments.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 2 January 2012 Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Dinslaken, acquired all of the shares of Rangier- und Signalspezialisten Tiefenbach GmbH, Sprockhövel. One related operation in the USA was also acquired at the same time and was incorporated into Pintsch Bamag US Inc. in Marion, Illinois (USA) a wholly owned subsidiary of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. The fixed purchase price consideration amounted to € 7.8 million. An additional, variable consideration is also payable if a contractually defined total EBIT target is exceeded for the fiscal year 2011. The maximum variable consideration is capped at € 0.75 million. The company had cash and cash equivalents amounting to € 7.5 million at 31 December 2011. In 2010 Tiefenbach GmbH generated sales of € 26 million with a workforce of approximately 100 employees and has established itself as one of the leading specialists for systems railway shunting and signalling technology.

With this acquisition, PINTSCH BAMAG will be able to strengthen its existing market position as supplier of signalling equipment for main and secondary lines, both in Germany and abroad, and develop new markets for railway signalling technology, train formation facilities and sensor technology.

Other disclosures required by IFRS 3 could not be determined before the consolidated financial statements were issued for authorisation. The collation of necessary data has not yet been completed. It is expected that all necessary data will become available during the first half of 2012.

Segment Information

in € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2011	2010	**2011**	2010
Orders intake (external)	134,697	117,872	111,318	90,951
Sales	122,528	117,841	106,175	87,873
- of which external	122,528	117,841	105,379	86,829
- of which with other segments	0	0	796	1,044
Order book (external)	101,673	89,437	49,668	44,483
EBITDA	9,132	9,140	11,381	9,219
Result from operating activities (EBIT)	7,358	7,718	9,582	7,546
Result from at-equity accounted companies	2,049	656	0	0
Sundry other result from investments	679	-23	-1,353	-1,002
Interest income	113	67	166	46
Interest expense	-817	-804	-1,496	-1,333
Income taxes	-57	-635	193	-221
Segment result / Group result *1)	9,325	6,979	7,092	5,036
Change in group reporting entity	0	0	0	0
Capital expenditure on investments	1,899	640	1,514	1,077
Impairment losses on investments	0	-47	-1,353	-1,002
Capital expenditure *2)	2,320	1,804	2,936	3,308
Amortisation and depreciation *2)	-1,774	-1,422	-1,799	-1,673
Impairment losses (without investments)	-305	-42	-575	-483
Reversal of impairment losses (without investments)	259	105	547	605
Other significant non-cash expenses	-3,719	-4,779	-3,668	-3,677
Segment assets *3)	61,543	54,356	73,499	71,253
Investments accounted for at-equity	6,347	3,421	0	0
Capital employed *4)	48,454	43,296	44,959	44,812
Segment liabilities *5)	28,060	29,623	56,877	54,289
Employees (average)	488	468	484	463
EBIT margin *6)	6.0%	6.5%	9.1%	8.7%
Return on capital employed (ROCE) *7)	15.2%	17.8%	21.3%	16.8%

*1) Transfers in conjunction with profit and loss transfer agreements are added back to the segment result
*2) For intangible assets and property, plant and equipment
*3) Balance sheet total
*4) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets
*5) Liabilities
*6) EBIT / external sales
*7) EBIT / capital employed

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
96,657	79,779	342,672	288,602	99	99	342,771	288,701
90,854	76,061	319,557	281,775	-1,166	1,358		
90,385	75,649	318,292	280,319	99	98	318,391	280,417
469	412	1,265	1,456	-1,265	-1,456		
46,090	37,594	197,431	171,514			197,431	171,514
18,929	14,965	39,442	33,324	-4,761	-3,179	34,681	30,145
15,818	12,146	32,758	27,410	-5,269	-3,648	27,489	23,762
0	545	2,049	1,201	0	-1	2,049	1,200
2,400	0	1,726	-1,025	145	0	1,871	-1,025
78	32	357	145	-331	-75	26	70
-1,702	-1,332	-4,015	-3,469	-2,471	-2,802	-6,486	-6,271
-1,788	-1,088	-1,652	-1,944	-1,644	-1,039	-3,296	-2,983
14,806	10,303	31,223	22,318	-9,570	-7,565	21,653	14,753
4,917	0	4,917	0	0	0	4,917	0
1	3	3,414	1,720	0	0	3,414	1,720
0	0	-1,353	-1,049	0	0	-1,353	-1,049
2,993	2,667	8,249	7,779	346	230	8,595	8,009
-3,106	-2,816	-6,679	-5,911	-508	-469	-7,187	-6,380
-717	-406	-1,597	-931	0	0	-1,597	-931
145	491	951	1.201	0	0	951	1,201
-6,168	-4,708	-13,555	-13,164	-5,050	-3,123	-18,605	-16,287
87,874	71,109	222,916	196,718	-9,302	-7,166	213,614	189,552
0	999	6,347	4,420	0	0	6,347	4,420
66,816	55,410	160,229	143,518	-14,414	-12,695	145,815	130,823
56,388	51,539	141,325	135,451	12,758	20,995	154,083	156,446
545	506	1,517	1,436	19	17	1,536	1,453
17.5%	16.1%					8.6%	8.5%
23.7%	21.9%					18.9%	18.2%

Representative bodies and mandates of members of the Executive Board and the Supervisory Board

Members of the Executive Board

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

No mandates

Waltraud Hertreiter
Member of the Executive Board
(until 10.06.2011)

Member of the Supervisory Board of:
Textilgruppe Hof AG, Hof

Hans Gisbert Ulmke
Member of the Executive Board
(since 15.05.2011 to 26.01.2012)

Member of the Advisory Board South of:
Deutsche Bank, Munich

Member of the Administrative Board of:
Verband deutscher Treasurer, Frankfurt

Dirk Christian Löchner
Member of the Executive Board
(since 06.02.2012)

Chairman of the Board:
Bode North America Inc. USA

Deputy Chairman of the Supervisory Board of:
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland (since 09.06.2011)

Member of the Supervisory Board of:
Rail Door Solutions, Great Britain (since 25.10.2011)

Director of the Board:
Bode Korea Co. Ltd., Korea

Chairman of the Supervisory Board of:
Shenyang Bode Transportation Equipment Co. Ltd., China (since 06.05.2011)

Members of the Supervisory Board

Hans Jakob Zimmermann
Chairman

Director of
HSBC Trinkhaus Private Wealth GmbH, Düsseldorf

Director of
HSBC Trinkhaus Consult GmbH, Düsseldorf

Chairman of the Supervisory Board of:
GARANT Schuh + Mode AG, Düsseldorf
Paragon AG, Delbrück

Member of the Supervisory Board of:
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

Members of the Supervisory Board

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

Karl Uwe van Husen
Director of Elrega GmbH, Ludwigsburg (until 09.06.2011)

Member of the Supervisory Board of:
Elring Klinger AG, Dettingen/Erms (until 31.12.2011)

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 Executive Board of Commerzbank AG, Frankfurt am Main

Member of the Supervisory Board of:
Verlagsgruppe Weltbild GmbH, Augsburg
Eurohypo AG, Eschborn
Commerzbank Auslandsbanken Holding AG, Frankfurt am Main
BRE Bank SA, Warschau (until 30.03.2011)

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 (until 08.09.2011)

Friedrich Smaxwil
Consultant
(since 09.06.2011)

No mandates

Horst Wolf
Employee

Chairman of:
Works Council of Pintsch Bamag GmbH, Dinslaken

Member of:
Group Works Council of Schaltbau Holding AG, München

Remuneration of persons in key positions

The total remuneration of the Executive Board for the fiscal year 2011 amounted to € 1,010,000 (2010: € 1,000,000). The figure for 2011 does not include a total amount of € 95,000 which does not become contractually payable until 2012.

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

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 207,000 (2010: € 172,000). In addition, a remuneration of € 22,000 (2010: € 13,000) 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 € 500,000 (2010: € 554,000). The expense for remuneration paid to former members of the Executive Board and their surviving dependents amounted to € 83,000 (2010: € 88,000).

As at 31 December 2011, a total of 226,049 shares of the Company were held members of the Executive Board of Schaltbau Holding AG, of which 225,849 were held directly or indirectly by Dr. Cammann and 200 were held directly or indirectly by Mr. Ulmke.

Members of the Supervisory Board hold in total 204, 594 of the Company's shares, comprising 202,926 held directly or indirectly by Mr Zimmermann, 1,598 held directly or indirectly by Mr. Jahrmarkt and 70 held directly or indirectly by Mr. Smaxwil.

PROFIT DISTRIBUTION PROPOSAL

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

Disclosures in € 000

Payment of a dividend of € 1.80 per share each representing € 3.66 of the Company's share capital of € 7,505,671.80	3,691,314.00
Transfer to revenue reserves	1,300,000.00
To be carried forward	54,173.94
Unappropriated profit	**5,045,487.94**

München, 16 March 2012
The Executive Board

Dr. Jürgen H. Cammann **Dirk Christian Löchner**

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, 16 March 2012
Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann

Dirk Christian Löchner

The Executive Board

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

Dirk Christian Löchner,
Bergisch-Gladbach

Report of the Supervisory Board

Supervisory Board activities during the reporting year

During the fiscal year 2011 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. Furthermore, the Supervisory Board regularly advised the Executive Board in its management duties and monitored the governance of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance for the enterprise. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both oral and written reports on matters of business performance, corporate policy, financial, investment and personnel planning as well as the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group in general. The corporate strategy of the Schaltbau Group and its related projects were also among the main topics of the Executive Board's reports and meetings with the Supervisory Board.

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

In addition to the reports presented at regular meetings, the Executive Board also continually informed the members of the Supervisory Board concerning any important or urgent events between meetings. Apart from their formal meetings and joint consultations, the Chairman of the Supervisory Board maintained regular contact with the Executive Board. The Chairman of the Supervisory Board regularly obtained information from the Executive Board concerning current developments, business performance and important individual events. He was promptly informed by the Executive Board of any exceptional events of significance for assessing the financial condition and performance of both the Company and the Group.

Main focus of Supervisory Board meetings

Four regular Supervisory Board meetings were held during the year under report. In addition, the Supervisory Board met to hold a constituent meeting after its election by the Annual General Meeting. All meetings with the exception of one were attended by the entire board, in which one Supervisory Board member was excused from attending. Five resolution proposals put forward by the Executive Board were adopted in writing by the Supervisory Board by means of circulation procedure.

The monthly reports presented by the Executive Board 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 at length with the Executive Board. The discussion and assessment of strategic options and necessities were regular items on the agendas of Supervisory Board meetings.

Moreover, the following topics formed the main focus of discussion at the various meetings in fiscal year 2011:

At its meeting held on 15 April 2011 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Group Financial Statements and the Combined Management Report 2010 for both Schaltbau Holding AG and the Schaltbau Group as a whole. The external auditors present answered the numerous questions put to them by the Supervisory Board. On this basis the Company Financial Statements were adopted and the Group Financial Statements approved. 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 view of the planned organic and acquisition-based growth, the medium-term securing of Group financing was discussed in depth at this meeting. The Supervisory Board approved the proposed increase in the scope of financing. In addition, on 15 April the Supervisory Board adopted the Corporate Governance Report and approved the report of the Supervisory Board.

At its meeting on 8 June the Supervisory Board determined the audit plan for the internal audit to be performed in 2011 and discussed strategic options at great length.

Following the Annual General Meeting, which took place on 9 June 2011, the constituent meeting was held, in which the chairman and his deputy were elected and the composition of the Supervisory Board's committees was decided upon.

At its meeting held on 16 September, 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. Further topics of key importance discussed were specific options available in the strategic further development of the Schaltbau Group. An additional topic of this meeting was the planned acquisition of Tiefenbach GmbH by PINTSCH BAMAG Antriebs- und Verkehrstechnik GmbH. A further important item on the agenda was the approval of a medium-term concept for the complete takeover of RDS Rail Door Solutions, UK, after the acquisition of 25 per cent with purchase options by Bode had previously been agreed upon in a circulation procedure.

The Supervisory Board meeting held on 9 December 2011 dealt with the forecast for the Schaltbau Group for the period 2012-2014. After extensive discussion, the plan was approved by the Supervisory Board. Furthermore, the Supervisory Board viewed a presentation given by the auditors Deloitte & Touche on the effectiveness of the internal control system (ICS) and the results of the internal audit within the Schaltbau Group, which were the subject of lengthy debate. Finally, the Declaration of Compliance with the German Corporate Governance Code was thoroughly discussed and adopted after the Supervisory Board had closely examined the contents and particularly the changes to the German Corporate Governance Code.

Personnel Committee activities

The Personnel Committee formed within the Supervisory Board held two 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 2011

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 2011 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 member of the Supervisory Board in a timely manner in order to ensure careful and thorough examination. The Supervisory Board held its financial statements approval meeting together with the Company's external auditor on 19 April 2012. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements as at 31 December 2011, 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 then formally approved the Company Financial Statements of Schaltbau Holding AG and the Group Financial Statements for the fiscal year 2011 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. The Supervisory Board also approved the Corporate Governance Statement.

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

The risk management system was 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. Four members act as shareholder representatives and must be elected by the Annual General Meeting. Their term of office ended with the conclusion of the Annual General Meeting, which took place on 9 June 2011. The Annual General Meeting appointed Friedrich Smaxwil of Gerlingen as member of the Supervisory Board to replace Karl Uwe van Husen of Waiblingen, whose term of office ended the same day. Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board and Dr. Stefan Schmittmann, Grünwald were re-elected as further shareholder representatives. 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 2015. Employees are represented on the Supervisory Board by Marianne Reindl, Egglham, and Horst Wolf, Dinslaken.

In April 2011 the Supervisory Board complied with the request of Waltraud Hertreiter to prematurely terminate her Executive Board contract valid till mid-2012. Ms Hertreiter began service as Chief Financial Officer of Schaltbau Holding AG on 1 July 2003 and left the company due to family commitments. Ms Hertreiter resigned from the Executive Board on 10 June 2011. Furthermore, at the same meeting the Supervisory Board resolved to appoint Mr Hans Gisbert Ulmke as further member of the Executive Board of Schaltbau Holding AG with effect from 15 May 2011. Mr Ulmke resigned from office on 26 January 2012. As a result, on 6 February 2012 the Supervisory Board appointed Mr Dirk Christian Löchner as further member of the Executive Board. Mr Löchner had previously been a member of the management team at Gebr. Bode GmbH & Co. KG.

The Supervisory Board wishes to thank Ms Hertreiter for her outstanding service throughout the difficult years of restructuring the enterprise and the subsequent transition to corporate prosperity, in which she steadfastly guaranteed the financial stability of the Group. The Supervisory Board would also like to thank Karl Uwe van Husen for the unstinting collegial and profound support he continually provided throughout his term of office. Furthermore, the Supervisory Board extends a great vote of thanks to 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 they performed throughout the past fiscal year.

Munich, April 2012

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2011

ASSETS

in € 000	2011	2010
A. FIXED ASSETS		
I. Intangible assets	1,056	1,345
II. Property, plant and equipment	78	36
III. Investments	82,949	79,949
	84,083	**81,330**
B. CURRENT ASSETS		
I. Receivables and other assets	25,497	25,751
II. Cash and cash equivalents	6,661	2,302
	32,158	**28,053**
C. PREPAID EXPENSES	**39**	**220**
	116,280	**109,603**

EQUITY AND LIABILITIES

in € 000	2011	2010
A. EQUITY CAPITAL		
I. Subscribed capital (Conditional capital € 1,807,000)	7,506	6,863
Nominal amount of treasury shares	-18	-18
Issued share capital	7,488	6,845
II. Capital reserves	15,756	8,359
III. Revenue reserves	38,654	31,054
IV. Participation rights capital	10,000	10,000
V. Unappropriated profit	5,045	9,768
	76,943	**66,026**
B. PROVISIONS		
I. Provisions for pensions and similar obligations	6,671	6,992
II. Other provisions	4,895	3,055
	11,566	**10,047**
C. LIABILITIES	**27,771**	**33,530**
	116,280	**109,603**

Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2011

in € 000	2011	2010
1. Sales	2,161	1,944
2. Other operating income	253	3,816
3. Cost of materials	595	704
4. Personnel expense	3,016	2,459
5. Amortisation and depreciation	507	469
6. Other operating expenses	3,309	2,868
7. Income from investments	0	2,046
8. Income from profit transfers	13,849	13,103
9. Net interest expense	-1,666	-2,585
10. Profit from ordinary activities	**7,170**	**11,824**
11. Extraordinary items, net	0	-1,323
12. Taxes	2,235	862
13. Net profit	**4,935**	**9,639**
14. Unappropriated profit brought forward	110	129
15. Change in capital reserves	0	0
16. Unappropriated profit	**5,045**	**9,768**

Auditor's Report

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the consolidated balance sheet, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement, consolidated statement of comprehensive income and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2011. 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 23, 2012
KPMG AG
Wirtschaftsprüfungsgesellschaft

Zastrow
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