SCHALTBAU

Annual Report 2012

Schaltbau Group 5-year summary

Group key financial figures		**2012**	**2011**	**2010**	**2009**	**2008**
Order situation						
Order intake	€ m.	372.3	342.8	288.7	251.7	281.2
Order book	€ m.	229.8	197.4	171.5	163.4	181.6
Income statement						
Sales	€ m.	362.8	318.4	280.4	269.8	280.2
Total output	€ m.	367.9	324.4	288.6	262.1	282.4
EBITDA	€ m.	37.0	34.7	30.1	26.5	27.8
EBIT	€ m.	29.5	27.5	23.8	20.3	21.9
EBIT margin	%	8.1	8.6	8.5	7.5	7.8
Group net profit	€ m.	22.2	21.7	14.8	14.1	13.1
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	19.0	18.7	12.1	12.3	11.8
Return on capital employed	%	15.8	18.9	18.2	17.6	19.4
Balance sheet						
Fixed assets	€ m.	80.7	74.0	64.0	61.5	60.5
Capital expenditure	€ m.	9.3	8.6	8.0	9.0	6.3
Amortisation and depreciation	€ m.	7.5	7.2	6.4	6.1	6.0
Working capital	€ m.	105.6	71.8	66.8	53.8	52.2
Capital employed	€ m.	186.3	145.8	130.8	115.3	112.6
Group equity	€ m.	76.5	59.5	33.1	20.5	8.6
Net liabilities to banks	€ m.	45.0	27.4	31.5	33.9	37.7
Balance sheet total	€ m.	255.9	213.6	189.6	167.9	168.1
Cash flow statement						
Cash flow from operating activities	€ m.	7.0	25.6	11.1	16.2	13.0
Cash flow from investing activities	€ m.	-12.6	-13.4	-5.7	-9.8	-8.3
Cash flow from financing activities	€ m.	1.0	-11.7	-2.7	-3.3	-7.4
Change in cash funds	€ m.	-4.6	0.7	3.0	3.2	-2.6
Personnel						
Employees at 31 December	Number	1,972	1,738	1,610	1,603	1,599
Average number of employees	Number	1,742	1,535	1,453	1,437	1,424
Personnel expense	€ m.	112.1	95.4	87.3	81.7	79.4
Personnel expense per employee	€ 000	64.3	62.1	60.1	56.9	55.8
Total output per employee	€ 000	211.1	211.3	198.6	182.3	198.2
Key fin. figures for Schaltbau Holding AG		**2012**	**2011**	**2010**	**2009**	**2008**
Subscribed capital	€ 000	7,506	7,506	6,863	6,850	6,850
Equity of the AG	€ m.	79.9	76.9	66.0	57.7	49.4
Equity ratio of the AG	%	60.1	66.2	60.2	60.2	58.0
Stock market price at 31 December *	€	31.1	23.5	19.1	13.0	12.9
Market capitalisation at 31 December	€ m.	190.6	144.4	107.4	73.0	72.6
Earnings per share (undiluted) *	€	3.09	3.13	2.17	2.21	2.12
Earnings per share (diluted) *	€	3.09	3.13	2.03	2.06	1.98
Dividend per share *	€	0.77	0.60	0.37	0.23	0.17

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

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 € 3.66 by 2015.

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

Elisabeth Prigge
Düsseldorf

Dirk Christian Löchner
Bergisch-Gladbach

Dear Shareholders

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Schaltbau Group again performed exceedingly well in 2012, finishing the year strongly with brisk sales in the fourth quarter. Earnings developed very positively, enabling us, in agreement with the Supervisory Board, to propose to the shareholders at the Annual General Meeting that the dividend be raised from € 0.60 to € 0.77 per share.

Especially in the current economic climate, which continues to be plagued by uncertainty, our evenly balanced strategy of diversification across products, customer groups and regions has proven its efficiency and given the Schaltbau Group a highly promising start to the fiscal year 2013. The takeover of the Pintsch Tiefenbach Group at the beginning of 2012 was an important step in this respect. The move has significantly bolstered our market position as supplier of signals systems for main and branch lines, both in Germany and abroad, and integration in the Pintsch Bamag Group ran according to plan, enabling Pintsch Tiefenbach to make the desired positive contribution to Schaltbau Group earnings in 2012.

The takeover of the business operations of Werner Kircher, Elektro- und Feinmechanischer Gerätebau at the beginning of September 2012 has additionally helped us broaden the range of products and services the Schaltbau Group provides. The move has given the Bode Group access to product-specific manufacturing processes and it now covers the entire value-added chain in the field of boarding systems. Bode plans to continue expanding this particular area of business in the medium term.

We are also making good progress on international markets and the Bode Group has meanwhile achieved initial success on the up-and-coming South Korean market. Founded in 2011, Bode Korea Co. Ltd. has successfully implemented a project in the high-speed train sector. With its innovative Platform Screen Door systems, Pintsch Bamag has gained a foothold on the Brazilian market and thereby opened up promising new opportunities for growth in South America. In both North America and Russia we have registered remarkable growth rates with our components, whereas in China we have managed to compensate for the lower level of demand in the rail sector by turning our attention increasingly to the field of metro systems.

Due to the increased internationalisation reflected in our strategy, the financial base of the Schaltbau Group has meanwhile become broader and reached a size that raises new challenges for management. In view of this situation, on 1 September 2012 we enlarged our Executive Board to include a third member and Elisabeth Prigge has now taken up the position of CFO. Dirk Löchner is responsible for Corporate Development on the Executive Board, focusing on business expansion and coordinating the Group's foreign subsidiaries and their activities. This gives us the structure we need to effectively accelerate the expansion of the Group.

Again during this fiscal year, we are willing to accept certain costs connected with the further growth of our Group and see these as unavoidable upfront expenditure. For years we have been drawing attention to the continuing consolidation process in our industry, which has become even more noticeable of late. We fully intend to continue participating in this trend and have established the conditions for doing so, both within our organisation and in terms of the required financial capital. In this context we regret the finally unsuccessful attempt to purchase Vialis Railway Systems. However, we must also be prepared to encounter occasional setbacks in the implementation of our strategy. We intend to remain true to our fundamental goal of strengthening the Group by means of targeted acquisition. However, we are not prepared to take excessive or even incalculable risks in order to achieve this aim.

The share markets obviously seem to agree with our strategy. After the 1:3 share split implemented on 20 August 2012, the price of the Schaltbau share performed extremely well in the last two months of 2012. We see this progress as partly linked to our announcement of a clear-cut forecast for the fiscal year 2013, which we made public despite the persisting uncertainty of the economic environment, unlike many other listed companies. Why partly? Naturally enough, we manage our company on the basis of forecasts – and of course we want to be judged on our ability to fulfil these forecasts, as that is what makes us predictable. And that is exactly what we wish to offer our business partners, our employees and also you, our shareholders: predictability – because that is the basis for trust and confidence on which successful business flourishes.

Dr. Jürgen H. Cammann
Spokesman of the Executive Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich,
for the fiscal year 2012

A brief summary of the fiscal year 2012

Despite a somewhat unsettled economic environment, the Schaltbau Group continued to display the convincing performance of recent years throughout the fiscal year 2012. Both order intake and sales for the full year rose significantly, partially helped by outstanding business performance in the fourth quarter of the year. In this scenario, Group net profit again surpassed both our own expectations and the previous year's result, which had been positively impacted by fair value gains on investments.

These factors resulted in a further improvement of the equity base and were reflected in the equity ratio, which rose from 27.9% to 29.9%, thereby providing a solid foundation for negotiating an additional credit volume increase of € 30 million with the consortium of banks. Hence the Schaltbau Group now enjoys far greater overall financial leeway with which to power its successful growth strategy with unerring consistency. The Executive Board will put forward a proposal to the Supervisory Board to raise the dividend from last year's level of € 0.60 to € 0.77 for the fiscal year 2012.

Major events during the fiscal year 2012

At the beginning of 2012, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH concluded the purchase of Tiefenbach GmbH, based in Sprockhövel, Germany. The acquisition also included a business entity in the USA. The takeover took economic effect as from 1 January 2012 and in mid-February the newly purchased company was renamed Pintsch Tiefenbach GmbH.

Since 20 August 2012 the Schaltbau share has been traded and quoted "ex split", in conjunction with the share split resolved at the Annual General Meeting held on 6 June 2012. Since the split, although the share capital of Schaltbau Holding AG remains unchanged at € 7,505,671.80, it is now divided into 6,152,190 (previously 2,050,730) non-par bearer shares. The arithmetic value of one bearer share is now € 1.22 as compared to its previous value of € 3.66. The stock market price per share was reduced accordingly by two thirds as from 20 August 2012.

On 1 September 2012 the Executive Board of Schaltbau Holding AG was enlarged to include Elisabeth Prigge as its third member, who now occupies the post of Chief Financial Officer. Dirk Löchner, who was appointed member of the Executive Board on 6 February 2012 after the resignation of Hans Gisbert Ulmke, is responsible for corporate development, focusing on business expansion and coordinating the Group's foreign subsidiaries and their activities.

Another major event occurring on 1 September 2012 was the acquisition of the company Werner Kircher, Elektro- und Feinmechanischer Gerätebau, Ahnatal, (otherwise known simply as "Kircher"). The takeover of this manufacturer of boarding systems took place under the terms of an asset deal concluded by the newly formed Bode Zustiegssysteme GmbH. The move secured the Bode Group access to product-specific manufacturing processes, thereby strengthening its in-house core competence as full-range supplier of door and boarding systems.

On 6 December 2012, Schaltbau Holding AG announced that Pintsch Bamag Antriebs- und Verkehrstechnik GmbH was in advanced negotiations regarding the purchase of the Dutch company Vialis Railway Systems B.V., Haarlem. The rail infrastructure specialist is part of Vialis B.V., which develops, implements and maintains innovative transportation solutions. Vialis B.V. is a wholly owned subsidiary of Volker-Wessels, a Dutch construction company that employs 16,000 people in 120 companies.

In view of the increase in both external and internal growth, in December 2012 Schaltbau Holding AG and a consortium of banks agreed to a modification of the existing Syndicated Credit Agreement. Under the terms of the new agreement, the credit volume was raised by an additional € 30 million to a total of € 95 million. The term of the loan agreement was extended by a further 18 months up to December 2017 and improved financing conditions were also granted.

ACTIVITIES AND GENERAL ECONOMIC ENVIRONMENT

Structure of the Schaltbau Group

Within the Schaltbau Group, Schaltbau Holding AG concentrates on tasks that concern the entire Group, such as strategy, IT systems, the appointing of staff to management positions in the Group's subsidiaries, public relations and investor relations. Schaltbau Holding AG is also responsible for Group financial accounting, Group controlling and compliance, 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 (subdivided into the two business fields of Rail Infrastructure and Brake Systems) and the Components segment.

BUSINESS ACTIVITIES

Mobile Transportation Technology

The Bode Group represents the Mobile Transportation Technology segment, which comprises the product groups Door Systems for Railway Vehicles and Door Systems for Buses and Coaches, including boarding aids and ramps as well as Fittings for Sliding Vehicle Doors. A global network of sales and service partners optimally supports Bode's customers in their operations worldwide. Investee entities in Poland, Turkey and the USA, each with their own production plants, guarantee direct market access in each of those regions. Since 2011, the South Korean market has been cultivated by a majority-held entity (a joint venture) which was successful in implementing the first project in the high-speed transportation sector there in 2012. In China, the Mobile Transportation Technology segment has also been represented with its own subsidiary since 2011. Representative offices ensure the necessary proximity to important sales markets such as Hong Kong, Malaysia and Singapore. The UK-based Rail Door Solutions Ltd. supplements the Group’s range to include service and refurbishment.

The Door Systems for Railway Vehicles product group comprises tailor-made systems equipped with innovative safety technology and boarding aids for underground trains and metros, trams, regional trains and railcars as well as high-speed trains. Its range of products makes the Bode Group one of the leading manufacturers in its field in Europe and a key partner for railway systems suppliers worldwide. The most important innovation created in the recent past and the cornerstone of the Bode Group's international success is the Bode Innovative Door

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

Business Field Rail Infrastructure

Pintsch Group
Railway Signal Technology
Signal Technology
Train Formation Yards
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

System (BIDS). A door 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 operational takeover of Kircher was completed in September 2012, providing Bode with exclusive access to patents, production know-how and capacities in the field of boarding aids, which greatly strengthened its core competence as a full-range supplier.

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 varying requirements of customers. More space, less weight, reduced costs for installation and adjustment and a low-consumption electrical system are all attributes that result in a higher degree of flexibility as well as lower service and energy costs. The product range includes outswinging and inswinging plug doors, swinging-sliding, folding and revolving doors as well as boarding aids and is being increasingly adopted in the new platforms of major bus manufacturers. The innovative electrical drive system CADS (Compact Allround Drive System) is of strategic relevance in the field of bus doors.

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 existing range of linear sliding doors was complemented to include an electrical version in 2012. The customer base of the Bode Group consists of well-known manufacturers of commercial vehicles.

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, both in Germany and abroad. The approval of the German Federal Railway Authority (EBA), which was granted at the end of 2012, will enable the new computer-aided level crossing technology (RBUEP) to open up far greater market potential.

With the takeover of the train marshalling equipment and signals specialist Tiefenbach GmbH at the beginning of 2012, Pintsch Bamag has strengthened its existing market position as a supplier of signals systems for main and branch lines, both in Germany and on international markets. Moreover, it enabled the Pintsch Bamag Group to enter new markets in fields such as railway signalling and sensor technology as well as train formation systems.

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 units. Its latest innovation is the geothermal point heating system, which exploits the natural warmth of the earth and thus does not require an external source of energy. The innovation is highly eco-friendly, simple to retrofit and costs almost nothing to operate.

Key elements of the Vehicle Equipment product group are power, lighting, door and boarding systems for railway vehicles, which have proven their reliability over many years in high-speed trains, locomotives, traction units, railway carriages and trams as well as underground and commuter trains. The segment also manufactures the innovative Platform Screen Doors (PSD), which have great market potential and were first presented to the public at the InnoTrans 2010 trade fair. The various systems offer greater safety at platforms when entering or exiting trains, protect both passengers and staff from wind, dirt and noise coming from tunnels, improve climatic conditions on platforms and boost operating efficiency by enabling shorter cycle times between trains. Not only was there on-going development of these systems throughout the year under report, sales activities were also dramatically increased.

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 flashers and electronic sirens. The high degree of expertise Pintsch Bamag has gained in the field of light technology also goes into producing its range of maritime aids, which have been guaranteeing safety both on the open seas and on inland waterways for over 140 years.

The Brake Systems business field is managed by Pintsch Bubenzer. The products it manufactures are used wherever large, heavy loads need to be transported, such as the brake 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 vital importance for safety reasons. Pintsch Bubenzer is world market leader for maritime crane brake systems. The Chinese market, which is particularly important in this field, is intensively cultivated from our own office located in Shanghai.

Other fields of application are for tunnel-digging and clearing machines, conveyor systems and bucket-wheel excavators used in mining as well as in the steel industry and shipping, which are all areas that demand an outstanding level of braking performance. Its high degree of technological excellence and know-how has made Pintsch Bubenzer an important internationally sought-after partner as development and systems supplier.

Since 2010, Pintsch Bubenzer has also leveraged these capabilities to gain a foothold in the fast-growing market for wind turbines with a range including yaw and rotor brakes as well as rotor locking devices, including the corresponding hydraulic systems, brake discs and clutches. The range of products is completed by sophisticated monitoring technology, which is precisely coordinated to deal with varying system requirements and can result in significant cost savings, particularly for offshore installations.

Components

The Schaltbau GmbH Group represents the Components segment. The Group develops, manufactures and distributes connectors, snap-action switches, contactors and control devices for a broad range of applications. In addition to its German bases, the Schaltbau GmbH Group maintains local presence on key international markets and operates major production plants in China. At its Xi'an plant, the Group manufactures components for the Asian market and in Shenyang it produces contactors for industrial applications. Schaltbau GmbH is also present on the Indian market with its own non-consolidated subsidiary. In the UK, the Group's subsidiary Schaltbau Machine Electrics mainly produces contactors 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 the highest standards for a wide variety of niche applications. Connectors, for example, are vital components in the 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 is also opening up entirely new areas of application for Schaltbau's snap-action switches.

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 installed in telecommunications facilities, computer centres, locomotives and traction units. They are also finding increasing use in the renewable energy sector.

Control devices made by the Schaltbau GmbH Group 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

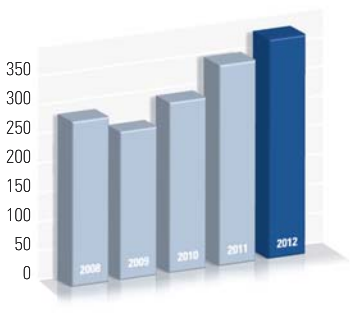
Worldwide economic conditions in 2012

The world economy continued to deteriorate in 2012. According to Eurostat, the gross domestic product (GDP) grew only very moderately in the USA and Japan. The eurozone slid into recession in 2012 and its economy contracted by 0.4 per cent overall (2011: plus 1.4 per cent). The crisis in southern European countries was particularly pronounced. The Kiel Institute for the World Economy (IfW) stated that the high level of debt in many countries and the measures necessary to rectify it had an unsettling effect on both consumers and investors, thereby slowing down the economy.

Economic momentum in the developing and emerging markets lost considerable pace at the same time. The trend was particularly true for India and Brazil, where economic output in 2012 only grew by 3.8 per cent (2011: 7.9 per cent) and 1.0 per cent (2011: 7.6 per cent) respectively, according to IfW. GDP growth in China slackened to 7.8 per cent (2011: 9.2 per cent). The sluggishness was blamed on a lack of demand from the advanced economies and internal economic problems. Russia, however, seemed largely unaffected by the negative environment and continued its upward trend seen the previous year.

In the face of the generally unfavourable economic climate, the German economy became decidedly overcast. As from spring, the IfW noticed a downward trend in both order intake

Order intake



Disclosures in € m.

and industrial production. Moreover, the mood in the industrial economy deteriorated significantly until late in the year and only began to brighten slightly in November.

According to initial figures from the German Federal Bureau of Statistics, GDP only rose by 0.7 per cent in real terms during 2012. Thus the German economy was again among the best performers in the eurozone, although growth remained well down on the 3.0 per cent recorded the previous year. The development of the gross domestic product showed great differences. According to the German Federal Bureau of Statistics, the contribution from exports accounted for 1.1 percentage points of GDP growth in 2012, whereby the growth in imports was less pronounced than that of exports. Investment in plants and equipment fell by 4.4 per cent in comparison to the previous year. In 2011 it had still played a major part in the upswing of the German economy. Declining by 1.1 per cent, building investment trends were also negative, although less pronounced. Despite private consumption losing pace, it still managed to grow by 0.4 per cent. Consumption-related government spending rose to the same degree as in the previous year.

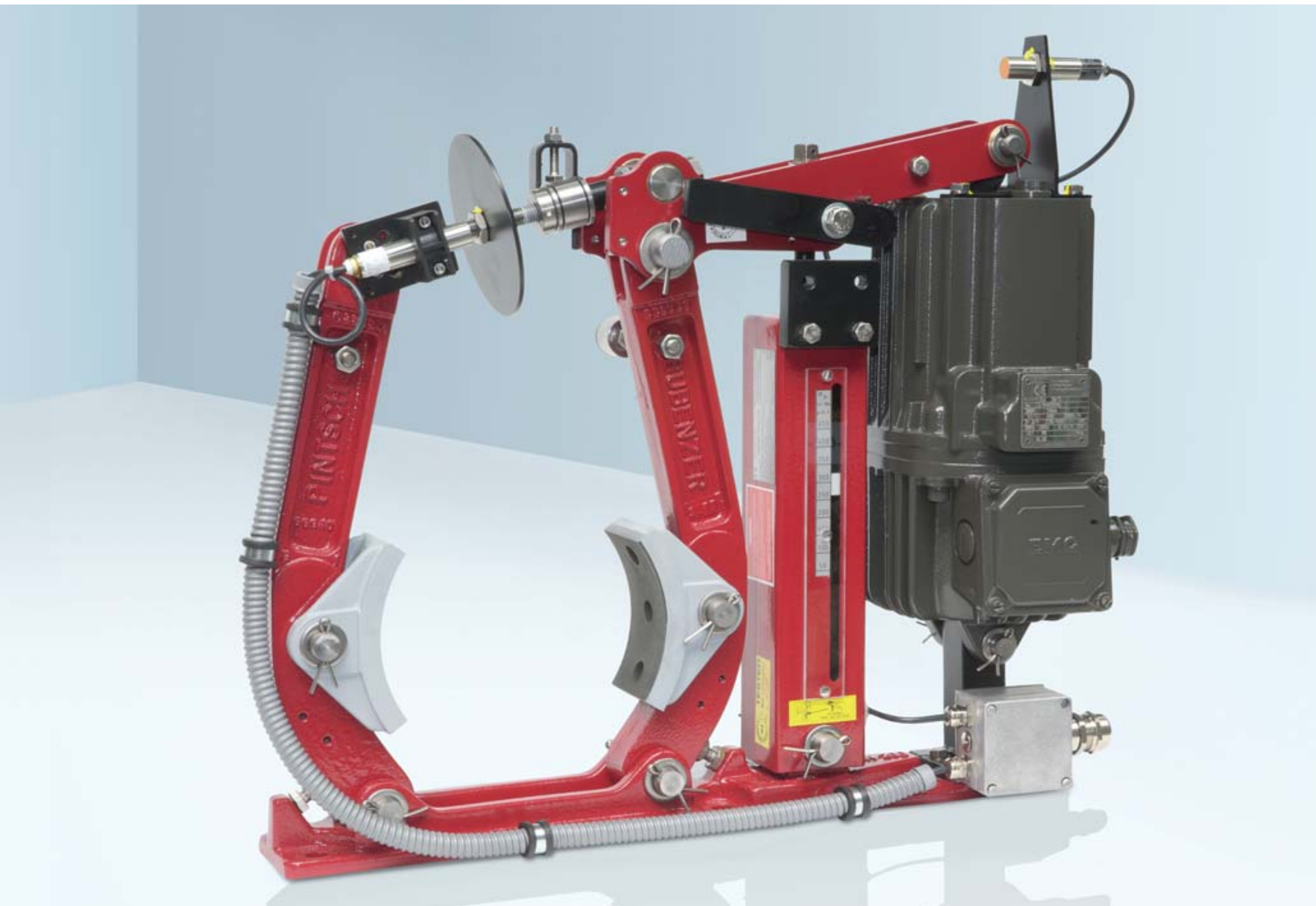
Accompanying the European sovereign debt crisis, the exchange rate of the euro against other important currencies worsened during 2012. Thus the Chinese renminbi gained significantly in value in the course of the year. Whereas the exchange rate in 2011 had been within a range from 8.16 to 9.65 renminbi per euro, it sank sharply in 2012 to fluctuate between 7.71 and 8.48 renminbi per euro. The US dollar also became noticeably more expensive.

Relevant markets for Schaltbau

The business environment of the **Mobile Transportation Technology** segment in 2012 was fraught with conflicting influencing factors. For example, the market for city and intercity buses was generally weak. The scarcity of funds for public-sector customers in many countries hit the major bus manufacturers hard. The minor recovery in the travel coach sector was unable to compensate for the resulting negative impact on demand. The market situation for the Fittings for Sliding Vehicle Doors product group for light commercial vehicles deteriorated noticeably in the second half of the year. However, market conditions in the field of Door Systems for Railway Vehicles continued to be favourable.

The Rail Infrastructure business field of the **Stationary Transportation Technology** segment profited from investment measures fundamentally connected with the service and financing agreement (LuFV) made between Deutsche Bahn AG and the German Federal Ministry of Transport, which resulted in a continuous implementation of infrastructural measures by Deutsche Bahn AG throughout 2012. The business field benefited additionally from sales generated by the new designing of the production controls (NeuPro) and safety technology of the existing equipment of DB Netz AG as well as the awarding of contracts resulting from major international calls for tenders. There were delays in the implementation of major projects in the field of Vehicle Equipment. The primary focus of international business in the Rail Infrastructure business field was in the USA, China and Brazil. Demand in the Brake Systems business field has continued to improve and that applies to practically all of the product groups. The only sector that failed to meet expectations was that of wind power, due to problems affecting the entire market.

Market developments in the **Components** segment varied greatly – from region to region and from one product group to the next. Whereas a pleasing level of growth was reported in Russia, the USA and the relatively young sales regions Asia Pacific and India, southern European markets were heavily under pressure. In China, the stagnating demand from the railway sector was more than compensated by the increased attention to the metro systems market and particularly due to exchange rate factors. Contactors in particular were in great demand and benefited increasingly from sales growth



in the USA and Eastern Europe. Products newly developed for the photovoltaic sector were also in high demand, particularly in the USA.

BUSINESS PERFORMANCE

Order intake

Strong demand in the fourth quarter again boosted the Schaltbau Group's order-intake figures for fiscal year 2012 moderately above the previous year's level. At € 372.3 million (2011: € 342.8 million), the Group achieved 8.6% growth on the total recorded one year earlier. € 25.3 million of the total volume was attributable to the Pintsch Tiefenbach Group, which has been consolidated since 1 January 2012.

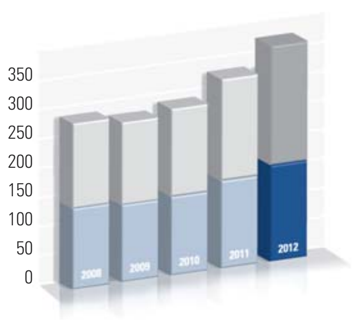
The **Mobile Transportation Technology** segment posted a 5.2% drop in order intake to total € 127.7 million in fiscal year 2012 (2011: € 134.7 million). However, the below-average performance over the first nine months of the year was largely compensated for by the high level of incoming orders in the fourth quarter.

The difficult market conditions for city buses and the very slight recovery in the travel coach sector led to a significant reduction in order intake for the Door Systems for Buses product group. However, the Group's market share in the bus market in Western Europe remained the same. Thankfully, the order situation stabilised in the last three months of 2012. The sales success with the CADS door systems made it possible to expand the customer base and the-

Order book

Disclosures in € m.

Sales



Domestic Abroad

Disclosures in € m.

reby further reduce our dependence on individual major customers.

In the Door Systems for Railway Vehicles product group, established standardised product innovations in all of the most important platforms of the major train and carriage manufacturers have continued to prevail over the last few years. The trend gave vital impulses to project business and the sale of spare parts also increased significantly compared to the previous year. In spring 2012, our young investee company in South Korea already managed to acquire its first major order from a regional manufacturer of rolling stock. With a sharp increase in incoming orders, we continued to improve our position on the western European market, particularly by gaining a number of major orders.

The Fittings for Sliding Vehicle Doors product group posted a sharp drop in order intake in the second half of the year, which it was unable to compensate for, despite the positive business performance with the newly launched linear sliding door in 2011.

Order intake in the **Stationary Transportation Technology** segment rose by 32.2 per cent during the year under report to total € 147.1 million (2011: € 111.3 million). The segment achieved an encouraging growth rate of 9.4 per cent, even without the benefit of the first-time-consolidated Pintsch Tiefenbach Group.

In the Rail Infrastructure business field, measures relating to the service and financing agreement (LuFV) and the NeuPro innovation project were a continual source of incoming orders from Deutsche Bahn AG throughout 2012. The Vehicle Equipment product group acquired its first project in Brazil, involving the installation of the new platform screen doors during the year under report.

The Brake Systems business field again recorded an impressive rise in order intake. Practically all of the product groups played a part in this upswing. We were particularly happy about business in the field of container brakes with individual large-scale orders placed in China and South Korea. Only the wind power sector figures were down on the previous year, owing to the difficult market environment.

The noticeably improved order situation in the **Components** segment in the fourth quarter led to slight growth of 0.7 per cent in order volume for the full year 2012, amounting to € 97.4 million (2011: € 96.7 million).

The remarkably positive performance in the Contactors product group made up for declining order-intake figures in the remaining product groups. Contactors for applications in the field of renewable energy were in high demand in the USA. Key drivers in the rail sector were the first large-scale orders for contactors from Eastern Europe and the USA. Demand was supported by the manufacture of 800-ampere types of traction contactors.

Apart from the USA, the market in Russia showed particularly strong growth and increased demand was also recorded in India. Our subsidiary in France was successful in signing a framework agreement with a well-known manufacturer of industrial trucks. By contrast, order volumes in Southern Europe were weak, due to the economic crisis currently affecting the area. For the greater part of the year under report, the important Chinese market displayed a reluctance to invest as a result of reduced state spending on rail infrastructure. However, the growth in components business in the refurbishment and maintenance sectors as well as for metro trains provided a certain amount of relief. The higher level of incoming orders compared with the previous year for the Chinese joint venture in Xi'an resulted from positive currency exchange effects.

Order book

The Schaltbau Group's **order book** again grew strongly in fiscal year 2012. The order book stood at € 229.8 million at the balance sheet date 2012 (2011: € 197.4 million); an increase of 16.4 per cent. Order-book volume in the Mobile

Transportation Technology segment grew by 4.2 per cent to € 106.0 million during the year under report (2011: € 101.7 million). Primarily due to the first-time consolidation of the Pintsch Tiefenbach Group, the order book for the Stationary Transportation Technology segment grew by 51.1 per cent to total € 75.1 million (2011: € 49.7 million). Order-book figures in the Components segment also grew encouragingly with a 5.8 per cent rise to reach € 48.8 million (2011: € 46.1 million).

Sales

Due to the good order situation and particularly strong fourth-quarter figures, the Schaltbau Group was able to increase its total sales for the year by 13.9 per cent to € 362.8 million in fiscal year 2012 (2011: 318.4 million). The growth was also partly a result of sales totalling € 24.3 million contributed by the first-time-consolidated Pintsch Tiefenbach Group.

The strong growth in demand from the Doors for Railway Vehicles product group enabled the **Mobile Transportation Technology** segment to slightly surpass the previous year's sales figure by 0.8 per cent to achieve a total of € 123.5 million (2011: € 122.5 million). Performance was particularly dynamic for the standardised BIDS systems and boarding aids. The Door Systems for Buses product group, however, was unable to match the previous year's figures due to the weak market environment. However, this product group still managed a respectable result when compared with the market as a whole. Although business with Fittings for Sliding Vehicle Doors also failed to match the previous year's figures, business with the newly launched linear sliding door was noteworthy.

Business performance in the **Stationary Transportation Technology** segment was highly dynamic, with a sales increase of 34.8 per cent to achieve € 142.1 million (2011: € 105.4 million). The Pintsch Tiefenbach Group, which was newly consolidated in January 2012, played a major role in this success, due to the very high sales figures achieved in the final quarter, in line with budget. The Rail Infrastructure business field, however, showed remarkable growth, even without this positive consolidation effect. The Brake Systems business field also reported improved sales figures and posted a very strong fourth quarter as impressive confirmation of the upward trend seen in the first nine months. In the Rail Infrastructure business field too, sales figures rose sharply over the full year.

The **Components** segment profited from the high sales revenue achieved in the North American market, which showed an above-average trend throughout the entire year. Moreover, business in both Russia and India improved remarkably. The recent reluctance to invest in Chinese markets caused regional business volumes to decline, although this development was compensated by positive exchange rate effects. Despite this scenario, the segment produced a sales increase of 7.5% to record € 97.2 million in 2012 (2011: € 90.4 million), largely due to strong demand coming from the Contactors product group.

Group earnings performance

Sales grew by € 44.4 million to € 362.8 million (2011: € 318.4 million), giving a growth rate of 13.9%, once again faster than the rate achieved in the previous year. Entities consolidated for the first time accounted for € 24.3 million of sales in 2012. Total output rose by 13.4 per cent to € 367.9 million (2011: € 324.4 million). Despite the upfront expenditure borne in fiscal year 2012, particularly in the area of personnel, Group earnings continued to develop very positively for the full year.

The cost of materials ratio for the period (as a percentage of total output) was brought down to 50.2 per cent (2011: 51.4 per cent), partly thanks to stringent procurement management. The first-time inclusion of entities in the Consolidated Financial Statements, together with the impact of the upfront expenditure referred to above aimed at promoting future growth, caused personnel expenses to increase at a significantly more pronounced rate than total output. Overall, personnel expenses rose by 17.5 per cent to € 112.1 million (2011: € 95.4 million). Due to these factors, the personnel expenses ratio increased to 30.5 per cent (2011: 29.4 per cent). Output per employee (productivity) was roughly in line with the previous year's level and amounted to € 211,100 (2011: € 211,300).

The change in other operating expenses was also influenced to a large degree by the first-time consolidation of the Pintsch Tiefenbach Group and Bode Zustiegssysteme. Compared to the previous year, this line item increased by 18.1 per cent to € 38.4 million (2011: € 32.5 million). Other operating income, on the other hand, dropped to € 4.4 million (2011: € 5.0 million), mainly due to lower exchange rate gains. The amortisation and depreciation expense for the year went up by € 0.3 million to € 7.5 million.

Group EBIT improved overall by € 2.0 million or 7.3 per cent to € 29.5 million (2011: € 27.5 million), influenced by a number of factors, in particular the impact of first-time consolidations, acquisition-related expenses and upfront expenditure for personnel and R&D. Due to the exceptional factors mentioned, however, the EBIT margin (as a percentage of sales) fell slightly to 8.1% in the year under report, compared with 8.6% in 2011.

The net result from investments fell to € 1.6 million (2011: € 3.9 million), mainly due to measurement gains which arose in fiscal year 2011 in conjunction with the full takeover of Schaltbau North America Inc. and the increase in the investment in RAWAG, Poland. BoDo Bode Dogrusan (Turkey), RAWAG (Poland) and Rail Door Solutions Ltd (UK) all made positive contributions again to the result from equity-accounted

entities. Sundry other result from investments in 2012 includes an impairment loss recognised on the cost of investment in a non-consolidated foreign subsidiary.

The financial result for the year improved significantly from a net expense of € 6.5 million in 2011 to a net expense of € 5.1 million in 2012, the main factors for the improvement being a sharp drop in costs incurred in connection with the modification of the Syndicated Credit Agreement and more favourable credit conditions.

Income tax expense increased to € 3.8 million (2011: € 3.3 million), resulting in an effective tax rate of 14.6 per cent (2011: 13.2 per cent).

Group net profit for the period improved yet again in 2012, rising to € 22.2 million (2011: € 21.7 million), despite the previous year having been positively impacted by offsetting exceptional factors reported in the result from investments and the net interest result. The profit attributable to minority shareholders amounted to € 3.2 million (2011: € 2.9 million).

The profit attributable to shareholders of Schaltbau Holding AG totalled € 19.0 million (2011: € 18.7 million). Earnings per share (undiluted) totalled € 3.09 and were thus higher than the figure forecast in November 2011. Adjusted for the impact of the 1:3 share split that came into effect on 20 August 2012, earnings per share for the fiscal year 2011 were € 3.13.

In view of the strong earnings performance in fiscal year 2012 and the continuing positive outlook for the Schaltbau Group, the Executive Board will submit a proposal to the Supervisory Board that a dividend of € 0.77 be paid for the fiscal year 2012. The comparable dividend paid for fiscal year 2011 (i.e. adjusted for the impact of the 1:3 share split) was € 0.60.

FINANCIAL TERMS

Capital employed
Working capital plus fixed assets

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBIT
Earnings before interest and taxes

EBIT ratio
Earnings before interest and taxes/sales

EBT
Earnings before taxes

Equity ratio
Equity/balance sheet total

Pre-tax return on equity
EBT/equity

Total output per employee
Total output/ average number of employees during year

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

The **Mobile Transportation Technology** segment generated EBIT of € 7.0 million in the year under report, compared to € 7.4 million one year earlier. The segment EBIT margin therefore slipped from 6.0 per cent in 2011 to 5.7 per cent in 2012. The deterioration was partially attributable to the drastic drop in sales in the Door Systems for Buses product group caused by adverse market conditions in Europe and expenses incurred in conjunction with the acquisition of Kircher's operations in this field.

The **Stationary Transportation Technology** segment benefited for the first time from the inclusion of the Pintsch Tiefenbach Group in the Consolidated Financial Statements as well as from strong growth in Brake Systems business. Largely thanks to these factors, the segment operating profit improved from € 9.6 million in 2011 to € 12.1 million in 2012. The EBIT margin fell from 9.1 per cent in 2011 to 8.5 per cent, mainly due to expenditure relating to the integration of Tiefenbach.

The **Components** segment recorded a sharp increase in sales, helping to push up EBIT year-on-year from € 15.8 million to € 16.1 million The segment EBIT margin fell from 17.5 to 16.5 per cent, mostly reflecting upfront personnel-related expenditure.

Group net assets and financial position

The balance sheet total rose to stand at € 255.9 million at 31 December 2012 (2011: € 213.6 million). Group equity increased to € 76.5 million during the period under report (2011: € 59.5 million). Despite the sharp rise in the balance sheet total, the equity ratio nevertheless again improved to stand at 29.9 per cent at the balance sheet date (2011: 27.9 per cent). Including participation rights capital of € 7.1 million, which is similar in nature to equity, the Group equity ratio was equivalent to 32.7 per cent (2011: 31.2 per cent).

Non-current assets (excluding deferred tax assets) increased to € 80.7 million at the year-end (2011: € 74.0 million).

Capital expenditure on property, plant and equipment and on intangible assets totalled € 9.3 million and related primarily to replacements and new investments. These additions compared to an expense of € 7.5 million for amortisation and depreciation (including € 0.3 million arising on fair value adjustments recorded in connection with purchase price allocations).

The changes in the carrying amounts of investments result from the earnings of the at-equity-accounted entities BoDo Bode Dogrusan, RAWAG and RDS.

The Group's working capital rose sharply from € 71.8 million to € 105.6 million. First-time consolidations, higher business volumes in the fourth quarter and some shifts in sales into 2013 due to the timing of order call-offs accounted for € 17.4 million of this increase. Inventories went up from € 60.8 million to € 75.0 million, of which € 8.6 million related to newly consolidated entities. Trade accounts receivable increased by € 18.6 million, of which € 10.5 million was due to the change in the Group reporting entity. The average receivables period increased to 66 days, compared with 54 days at the end of the previous year. Advance payments received from customers went down by € 2.1 million. Trade accounts payable, in contrast, rose moderately by € 1.1 million at the balance sheet date.

Capital employed at the end of the reporting period was approximately € 40.5 million higher at € 186.3 million. The return on capital employed (ROCE) decreased accordingly from 18.9 per cent in 2011 to 15.8 per cent.

Deferred tax assets at 31 December 2012 amounted to € 13.3 million (2011: € 10.4 million). This figure includes deferred tax assets of € 5.8 million recognised on timing differences (2011: € 4.8 million) and deferred tax assets of € 7.5 million (2011: € 5.6 million) recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences amounted to € 6.8 million (2011: € 6.6 million).

Financing within the Schaltbau Group is organised in the form of cash pooling arrangements headed by Schaltbau Holding AG. All major Group companies participate in these arrangements, with the exception of Bode. Financing arrangements for the cash pool were modified in December 2012 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 € 30 million to € 95 million. At the same time, the term of these facilities was extended to December 2017 and improved conditions were agreed upon. The instalment loan received as part of the financing package was reduced by € 2.0 million of scheduled repayments in 2012.

The Bode Group had access to credit facilities totalling € 15.8 million at 31 December 2012 (2011: € 12.4 million), including an overdraft facility of € 6.0 million available until further notice.

Net liabilities to banks throughout the Group increased to € 45.0 million (2011: € 27.4 million). The debt ratio (net bank liabilities to EBITDA) went up from 0.8 the previous year to 1.2 in 2012.

Non-current other financial liabilities amounted to € 3.4 million (2011: € 3.6 million).

The Group had access to a total financing facility of € 117.7 million at 31 December 2012 (2011: € 82.4 million), of which € 33.1 million (2011: € 28.3 million) has been disbursed as loans. Current account credit lines amounted to € 84.6 million (2011: € 54.1 million), of which € 60.0 million is available till December 2017. Scheduled loan repayments in 2012 totalled € 6.4 million (2011: € 4.4 million). At 31 December 2012, € 26.0 million (2011: € 16.1 million) of the current account credit lines (including guarantee lines) were being utilised. The Group's cash funds totalled € 8.5 million at 31 December 2012 (2011: € 12.7 million).

Cash flow from operating activities decreased sharply by € 18.6 million to € 7.0 million in 2012 (2011: € 25.6 million), primarily due to a € 33.8 million increase in working capital (higher levels of inventories and trade accounts receivable) compared with one year earlier. In addition, outflows for tax payments doubled in 2012 due to the utilisation of municipal trade tax loss carryforwards, which resulted in retrospective advance payments for 2011 and higher advance payments for 2012.

The cash outflow for investing activities was € 12.6 million, compared with € 13.4 million one year earlier. This slight decrease was attributable mainly to the lower amount of cash outflows for investments. The previous year's figures were influenced by the purchase of the remaining 50 per cent of the shares of Schaltbau North America Inc. and by additional capital funds provided to foreign Group entities to finance expanding operations. Investments in property, plant and equipment and intangible assets in 2012 related primarily to a wide range of replacement, re-equipping and rationalisation measures as well as to the purchase of tools for new products. The acquisition of newly consolidated entities – net of cash transferred – resulted in a cash outflow of € 2.8 million, compared to the corresponding figure of € 2.0 million in 2011.

The net cash inflow of € 1.0 million from financing activities (2011: net cash outflow of € 11.7 million) was primarily attributable to the € 11.8 million increase in credit lines utilised. Furthermore, lower interest payments (down by € 1.2 million) and the net positive cash flow from loans also contributed to the net cash inflow from financing activities in 2012. Working in the opposite direction, distributions to shareholders and minority interests increased by € 1.8 million.

FINANCIAL TERMS

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

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

Personnel expense ratio
Personnel expense/total output

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, financial and net assets position of Schaltbau Holding AG

The Company Financial Statements of Schaltbau Holding AG for the year ended 31 December 2012 have been drawn up, as in the previous year, in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

Sales generated by the non-operational Schaltbau Holding AG totalled € 2.3 million (2011: € 2.2 million) and, as in the previous year, comprised mainly 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 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, Pintsch Bubenzer GmbH and Pintsch Aben geotherm GmbH. Income from profit and loss transfer agreements amounted to € 12.6 million, slightly lower than the previous year's figure of € 13.8 million. A further strong improvement in Pintsch Bubenzer GmbH's earnings during the year under report resulted in a higher profit transfer from Pintsch Bamag GmbH. This increase, however, was not sufficient to fully compensate for the lower profit transferred by Schaltbau GmbH compared with the previous year.

The positive result from investments amounting to € 2.0 million relates to Gebr. Bode GmbH & Co. KG. In accordance with the previous year's change to the statutes of that entity, the result for the year is now transferred – for the first time in 2012 – in the following fiscal year on the basis of a profit distribution resolution.

Group financing is heavily concentrated on the holding company and organised in the form of cash pooling arrangements covering all major

Schaltbau Group companies with the exception of the Bode Group. Interest income and expense are correspondingly influenced by these arrangements.

The net interest result improved significantly in 2012 as a result of the better conditions incorporated in the modified Syndicated Credit Agreement in June 2011 and due to the fact that costs and fees relating to the modification were not repeated in 2012.

The Syndicated Credit Agreement was modified again in December 2012, at which stage the credit volume was raised by € 30 million to € 95 million and conditions further improved, thus providing greater financial scope.

The tax expense for the year went down as a result of the lower profit transfer from Schaltbau GmbH and increased tax reimbursements for prior years.

The Company reports net profit for the year of € 6.6 million, well ahead of the previous year's figure of € 4.9 million.

Schaltbau Holding AG's assets and liabilities structure is dominated by its investment holdings, which had a carrying amount of € 86.4 million at 31 December 2012. The increase of € 3.5 million over the previous year was attributable to a contribution paid into capital reserves at the level of Pintsch Bamag Antriebs- und Verkehrstechnik 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 participation rights, with a market value of € 3.3 million at 31 December 2012, are fully available to the Company and at present there is no intention to sell or cancel them.

Schaltbau Holding AG's net liabilities to banks increased from € 11.4 million at the end of the previous year to € 32.2 million at 31 December 2012. Most of the funds were disbursed to subsidiaries for the purpose of financing their operations. The Company again complied with the covenants contained in the Syndicated Credit Agreement in 2012.

Schaltbau Holding AG's equity rose from € 76.9 million to € 79.9 million, resulting in an equity ratio of 60.1% at the end of the period under report (2011: 66.2%). The current level of equity capital combined with the increased availability of funds under the Syndicated Credit Agreement during the year under report provide a solid financial base to enable Schaltbau Holding AG to pro-actively support the future development of the subsidiaries.

The Executive Board expects earnings from operating activities for Schaltbau Holding AG in 2013 to at least equal those achieved in fiscal year 2012.

Group investments

Investments in property, plant and equipment and intangible assets in the Schaltbau Group in 2012 amounted to € 9.3 million, compared with € 8.6 million one year earlier. Capital expenditure was therefore once again higher than the amortisation and depreciation expense of € 7.5 million recorded for the year (2011: € 7.2 million). Capital expenditure mainly related to a wide range of replacement, re-equipping and rationalisation measures as well as the purchasing of tools to manufacture new products. Disbursements for financial investments, at € 0.5 million, were lower than in the previous year (2011: € 3.4 million). The amount disclosed in fiscal year 2011 reflects the investment of resources in new and existing foreign entities as part of the process of stepping up the scale of the Schaltbau Group's international activities.

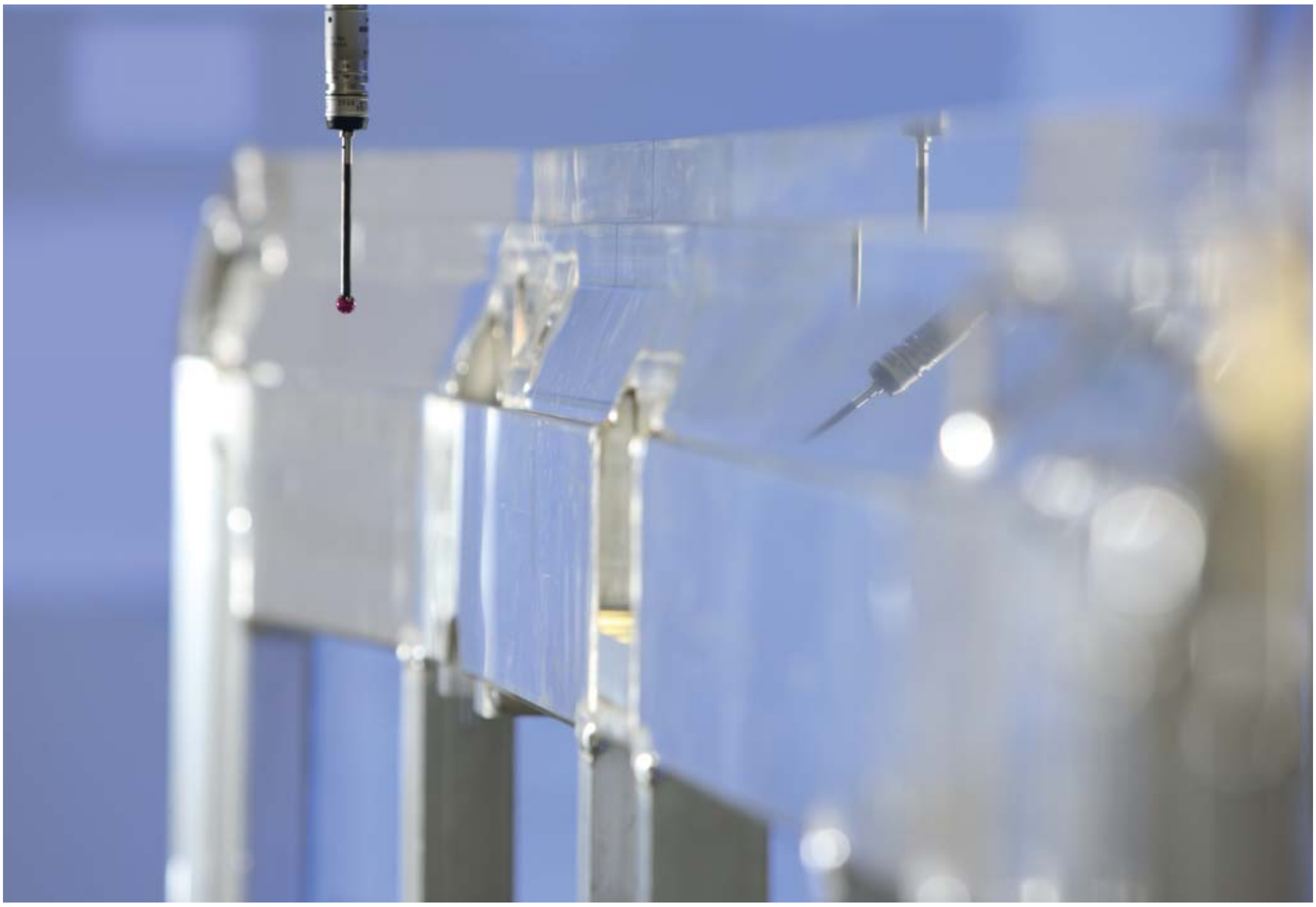
Research and development

The Schaltbau Group is continually engaged in targeted research and development work, consistently aimed at satisfying the needs of its markets in all business fields. The work is a key component of the Group's corporate governance strategy, as innovative products and systems safeguard our technological lead and thus form a stable foundation for sustainable economic success. For this reason, we work with great dedication to make continual progress in this forward-thinking field; again with expenditure totalling 6.0 per cent of Group sales (2011: 5.9 per cent) in the year under report. A total of 252 employees were engaged in the various R&D departments at the end of fiscal year 2012 (2011: 212 employees). Hence, more than every tenth employee in the Group was engaged in working to further broaden our technological base.

In the **Mobile Transportation Technology** segment the main focus of attention was on cross-departmental product development projects. One of the most important of these projects was the further improvement of the BIDS compact drive system already established for railway vehicles. With BIDS-light, this successful concept is now being adapted to operate in bus door systems and light railbound vehicles. With its particularly compact design, the new drive system will offer customers a space-saving and also lightweight solution. After the market launching of the CADS drive system for outswinging plug doors during the year under report, a small order for the equipping of 100 vehicles was received later in the year.

The takeover of the company Kircher and the resulting exclusive access to patents, production know-how and capacities has enabled the Bode Group to increase its potential for developing ramps and boarding aids for both buses and rail vehicles. In the Door Systems for Railway Vehicles product group, the new BIDS-BHS fully electric door system for high-speed trains was sold for the first time. In the Fittings for Sliding Vehicle Doors product group, the linear sliding door line is being expanded to include an electrically powered version, thereby significantly increasing the market potential for this innovative solution.

One of the most important priorities in the Rail Infrastructure business field of the **Stationary Transportation Technology** segment is to conclude development work on the RBUEP switching system as the new platform for use on both main lines and branch lines. Approval by the German Federal Railway Authority (EBA) at the end of 2012 meant that marketing activities could commence. Another important pro-



ject being focused on is the on-going development of the Platform Screen Doors (PSD) first presented at the InnoTrans 2010, a complete railway platform door system installed for the first time at five stations in the Chinese city of Shenyang at the end of 2011. Based on this reference, a further PSD project was acquired in Sao Paulo, Brazil in 2012 and as part of this project, the PSDs are now being adapted to suit the specific requirements of this Latin American country.

The wider use of LED technology is currently a key topic in the development of both railway line signals and railway vehicles. The requirements of Pintsch Tiefenbach have been included in all related further developments of this type. All signalling systems will be gradually converted to include LED technology. The conversion is an important element of the NeuPro railway project, as LEDs feature a great number of advantages compared with conventional illuminants. With regard to their suitability for railway engineering, the key 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 reduced energy consumption and lower purchase cost. The development is being supported by a doctoral dissertation being implemented in collaboration with the Technische Universität Dresden.

The Group's range of products is also being optimised in the field of transportation technology. These improvements revolved around the value analysis of the ZIRKON lightbar family (including a product configurator), for which the variety of products was limited and modularisation is now going to be gradually increased.

The completion of the existing brake testing facilities was of particular relevance for the Brake Systems business field in 2012. The new capability will make it possible to reduce the time taken to develop new products in future. A cost-optimised azimuth brake was designed for the highly competitive wind power market and an electromechanical wheel brake was developed for series production for the container market. The wheel brake was mainly developed to equip ship-to-shore (STS) cranes, which were generally fitted with hydraulic brakes in the past. Hydraulic brakes are a potential hazard to the environment if the oil used to operate them leaks into the water. For this reason, environmentally friendly alternatives such as the new electromechanical solutions are increasingly in demand. Around 300 STS cranes need to be equipped with wheel brakes per year, followed by considerable demand for the retrofitting of cranes already in operation, which adds up to considerable market potential.

Product ranges in the **Components** segment were specifically improved and added to in the course of routine product care measures. In the Connectors product group, the data interface of the UIC model range was equipped with additional signal and control contacts – a unique feature which, in addition to high-speed data transmission rates, enables an interface to be used for emergency control purposes, such as for clearance and recovery vehicles. In the field of snap-action switches, the new premium line has now been fitted with casings made of polyetherimide (PEI). This innovation makes it possible for a number of models to function at temperatures ranging from -55°C to +150°C, making them suitable for a range of new applications, such as in lighting technology. Moreover, the mechanical durability of all premium-line snap-action switches in terms of vibration- and shockproofness has been additionally improved.

Apart from broadening the range of CT contactors that are so widely used in railway applications, further 2-pole versions for photovoltaic systems have been developed. The new cam contactors from Schaltbau make it possible to switch off higher short-circuit currents and can be used in extreme ambient temperatures – both of which are important for customers in the photovoltaics field. The testing of CT contactors in mining vehicles has also been successfully concluded, thereby opening up additional prospects for future applications. The CT contactors have been installed for test operations in a South Korean steelworks. In the course of replacing the previously used range of CH contactors, we considerably improved the DC and AC switching performance by means of a simplified, patented switching concept.

In the Control Devices product group we mainly focused on developing motor-powered high-voltage switchgear to take the various power supply systems used for multiple units in European railway networks into account. The combination of extremely long mechanical service life and highly dynamic short-circuit currents is innovative. In the field of master controllers, a new concept for manufacturing larger numbers with an innovative design has been implemented to suit the K-series toggle switch.

Trade fairs

Customer acceptance is the deciding factor for the market maturity and potential of a product innovation. It is therefore of key importance to maintain close contact with those who use our products – and trade fairs are an excellent platform for doing so. The "InnoTrans", the world's leading trade fair for railway technology and the 64th IAA Commercial Vehicles, the world's largest fair for mobility, logistics and transportation, were both held in September 2012 and are two of the most important industry exhibitions of their kind. The Schaltbau companies operating in those areas were at the events to present their latest innovations and products and make the most of the ideal opportunity to maintain contact with customers as well as sales and trading partners from both Europe and overseas.

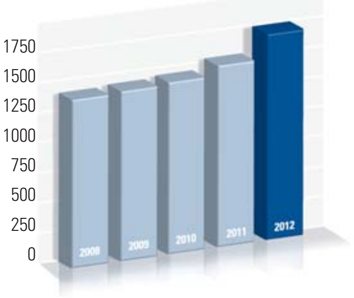
The innovations showcased by the various companies of the Schaltbau Group met with a very positive response from visitors to the InnoTrans. There was an above-average level of interest from Eastern Europe and Asia in particular. One of the major highlights was a visit to the Schaltbau stand paid by German Federal Transport Minister Dr Peter Ramsauer, who entered through a Bode door into the railway world of the Schaltbau Group and took the opportunity to gather detailed information regarding the functioning and the range of uses of the geothermal points heating systems manufactured by the Schaltbau Group company Pintsch Aben geotherm.

The first geothermal points heaters were installed by the Hamburg port railway at the end of 2010. They are an eco-friendly, low-cost alternative to conventional heating systems and suitable for use throughout the entire railway network. Geothermal heating operates without the need for an external source of energy and works fully autonomously by exploiting natural geothermal warmth without leaving a carbon footprint. The systems are also simple to retrofit. Conventional points heaters are based on energy-intensive processes such as electric heating rods, gas-powered burners or blowers. Great market potential exists and the German railway network alone heats tens of thousands of sets of points.

Total output per employee

Disclosures in € 000

Average number of employees



Number of employees

The IAA Commercial Vehicles, which also takes place every two years, was another performance indicator, particularly for the bus and coach door systems made by Bode. It was therefore highly pleasing to see that the vehicles of a great many bus manufacturers present at the trade fair were equipped with CADS-related innovations.

In view of the severe current market difficulties, the mood at the HUSUM WindEnergy 2012 trade fair was rather more subdued. Nevertheless, the Schaltbau Group company Pintsch Bubenzer managed to arrange a number of projects for 2013, which is ample confirmation of the good position the company has achieved in what is still quite an immature market and its medium- and long-term prospects continue to be bright.

Employees

The size of the Schaltbau Group's workforce increased to 1,972 employees as at 31 December 2012 (2011: 1,738 employees). In addition to growth relating to the acquisition of Kircher, the Bode Group recruited a significant number of new staff members, particularly to support their sales and project work worldwide and keep abreast of the company's international strategy of expansion. In the Stationary Transportation Technology segment, in addition to the first-time consolidation of the Pintsch Tiefenbach Group, the good business performance of the existing companies also had a positive impact. Staff numbers at Pintsch Bubenzer again rose in comparison to the previous year, due to the continued high volume of orders. Pintsch Bamag moderately increased its staff numbers after having recruited significantly the previous year in order to address the need to process enquiries for platform screen doors. Schaltbau GmbH also slightly increased its workforce during 2012.

Schaltbau sees improving the skills of its workforce as an important investment in the future. For this reason, with € 670,000 the Schaltbau Group again invested a considerable sum for both internal and external training as well as further qualification measures (2011: € 1,002,000), enabling the participants to improve their technical knowledge in training sessions, workshops, courses and seminars. Apart from improving their language skills, further training in the fields of design software and lean management as well as leadership training were focused on.

As at 31 December 2012, a total of 103 young people at various Schaltbau Group entities were undergoing training in professions such as industrial mechanic, industrial business management assistant and IT specialist. At Bode 24, at Pintsch Bamag 20, at Pintsch Bubenzer 11 and at Schaltbau GmbH 15 young men and women were employed as trainees, as well as one apprentice at Bode Zustiegssysteme and Pintsch Tiefenbach respectively. The foreign subsidiaries and Group companies also offer vocational training. Bode Dogrusan has 28 trainees and Schaltbau France, Pintsch Aben and Rail Door Solutions are each training one young person. The continued high number of trainees employed by the various Group companies shows the significance that Schaltbau places on vocational training. Professional training based on the needs of the Schaltbau Group plays a decisive role in ensuring that sufficient qualified staff are available to meet the requirements of the market in years to come. Within Germany, 20 trainees gained their qualifications in the course of 2012. All of these young people were offered either permanent or limited-term contracts after completing their training.

A total of 30 people at various Group companies were employed under pre-retirement part-time working arrangements, 15 of whom had already entered the non-working phase. Pre-retirement part-time working arrangements were in place at four German-based Group companies.

Due to the first-time consolidated companies, tariff-related wage rises and the recruiting of additional skilled and management staff, personnel expenditure increased to € 112.1 million in 2012 (2011: € 95.4 million). At € 211,100 the total output per employee, including trainees and executives, remained at the same level as one year earlier (2011: € 211,300).

An average of 1,742 full-time staff members were employed in the Group during 2012, compared with 1,535 in 2011.

Purchasing

All in all, procurement markets remained relatively stable in 2012. Despite some strong fluctuations, the prices of the non-ferrous metals aluminium and copper so vital for the Schaltbau Group were generally somewhat below the average prices seen the previous year. Although the same is also true for silver, the average price of gold during the year was noticeably higher than in 2011. The crude oil prices, which have a major influence on the cost of plastic parts, fluctuated greatly during

Volker Bouffier, head of the state government of Hesse, visits our Group company BoDo Bode Dogrusan A.S. in Turkey.

2012, although the difference was not significant when seen on a 12-month average. Market prices for printed circuit boards were generally slightly higher during the year under report. Rolled steel, however, became cheaper. The prices of all other parts remained generally stable. There were no supply bottlenecks worth mentioning during the year under report.

The on-going efforts to optimise in-house stock replenishment processes throughout the Schaltbau Group were continued throughout the reporting year. New suppliers in Germany, the southern and eastern EU countries and also Asia were identified, qualified and established as series suppliers. Thus we continued to internationalise our procurement markets, primarily focusing on Eastern Europe and Asia and targeting advantages specific to certain countries or procurement markets. The intensive use of new media also plays a key role in our success – and tendering portals are an important platform. Moreover, we also enlarged the Group's own web shops.

Framework agreements were signed with all of our major suppliers and the strategy enabled us to arrive at back-to-back solutions that guaranteed stable prices in the handling of large projects. The strategy also enabled us to strengthen our cooperation with suppliers in a spirit of partnership and we increased the number of framework agreements signed. We also extended the use of the Kanban system to promote flexible, decentralised production process management. All of these factors contributed towards optimising the process cost structure. In order to make consistent use of synergies in the various Group companies, the joint lead buyer concept was extended to embrace the idea of product group purchasing. Cooperation in logistics measures, both internally and externally, working in value analysis teams, standardisation measures and TCO analyses supplemented the multifarious efforts made to avoid or minimise costs.

As a result of the slight drop in the annual average prices of raw materials compared with the previous year, at 50.2 per cent of total output, the cost of materials ratio was slightly lower than the 51.4 per cent recorded the previous year.

Due to the increased volatility currently observable on raw materials markets, developments need to be observed more closely than ever in 2013. Forecasts are currently difficult to make. For this reason, procurement management staff rely on information from leading indicators, according to which, the market for electronic assemblies and components is likely to remain stable in 2013. However, market trends still need to be taken into account, as capacities were again not raised in 2012. Steelmakers reduced their production capacities in 2012. Price rises can therefore again be expected in the first half of 2013. In this case, the most important leading indicators are economic performance in China and the basic prices of iron ore and coal.

Significant events after the balance sheet date

On 4 March 2013 Schaltbau Holding AG announced that negotiations to take over the Dutch Vialis Railway Systems B.V. by PINTSCH BAMAG had been unexpectedly broken off by the selling party.

Opportunities and risks report

The risk management system implemented in the Schaltbau Group aims 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

may 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 to 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 each year.

A Compliance Officer is employed at the level of Schaltbau Holding AG, who reports directly to the Executive Board. The Compliance Officer concentrates and coordinates 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 are also aimed at ensuring compliance with both statutory and company in-house policies 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 subsection 5 and Section 315 subsection 2 (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 maintained properly and that the relevant statutory regulations are complied with. The system ascertains that all transactions are fully, promptly and correctly recorded, processed and documented in accordance with statutory regulations, the Articles of Incorporation and in-house policies. Accounting documents must be correct and complete, inventory counts properly conducted, and assets and liabilities appropriately recognised, presented and measured in the financial statements, so that timely, reliable and complete information can be provided at all times.

Standardised lines of communication are in place between Schaltbau Holding AG and its subsidiaries. The powers of the managing directors of the individual Group entities are governed by rules of procedure. 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 fundamentally 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 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.

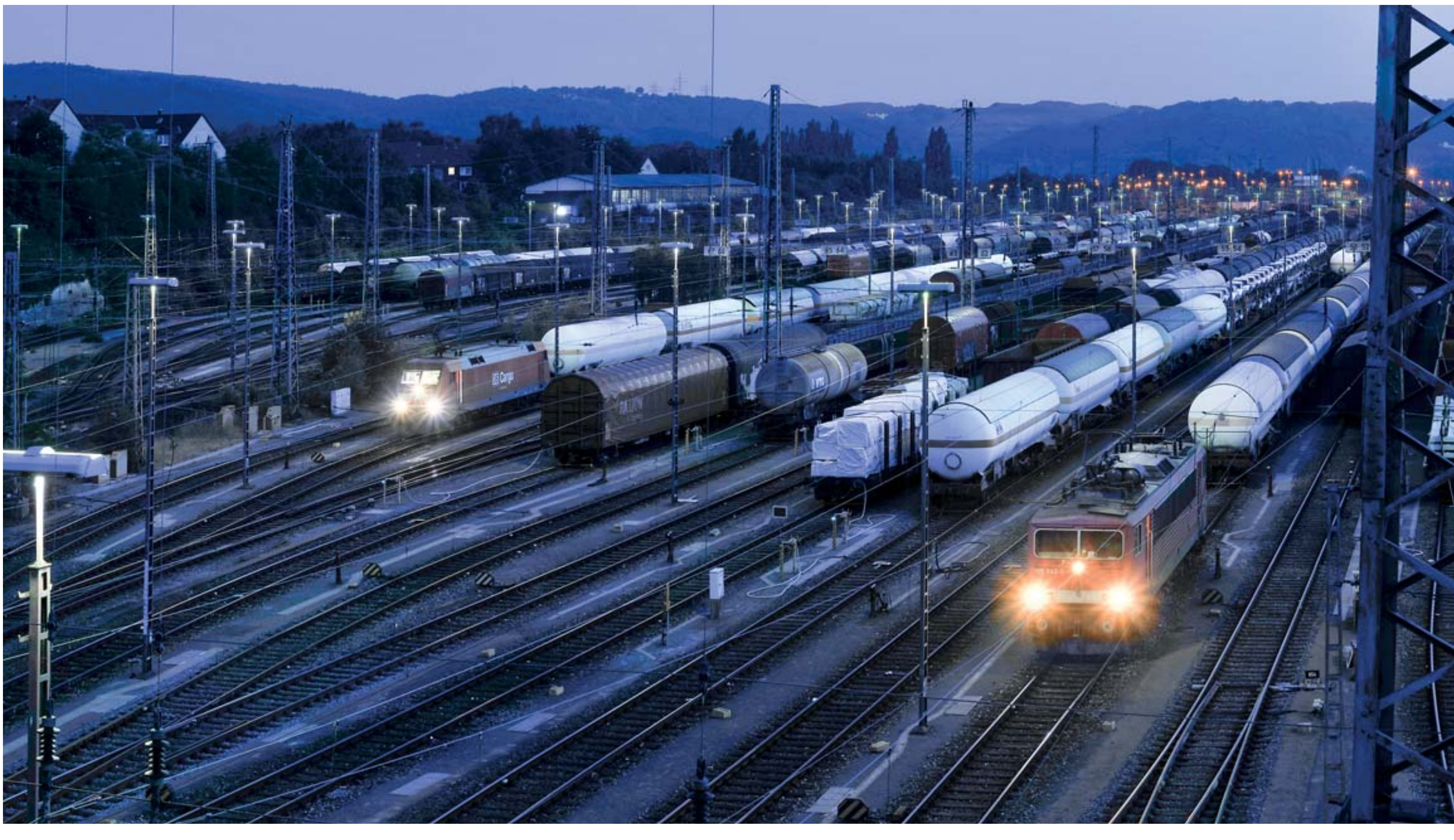
As part of the audit work performed, the external auditor is also required to report to the Supervisory Board any risks relevant for financial reporting and control weaknesses, including any weaknesses in the risk management early warning system and accounting or financial-controlling-related internal 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 increasingly pronounced. The high level of sovereign debt in the industrialised countries constitutes an increasing threat to economic development and poses the greatest threat to economic growth at the present time. Additional risks for the world economy are posed by a possible failure of US budget negotiations between the current administration and the opposition. At the beginning of March 2013, President Obama implemented budget cuts that involve slashing US state spending by US$ 85 billion. According to the International Monetary Fund, if the cuts are fully implemented, growth forecasts for the USA for 2013 will have to be downwardly revised by approximately 0.5 percentage points, which could well have negative consequences for the world economy.

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 improved in the best interests of customers. A further important aspect of 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 willingness 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. Furthermore, industry business is being consciously expanded. These policies serve to broaden the customer base and enter new fields of application.

One factor continually gaining significance in international business is the political call for local production or so-called "local content". An increasing number of orders are being awarded subject to fulfilment of this condition. 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 threats. 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 begin to 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 poses 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, in December 2012, Schaltbau Holding AG signed a modified version of the existing Syndicated Credit Agreement together with the participating banks. The modified agreement included a credit volume increase of approximately € 30 million to a total of € 95 million and an extension of the repayment period from June 2016 to December 2017 as well as improved conditions.

The Syndicated 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 bank an extraordinary right of termination if they are not fulfilled. From a current standpoint there is sufficient financial scope for the 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 medium- and long-term hedges nominally totalling € 17.35 million. Financing for the acquisition of Pintsch Bubenzer is hedged with an interest swap for a nominal amount of € 1.35 million. A cash-pool credit volume of € 39.8 million (as at 31 December 2012) is hedged by interest-rate swaps for a nominal amount of € 6.0 million. A further swap for a nominal amount of € 6.0 million is also in place to refinance the participation rights in 2014. Four additional interest swaps for a total of € 4.0 million were put in place for new credit taken out to finance further acquisitions in the Bode Group. 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 2012: € 0.8 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 such that the Group can 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 by regularly developing product innovations, such as its wind power braking systems or its CADS door drives.

Furthermore, other opportunities arise from the growing tendency towards consolidation within the industry. Based on the financial stability it has meanwhile achieved, the Schaltbau Group will continue to exploit this development to generate external growth by means of acquisition. The deciding factor, however, is that any new business is in keeping with the Group's long-term strategy and can be quickly and efficiently integrated in the existing structure.

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 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 € 1,334,000 for the fiscal year 2012. The compensation includes payments in kind resulting from the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each of the members of the Executive Board.

In legal terms, the contracts of service for the members of the Executive Board do not contain any arrangements pertaining to the termination of their positions in the Executive Board that differ greatly to those applicable to employees.

The total compensation received by former members of the Executive Board and their surviving dependents amounted to € 229,000 in 2012. Pension provisions totalling € 445,000 (IFRS) are recognised at 31 December 2012.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2012.

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 2012.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. The dividend paid in 2012 was above this level and for this reason a total of € 115,500 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, two members of the Supervisory Board received € 36,000 for additional time spent on behalf of the company in 2012.

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.

Explanatory report of the Executive Board on further disclosures pursuant to Section 289 subsection 4 and Section 315 subsection 4 of the German Commercial Code

1. The subscribed capital comprises the following: a share capital of € 7,505,671.80, divided into 6,152,190 bearer shares (shares without nominal value).

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

3. The only major shareholder owning either a direct or an indirect share of capital exceeding 10 from 100 share voting rights is the Cammann family, which owns 11.24 per cent of the total number of shares (as at 31 December 2012).

4. There are no shareholders with special controlling rights.

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

6. Article 6 of the Articles of Incorporation of Schaltbau Holding AG deals with the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board 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 divided into 6,152,190 non-par value shares. From this total, 15,000 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 per cent 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 2012.

   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 2012. The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable the servicing of option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase 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 2012.

Based on the resolution of the Annual General Meeting of 12 June 2008, authorised capital of € 3,294,000 was in place at 31 December 2012. 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, as at 31 December a (new) Conditional Capital II was put in place totalling € 3,294,000 through conditionally issuing up to 2,700,000 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)

Basic principles of corporate governance and cooperation between the Executive Board and the Supervisory Board

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

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, which 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, directions on how to get there and information on voting proxies is 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 consist of 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 Supervisory Board's rules of procedure, but has not been formed, however, in view of the size of the Supervisory Board. No further committees were appointed, particularly in view of the fact that 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 drawn up in accordance with International Financial Reporting Standards as applicable in the European Union. The Consolidated Financial Statements and the Company Financial Statements are drawn up by the Executive Board, audited by the external auditor and adopted and approved by the Supervisory Board. The Consolidated Financial Statements and the Company Financial Statements are made publicly available.

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 14 December 2012

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 last Declaration of Compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on 9 December 2011. 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 10 December 2011 to 15 June 2012. For the period from 16 June 2012 onwards, the following declaration refers to the recommendations of the Code contained in the version dated 15 May 2012 and published on 15 June 2012 in the electronic Federal Gazette.

The Executive Board and Supervisory Board of Schaltbau Holding AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" were 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 4.2.2:
The Personnel Committee set up by the Supervisory Board deals with questions concerning the total compensation of Executive Board members. Specific proposals for the compensation of Executive Board members are prepared by the Personnel Committee or the full Supervisory Board in each individual case. These questions are not exclusively dealt with by the Personnel Committee, to enable maximum flexibility in the handling of questions of compensation for Executive Board members in the course of Supervisory Board work. For this reason, please refer to the explanations for sections 5.2 and 5.3 of the Code.

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 performance-based 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. Thus in case of premature termination of a position in the Executive Board, the necessary flexibility is retained to allow an appropriate agreement to be reached in keeping with the particular situation.

Re 4.2.4 / 4.2.5:
The total compensation of each member of the Executive Board will not be individually disclosed, in keeping with the resolution taken at the Annual General Meeting on 9 June 2011.

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, however, in view of the 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 six-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 professional 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 its work.

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, which are not in keeping with the regulations laid down in the Articles of Association.

Membership in committees is not taken into account in the compensation of Supervisory Board members, as with the exception of a Personnel Committee, no other committees currently exist.

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

Due to the international structure of the Group and the resulting complexity, the Consolidated Financial Statements have so far not been made publicly accessible within 90 days of the end of the fiscal year.

Outlook

According to the Kiel Institute for the World Economy (IfW), at the turn of the year 2012/2013 the lowest point in global economic development seemed to have been overcome. However, uncertainty continues to dampen the outlook, primarily due to the unsolved sovereign debt crisis in the eurozone and the future financial policies to be adopted in the USA. The IfW predicts that production volumes in the advanced economies will only increase very slightly at best in the winter half-year 2012/13 and only then gradually begin to gather momentum. The emerging countries are likely to see an increasing business upturn in the course of 2013, partly helped by stimulating economic policies.

According to the IfW, on balance, worldwide production is likely to expand at a rate of 3.4 per cent, after an estimated 3.2 per cent in 2012. Eurostat predicts another marginal rise in GDP for the eurozone in 2013. According to forecasts, the German economy is likely to grow slightly more strongly than in 2012, whereas economic output in the crisis-ridden southern European countries is set to continue contracting.

In this macroeconomic scenario, the markets relevant for the Schaltbau Group are generally predicted to continue performing stably. Rail sector demand in Eastern Europe continues to be strong, particularly in Russia. The Schaltbau Group's increasing penetration of the high-volume US market is likely to promote further growth. After the success of the first Platform Screen Doors (PSD) project in Sao Paulo, there is every reason to believe that further orders will be awarded by South American customers over the next few years, particularly in Brazil. The raising of spending targets for railways announced in China last September is likely have a positive impact on the Schaltbau Group as from 2013.

However, demand from the industrial sector is forecast to be somewhat weaker than in 2012, although prospects in new fields of application, such as photovoltaics, continue to show promise and the re-election of Barack Obama as US president has dispelled any fears of a possible reluctance to invest in the field of renewable energy. Demand for Brake Systems is again set to moderately exceed the high level recorded the previous year, well supported by the wind power sector. Demand from the bus manufacturing industry in 2013 is expected to remain at the volume seen in 2012. Generally speaking, Schaltbau's well-balanced diversification across both products and regions is likely to compensate for any occasional weaknesses with a broad array of strengths.

Alongside the continuously increasing globalisation of the railway industry, the trend towards consolidation within the sector remains unbroken. With its solid financial base, Schaltbau Holding AG is playing an active role in this changing environment. In addition to the Bode Group reinforcing its core competence as full-range provider of door and boarding systems by taking over the business operations of Werner Kircher in September 2012, the purchase of Tiefenbach GmbH by Pintsch Bamag at the beginning of 2012 represents a considerable expansion of its capabilities in the field of rail infrastructure.

The Schaltbau Group expects to see sales revenue rise to around € 374 million in 2013. The year will again be slightly burdened by upfront expenditure for the additional personnel still needed to help the Schaltbau Group remain on track for successful growth. The Executive Board is confident of achieving the minimum target of EBIT totalling € 32.8 million stated in its forecast last November and for the years to come, the general prospects are cautiously optimistic for the globally operating railway industry. This assessment is supported by the World Rail Market Study conducted by UNIFE, the Association of the European Rail Industry, which forecasts average annual growth of 2.7 per cent for the rail market worldwide over the next few years. The study allows for the fact that China is meanwhile spending less on expanding its high-speed train network, which had been the market's primary driver of growth. According to the study, the new key customers are located in Russia, the Middle East and Latin America. Nonetheless, China will continue to invest heavily in railway applications, but increasingly focusing on its urban public transport facilities. The companies of the Schaltbau Group are prepared to make good use of any opportunities arising in this field. Assuming major economic and political factors remain favourable, sales and earnings are also likely to perform positively in 2014.

Other disclosures

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

Munich, 15 March 2013
The Executive Board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The Schaltbau share

Again in 2012, share prices on international stock markets were heavily influenced by the impact of the sovereign debt crisis persisting in many countries. The accompanying uncertainty resulted in a widespread atmosphere of instability on stock markets. In this difficult environment, the DAX traded within a range of 5,969 and 7,672 points during 2012. Trading volumes declined significantly and volatility was higher than in the previous year.

The initial upward trend was followed by an equally long phase of consolidation until the DAX finally reached its low for the year in early June 2012. From this point onwards the index took a sharp upward turn in the months that followed, additionally bolstered by a clear commitment to the euro voiced by ECB boss Mario Draghi at the end of July. After two months of lateral movement, in mid-November, shortly after Barack Obama was re-elected president of the USA, the DAX took off to stage a year-end rally that culminated in a five-year high at 7,672 points three days before trading closed for the year.

The DAX ended the final day of 2012 at 7,612 points and thus approximately 29 per cent above the level seen one year earlier. The small caps listed in the SDAX performed similarly to their blue-chip DAX counterparts, but at a generally lower level of fluctuation. Compared with its position at the end of 2011, the SDAX gained 18.7 per cent to finish the year at 5,249 points.

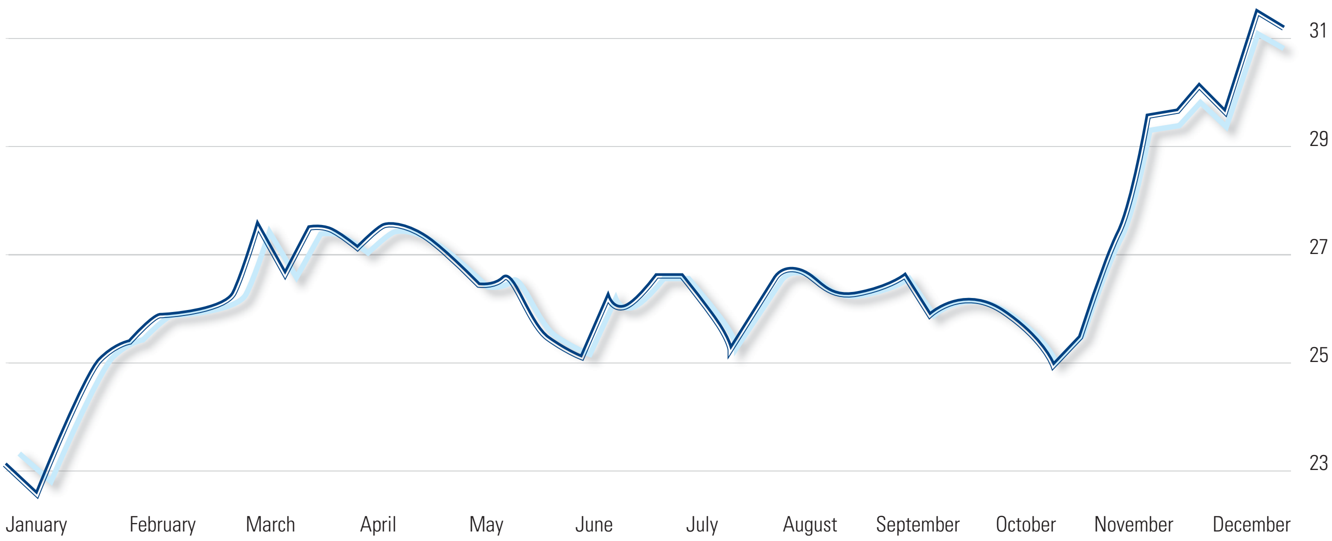
Share split in August

Since 20 August 2012 the Schaltbau share has been traded and quoted "ex split", in conjunction with the share split resolved at the Annual General Meeting held on 6 June 2012. Since the split, although the share capital of Schaltbau Holding AG remains unchanged at € 7,505,671.80, it is now divided into 6,152,190 (previously 2,050,730) non-par bearer shares. The arithmetic value of one bearer share is now € 1.22 as compared to its previous value of € 3.66. The stock market price per share was reduced accordingly by two thirds.

In the interest of better comparability, the following information relating to the number of shares has been adjusted in line with the share capital split.

Schaltbau continued steep upward trend

After successfully gaining 23 per cent in value during 2011, bucking the generally negative market trend, 2012 was again a very good year for the Schaltbau share. Finishing the 2011 stock market year at € 23.47, on 10 January 2012 the Schaltbau share traded at its lowest point of € 22.77 for the entire year. In line with the market as a whole, the share then displayed a two-and-a-half-month upward swing within a range of € 25.00 to € 27.50 up to the beginning of November. After Schaltbau announced its forecast for 2013, the share recorded further strong price rises, reaching its high for the year of € 31.28 on the second-last day of trading. At the year-end the share stood at € 31.05 and hence 32.3 per cent above the level registered the same day one year earlier.



SDAX ranking further improved

The share capital of Schaltbau Holding AG remained unchanged at € 7,505,671 at 31 December 2012. The 1:3 share split implemented on 20 August 2012 caused the number of Schaltbau shares to triple from 2,050,730 shares in 2011 to 6,152,190 shares after the split. The number of shares held by Schaltbau represents an unchanged percentage of the share capital; however, due to the split, the number has increased from 5,000 last year to a current total of 15,000 shares.

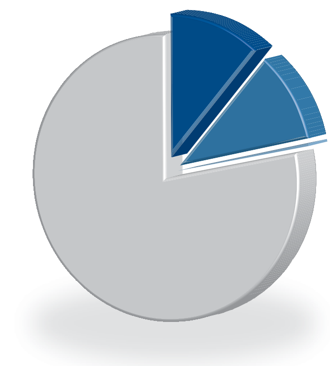
The volume of shares traded fell significantly during the year under report. A total of 3,096,790 Schaltbau shares were traded on German stock exchanges during the fiscal year, i.e. 23.3 per cent or 939,056 shares less than the previous year when compared with the same number of shares after the split. Hence trading activities in Schaltbau shares performed in line with the market as a whole. According to the German stock exchange, a total of 1.16 trillion euros were traded on spot markets in 2012, a figure 23.2 per cent down on that recorded the previous year. The renewed sharp rise in the trading price of the Schaltbau share softened the impact of the reduced trading volume, which amounted to € 81.8 million and therefore 10.8 per cent less than one year earlier.

Schaltbau improved its overall ranking by another four places to 87th, measured in terms of the MDAX/SDAX criterion 'trading volume' at the end of December 2012 (end of December 2011: 91st) and also gained six places to be ranked 87th in terms of market capitalisation (end of December 2011: 93rd).

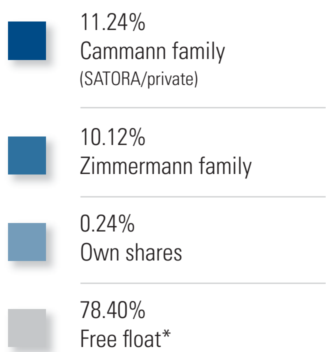
Cammann and Zimmermann families remain principal shareholders

Family shareholdings continue to be the cornerstones of the shareholder structure. The Cammann family, i.e. SATORA Beteiligungs GmbH, slightly increased its holding of Schaltbau shares during the year under report to 11.24 per cent of Schaltbau Holding AG as at 31 December 2012. The Zimmermann family held 10.12 per cent of Schaltbau Holding AG shares at the year-end. Both of these holdings are classed as "fixed holdings" as defined by Deutsche Börse AG. In addition, Schaltbau holds 15,000 of its own shares that constitute 0.24 per cent of the total share capital. The "free float" as defined by Deutsche Börse AG, a primary criterion for calculating market capitalisation and therefore the index ranking, is 78.4 per cent.

Furthermore, according to Company information, as at 31 December 2012 FPM Frankfurt Performance Management AG held 3.25 per cent, Kreissparkasse Biberach held 3.05 per cent and



Shareholder structure*



* As defined by Deutsche Börse AG, as at 31 December 2012

the Amsterdam-based Monolith N.V. held 3.01 per cent of Schaltbau Holding AG shares.

Shareholder base broadened

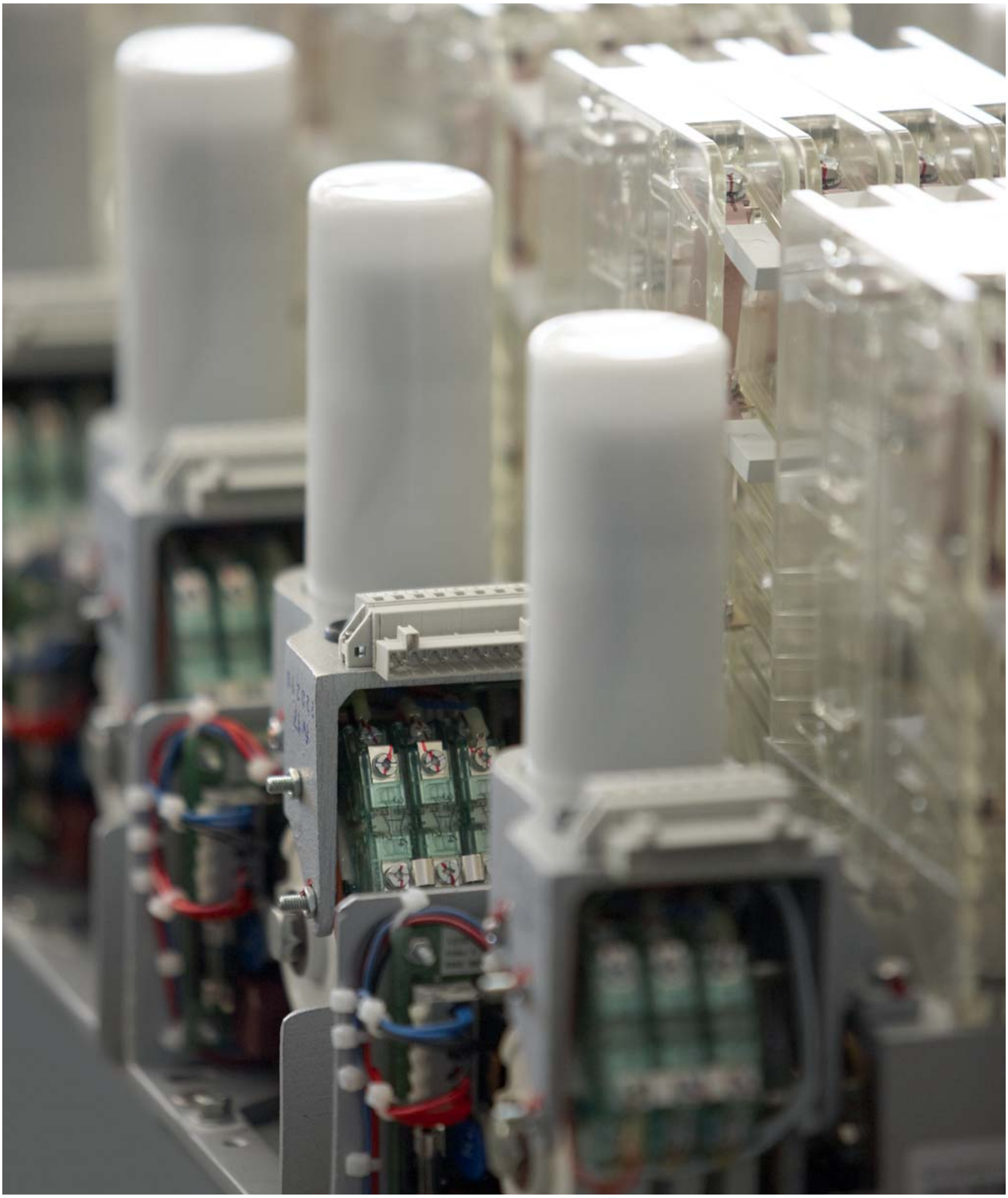
The on-going positive operating performance coupled with its entry into the SDAX in September 2011 ensured that the Schaltbau share increasingly came to the attention of investors. Moreover, during 2012, members of the Executive Board spoke to a great number of current and potential investors as well as analysts in the course of conferences, road shows and individual contacts both in Germany and abroad. The number of investment fund engagements in the Schaltbau share continued to grow during 2012, giving the shareholder base greater breadth and stability. It was especially pleasing to see the volume of new commitment from funds investing on the basis of sustainability criteria. The trend shows that stock market investors are becoming increasingly aware of the Schaltbau Group's strategy, which is bearing fruit in line with the permanently growing demand for products and systems designed for environmentally compatible transportation, such as the railway industry, and which address key markets of the future with its applications in the field of renewable energy.

Our success is the result of an actively open, intensive dialogue with the capital market, also reflected in what are now three additional analyst coverages, bringing the number of analyst companies assessing the prospects of the Schaltbau share up to seven.

We use the internet as our main platform for distributing information. All relevant documents are promptly published on www.schaltbau.de, where you will find detailed information on the Schaltbau Group and its subsidiaries as well as the latest figures on the share, the shareholder structure, directors' dealings and important financial dates. Furthermore, annual and interim reports, analysts' recommendations, ad hoc announcements and press releases, important information regarding the Annual General Meeting and also other important documents in both German and English are available to download from the website.

Xetra, closing prices		**2012**	2011	2010
High	€	**31.28**	27.96*	20.33*
Low	€	**22.77***	18.40*	11.28*
End-of-year price	€	**31.05**	23.47*	19.08*
Earnings per share (undiluted)	€	**3.09**	3.13*	2.17*
Earnings per share (diluted)	€	**3.09**	3.13*	2.03*
Number of shares		**6,152,190**	6,152,190*	5,625,486*
Share capital	€ m.	**7.51**	7.51	6.86
Market capitalisation as at 31 December	€ m.	**190.6**	144.39	107.35
Trading volume all exchanges/Xetra	€ m.	**81.83**	91.72	56.26
Shares traded		**3,096,790***	4,035,846*	3,688,257*

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



Corporate Governance Report of Schaltbau Holding AG, Munich

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 three 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 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

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.

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 2012 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 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 € 1,334,000 for the fiscal year 2012. The compensation includes payments in kind resulting from the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each of the members of the Executive Board.

Person subject to report	Position	Shareholding at 31 Dec. 2012
Dr. Jürgen Cammann	Spokesman of the Executive Board	691,347
Hans Jakob Zimmermann	Chairman of the Supervisory Board	622,710
Peter Jahrmarkt	Deputy Chairman of the Supervisory Board	4,794
Friedrich Smaxwil	Member of the Supervisory Board	210

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 € 229,000 in 2012. Pension provisions totalling € 445,000 (IFRS) are recognised at 31 December 2012.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2012.

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 2012.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. The dividend paid in 2012 was above this level and for this reason a total of € 115,500 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, two members of the Supervisory Board received € 36,000 for additional time spent on behalf of the company in 2012.

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 14 December 2012 and is an integral part of the Corporate Governance Statement, which is in turn an integral part of the Management Report.

Munich, April 2013

The Executive Board
The Supervisory Board

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 2012.

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;compliance with legal requirements.

- 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 auditor 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

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

Voting rights announcements
www.schaltbau.de, category:
Investor Relations/Annual document

Interim reports
www.schaltbau.de, category:
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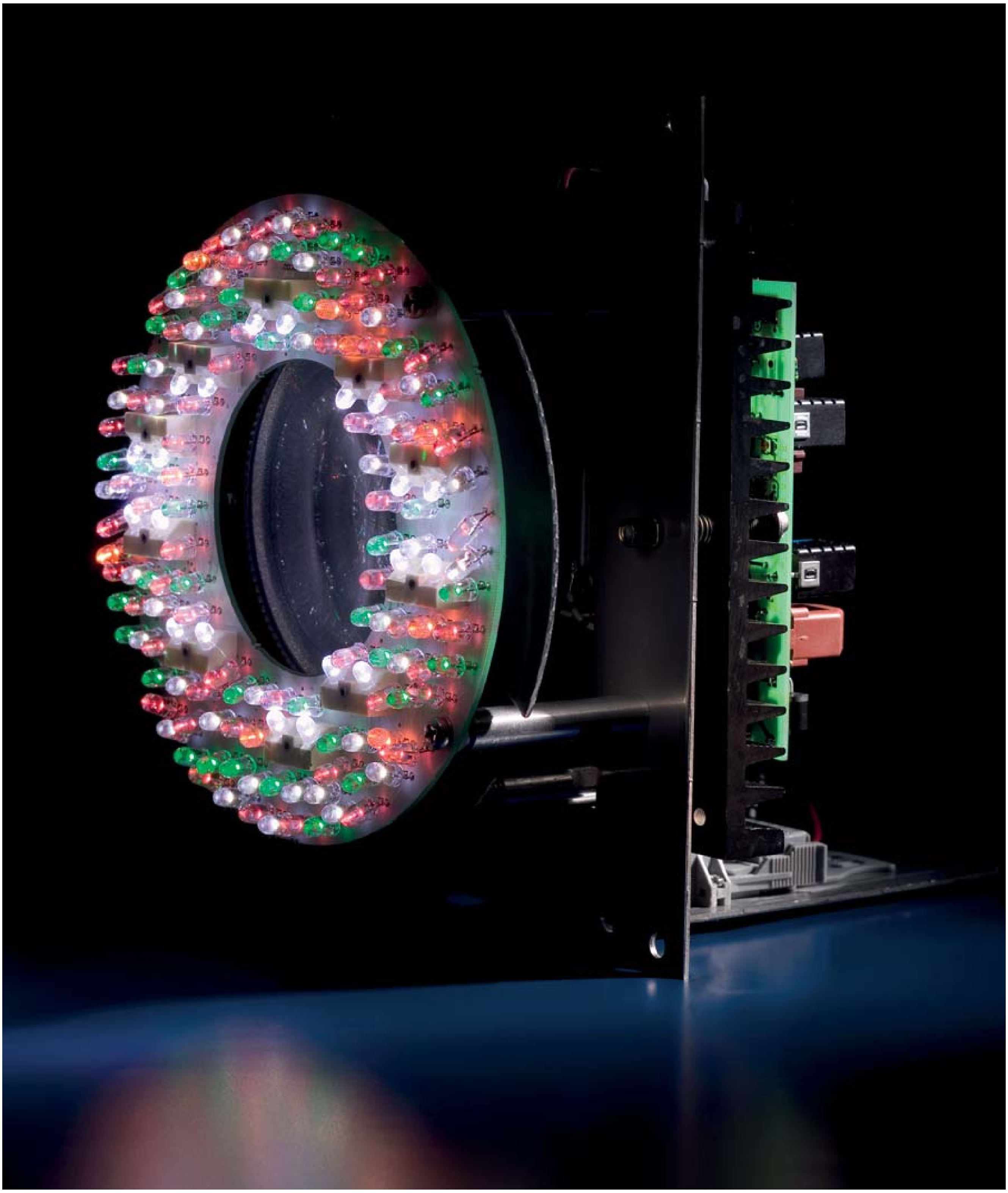

Consolidated Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2012

in € 000	Notes	2012	2011
1. Sales	(1)	362,809	318,391
2. Change in inventories of finished goods and work in progress	(2)	3,945	5,468
3. Own work capitalised	(2)	1,111	498
4. Total output		**367,865**	**324,357**
5. Other operating income	(3)	4,378	5,005
6. Cost of materials	(4)	184,812	166,792
7. Personnel expense	(5)	112,089	95,407
8. Amortisation and depreciation		7,486	7,192
9. Other operating expenses	(6)	38,352	32,482
Profit before financial result and taxes (EBIT)		**29,504**	**27,489**
a) Result from at-equity accounted investments		1,954	2,049
b) Sundry other result from investments		-340	1,871
10. Results from investments	(7)	1,614	3,920
a) Interest income		134	26
b) Interest expense		5,236	6,486
11. Financial result	(8)	-5,102	-6,460
12. Profit before tax		26,016	**24,949**
13. Income taxes	(9)	3,792	3,296
14. Group net profit for the period		**22,224**	**21,653**
Analysis of the Group net profit for the period			
attributable to minority shareholders		3,244	2,946
attributable to the shareholders of Schaltbau Holding AG		18,980	18,707
Group net profit for the period		**22,224**	**21,653**
Earnings per share - undiluted	(10)	**€ 3.09**	**€ 3.13***
Earnings per share - diluted		**€ 3.09**	**€ 3.13***

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

Consolidated Statement of Comprehensive Income of Schaltbau Holding AG, Munich
1 January - 31 December 2012

in € 000	2012			2011		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the period			**22,224**			**21,653**
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			-403			1,169
- from at-equity accounted companies			267			-580
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	-670	201	-469	-1.404	421	-983
- Realised gains (-) / losses (+)	907	-272	635	334	-100	234
Revaluation of land			0			0
Other comprehensive income			**30**			**-160**
Group comprehensive income			**22,254**			**21,493**
of which:						
attributable to minority shareholders			3,089			3,473
attributable to the shareholders of Schaltbau Holding AG			19,165			18,020

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich
1 January – 31 December 2012

in € 000	Notes	2012	2011
Profit before financial result and taxes (EBIT)		**29,504**	**27,489**
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		7,474	7,187
Gains/losses on the disposal of intangible assets and property, plant and equipment		5	97
Change in current assets		-17,062	-8,850
Change in provisions		-2,089	-3,837
Change in current liabilities		-3,659	6,491
Dividends received		130	563
Income taxes paid		-7,215	-3,644
Other non-cash income / expenses		-45	149
Cash flows from operating activities	(a)	**7,043**	**25,645**
Payments for investments in:			
- Intangible assets and property, plant and equipment		-9,349	-8,595
- Financial investments		-457	-2,980
- Acquisitions of fully consolidated entities less cash acquired		-2,789	-2,050
Proceeds from disposal of:			
- Property, plant and equipment		34	33
- Financial investments		0	144
Cash flows from investing activities	(b)	**-12,561**	**-13,448**
Dividend payment by Schaltbau Holding AG		-3,682	-2,057
Distribution to minority interests		-1,552	-1,388
Capital increase by minority shareholders		0	554
Amounts repaid in conjunction with refinancing		0	-6,290
Amounts borrowed in conjunction with refinancing		0	6,425
Loan repayments		-6,360	-4,569
New loans raised		8,000	4,100
Interest paid		-3,678	-4,783
Interest received		134	26
Change in current financial liabilities		8,147	-3,695
Cash flows from financing activities	(c)	**1,009**	**-11,677**
Change in cash funds due to exchange rate fluctuations		-46	167
Change in cash funds	(d)	**-4,555**	**687**
Cash funds at the end of the year		7,663	12,218
Cash funds at the beginning of the year		12,218	11,531
		-4,555	**687**

Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2012

ASSETS

in € 000	Notes	2012	2011
A. NON-CURRENT ASSETS			
I. Intangible assets	(11)	22,943	20,020
II. Property, plant and equipment	(11)	46,654	43,975
III. At-equity accounted investments	(11)	7,459	6,347
IV. Other investments	(11)	3,660	3,655
V. Deferred tax assets	(9)	13,352	10,382
		94,068	**84,379**
B. CURRENT ASSETS			
I. Inventories	(12)	75,008	60,833
II. Trade accounts receivable	(13)	66,440	47,830
III. Income tax receivables	(13)	453	242
IV. Other receivables and assets	(13)	11,413	7,603
V. Cash and cash equivalents	(14)	8,510	12,727
		161,824	**129,235**
		255,892	**213,614**

EQUITY AND LIABILITIES

in € 000	Notes	2012	2011
A. EQUITY	(15)		
I. Subscribed capital	(16)	7,506	7,506
II. Capital reserves	(17)	15,805	15,805
III. Statutory reserves	(17)	231	231
IV. Revenue reserves	(17)	22,010	6,819
V. Reserve for income/expenses recognised directly in equity	(17)	292	273
VI. Revaluation reserve	(17)	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		18,980	18,707
VIII. Equity attributable to shareholders of Schaltbau Holding AG		67,865	52,382
IX. Minority interests	(18)	8,599	7,150
		76,464	**59,532**
B. NON-CURRENT LIABILITIES			
I. Participation rights capital	(19)	7,104	7,077
II. Pension provisions	(20)	26,631	18,504
III. Personnel - related accruals	(21)	3,481	3,578
IV. Other provisions	(21)	66	334
V. Financial liabilities	(22)	49,866	36,700
VI. Other liabilities	(22)	178	10
VII. Deferred tax liabilities	(9)	6,845	6,602
		94,171	**72,805**
C. CURRENT LIABILITIES			
I. Personnel - related accruals	(21)	6,332	5,676
II. Other provisions	(21)	19,469	16,117
III. Income taxes payable	(22)	160	561
IV. Financial liabilities	(22)	7,199	7,120
V. Trade accounts payable	(22)	21,137	20,023
VI. Advance payments received	(22)	14,699	16,823
VII. Other liabilities	(22)	16,261	14,957
		85,257	**81,277**
		255,892	**213,614**

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 01.01.2011	**6,863**	**8,585**	**231**	**-1,659**	**-848**	**3,041**
Profit brought forward	0	0	0	12,132	0	0
Bonds issued / converted	643	7,220	0	0	0	0
Dividends	0	0	0	-2,057	0	0
Group net profit for the period	0	0	0	0	0	0
Other comprehensive income	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**
Balance at 01.01.2012	**7,506**	**15,805**	**231**	**8,416**	**-1,597**	**3,041**
Profit brought forward	0	0	0	18,707	0	0
Dividends	0	0	0	-3,682	0	0
Group net profit for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	166	0
Group comprehensive income	0	0	0	0	166	0
Balance 31.12.2012	**7,506**	**15,805**	**231**	**23,441**	**-1,431**	**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						
-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	7,863	554	0	554	8,417
0	0	0	-2,057	-1,427	0	-1,427	-3,484
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**
568	**-295**	**18,707**	**52,382**	**4,204**	**2,946**	**7,150**	**59,532**
0	0	-18,707	0	2,946	-2,946	0	0
0	0	0	-3,682	-1,640	0	-1,640	-5,322
0	0	18,980	18,980	0	3,244	3,244	22,224
-248	267	0	185	-155	0	-155	30
-248	267	18,980	19,165	-155	3,244	3,089	22,254
320	**-28**	**18,980**	**67,865**	**5,355**	**3,244**	**8,599**	**76,464**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG, Munich
for the Fiscal Year 2012

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, shunting and signals technology, 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 field of traffic technology as well as for specific industrial applications.

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

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

The Consolidated Financial Statements and Group Management Report drawn up for the fiscal year ending on 31 December 2012 were approved for publication by the Executive Board on 15 March 2013. The Consolidated Financial Statements and Group Management Report will be posted in the Electronic Federal Gazette.

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

CONSOLIDATION PRINCIPLES
The financial statements of the companies included in the Consolidated Financial Statements of Schaltbau Holding AG have been drawn up to 31 December using uniform accounting policies.

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

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

In the event that write-downs have been recognised in the separate company financial statements on the cost of investment of consolidated companies or on 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 if material.

In addition to **Schaltbau Holding AG**, the following 10 (2011: 8) German and 7 (2011: 6) foreign companies are included in the Consolidated Financial Statements of **Schaltbau Holding AG**:

Company	Registered office	Shareholding
Gebr. Bode GmbH & Co. KG [1)]	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Bode Zustiegssysteme GmbH	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 Tiefenbach GmbH [1)]	Sprockhövel	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	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.	Hauppauge (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 2012 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%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
Pintsch Bubenzer Industrial Brakes (Shenyang) Ltd.	Shenyang (P.R.CH.)	100%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bubenzer MyPort Sdn. Bhd.	Johor (Malaysia)	100%
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

Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Dinslaken, acquired all of the shares of Rangier- und Signalspezialisten Tiefenbach GmbH, Sprockhövel, on 2 January 2012. The acquired entity changed its name to Pintsch Tiefenbach GmbH on 17 February 2012. A related operation in the USA was also acquired at the same time and incorporated into Pintsch Bamag US Inc. in Marion, Illinois (USA), a wholly owned subsidiary of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. Pintsch Bamag US Inc. changed its name to Pintsch Tiefenbach US Inc. with effect from 1 October 2012. The purchase price consideration amounted to € 7,850,000.

Pintsch Tiefenbach GmbH has established itself as one of the leading specialists for train formation and signalling systems. With this acquisition, PINTSCH BAMAG intends 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. The complementary operations of the PINTSCH BAMAG Group and Pintsch 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. This business combination is therefore not only planned as a continuation of the various operations conducted by the individual entities to date; the new constellation will also open up new opportunities for expansion.

Via its newly founded subsidiary Bode Zustiegssysteme GmbH, based in Kassel, Gebr. Bode GmbH & Co. KG, also based in Kassel, acquired the operations of Werner Kircher, Elektro- und Feinmechanischer Gerätebau, Ahnatal, on 1 September 2012 in an asset deal.

Over the last few years, Werner Kircher has earned an excellent reputation as a specialist manufacturer of boarding systems and their components. The purchase price consideration amounted to € 3,000,000. With the acquisition of Werner Kircher, the Bode Group is bolstering its own core competence as a full-range provider of door and boarding systems. The takeover not only provides Bode with access to product-specific manufacturing processes, but also to the entire value-added chain for boarding systems.

Bode Zustiegssysteme GmbH is now fully consolidated alongside Pintsch Tiefenbach GmbH and Pintsch Tiefenbach US Inc. Compared to 31 December 2011, three fully consolidated companies have therefore been added to the Group reporting entity.

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 impact on the consolidated balance sheet as at 31 December 2012 of the various acquisitions in 2012 (Tiefenbach GmbH, that entity's activities in the USA and the operations of Werner Kircher, Elektro- und Feinmechanischer Gerätebau) are shown in the following balance sheet. In order to achieve better comparability, the amounts shown must be deducted from (or, in the case of amounts shown with a negative sign, added to) the corresponding line items in the consolidated balance sheet as at 31 December 2012.

BALANCE SHEET PER 31 DECEMBER 2012

in € 000			
Intangible assets and property, plant and equipment	4,003	Revenue reserves including translation differences	-58
Investments	0	Retained earnings	83
Deferred tax assets	1,031	Deferred tax liabilities	175
Inventories	8,645	Pension provisions	8,674
Trade accounts receivable	10,505	Other provisions	5,503
Other assets	2,154	Liabilities to banks	9,383
Cash and cash equivalents (including marketable securities)	578	Trade accounts payable and other liabilities	3,156
	26,916		**26,916**

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

INCOME STATEMENT
1 JANUARY – 31 DECEMBER 2012

in € 000	
Sales	24,241
Change in inventories	1,456
Own work capitalised	81
Other operating income	-335
Cost of materials	10,074
Personnel expense	9,694
Amortisation and depreciation	489
Other operating expenses	4,027
Net interest result	-440
Income taxes	424
Profit transfer on basis of profit and loss transfer agreement	-212
Group net profit for the period	83

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

in € 000	Carrying amounts at acquisition date	Adjustments	Fair values at acquisition date
Intangible assets	95	1,570	1,665
Property, plant and equipment	897		897
Investments	431		431
Deferred tax assets	967		967
Inventories	7,666	588	8,254
Trade accounts receivable	7,646		7,646
Other assets	2,280		2,280
Cash and cash equivalents	7,462		7,462
Total assets acquired	**27,444**	**2,158**	**29,602**
Deferred tax liabilities	0	297	297
Pension provisions	8,758		8,758
Other provisions	4,383	100	4,483
Financial liabilities	3,000		3,000
Trade accounts payable and other liabilities	3,504		3,504
Total liabilities acquired			**20,042**
Net assets acquired			**9,560**
Acquisition costs			10,850
Goodwill			**1,290**

As part of the process of allocating the purchase price to the assets and liabilities acquired, fair values at acquisition date were derived from carrying amounts previously used for German accounting purposes. Fair value adjustments were identified in particular for technology-related intangible assets and inventories. The corresponding expenses resulting from the scheduled roll-forward of these items are recognised in cost of materials and amortisation/depreciation. A corresponding deferred tax benefit worked in the opposite direction. A liability for relocation obligations was accrued as a negative fair value adjustment. The corresponding adjustments to carrying amounts and the related deferred tax effects are shown in the adjustment column. Overall, goodwill amounted to € 1,290,000. Goodwill deductible for tax purposes is expected to amount to € 1,023,000.

In the case of the property, plant and equipment and inventories acquired in conjunction with the acquisition of the operations of Werner Kircher, Elektro- und Feinmechanischer Gerätebau, the only carrying amounts available for these assets at acquisition date were tax-based values which differ significantly from carrying amounts for German accounting purposes. The provisional fair values determined by the Schaltbau Group for IFRS purposes are therefore shown in the above table as "Carrying amounts at acquisition date".

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-time 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 on the amounts of taxes recognised. With respect to the future recoverability of tax benefits in situations where deferred tax assets have been recognised on tax losses available for carryforward, it is possible that future events – such as the amount of taxable income that can be generated or changes in tax legislation – may have an impact on the timing or amount of tax benefits that can be recovered.

Other significant estimates relate to capitalised development costs, 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	
	31.12.2012	31.12.2011	**2012**	2011
Chinese renminbi yuan	8.3378	8.2339	8.1160	9.0032
US dollar	1.3217	1.2950	1.2859	1.3926
British pound	0.8179	0.8379	0.8113	0.8680
New Turkish lire	2.3660	2.4648	2.3151	2.3355
Polish zloty	4.0762	4.4326	4.1831	4.1180

ACCOUNTING PRINCIPLES AND POLICIES

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

Intangible assets with a limited useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trademarks and software are amortised over a period of 3 to 5 years. 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 7.5% (2011: 7.7%) is currently applied. The discount rate is based on a risk-free interest rate of 2.25% (2011: 2.75%) and a market risk premium of 6.75% (2011: 6.25%). In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and a capital structure derived for a comparable peer group of entities are taken into account when measuring the recoverable amount of a cash-generating unit.

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

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

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as investments are stated at 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 8.8% for each individual investment. Specific country risks in China and Turkey resulted in interest rates of between 10.9% and 14.2%. 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 knowled-

geable, willing parties in an arm's length transaction. All non-derivative financial instruments are stated at their amortised cost.
Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts), to hedge interest rate risks (interest rate swaps) and in one case to hedge an interest rate / currency risk (cross – currency swap). The interest rate swaps and the cross currency swap are structured as cash flow hedges. In addition the Group uses commodity 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 (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. They are measured on the basis of the best estimate of the expenditure required to settle the obligation, taking into account all identifiable risks, and – with the exception of entitlements from reinsurance contracts for early retirement part-time working obligations – are not offset against any recourse claims. Warranty provisions are measured on the basis of past warranty expenditure, the length of the warranty period and the volume of sales still subject to warranty. In addition, specific warranty provisions are recognised for known damages. Provisions that contain an interest component are discounted using an appropriate market interest rate.

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

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

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.

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

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

Standards, Interpretations and Amendments applied for the first time in the fiscal year 2012
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. In the year of first-time application, there is no requirement to make comparative prior year disclosures.

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 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 l July 2012. Earlier application is permitted. The Schaltbau Group does not expect that application of the amendments 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 will have to be recognised through OCI. Past service costs are now required to be recognised in profit or loss in the period in which they arise.

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

The amendment is mandatory for the first time for annual periods beginning on or after January 1, 2013.

Since the Schaltbau Group currently uses the corridor method, the amendment would, based on circumstances at 31 December 2012, result in a € 7.6 million increase in the pension provision. Following a change from the corridor method to the new method, Schaltbau Holding AG's consolidated income statement would 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.

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

IFRS 10 Consolidated Financial Statements sets out a new definition of control. If one entity controls another entity, the parent company must consolidate the subsidiary company. Under the new concept, an entity controls another entity if it has the ability to direct its activities on the basis of voting or other rights, if it participates in positive and negative variable returns from the controlled entity and if it has the 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 is mandatory for annual periods beginning on or after 1 January 2014. 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 is mandatory for annual periods beginning on or after 1 January 2014. 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 Interests in Other Entities brings together in a single Standard all disclosure requirements which an entity must fulfil when it has shares or an interest in another entity; this includes investments/interests in subsidiaries, associated companies, joint arrangements and structured entities. The new Standard supersedes the previous disclosure requirements contained in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures and SIC-12 Consolidation – Special Purpose Entities.

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 is mandatory for annual periods beginning on or after 1 January 2014.

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

The Amendment is mandatory for annual periods beginning on or after 1 January 2014. 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.

Application of the amendment to IAS 32 is mandatory for annual periods beginning on or after 1 January 2014.

Application of the amendment to IFRS 7 is mandatory 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 different fair value measurements from those arising under the previous rules.

The new Standard is mandatory for annual periods beginning on or after 1 January 2013.

Not yet endorsed by the EU:
During 2012 the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

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

The amendments to IFRS 10, IFRS 11 and IFRS 12 – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2014.

The IASB has published amendments under the title **Amendments to IFRS 9 and IFRS 7 - Mandatory Effective Date and Transition Disclosures**, which allow reporting entities not to present adjusted prior year figures on the first-time application of IFRS 9. Originally, this exemption was only to be permitted in the event of early application of IFRS 9 before 1 January 2012. The exemption entails additional notes disclosures in accordance with IFRS 7 at the date of transition.

Similar to the requirements contained in IFRS 9, the amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2015.

In May 2012, as part of the Annual Improvement Project, the IASB issued amendments to five Standards under the title **Improvements to IFRS 2009 – 2011**. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs. Some amendments also had the effect of changing rules relating to the recognition and measurement of items as well as to disclosures in the notes to the financial statements. The Standards affected are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after January 1, 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 into one of two measurement categories: at amortised cost or 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 recognized as a 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 recognized through profit or loss.

IFRS 9 – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after January 1, 2015.

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 2012, the Group had 10 forward exchange contracts in place with banks (2011: 12) for a total amount of US$ 7,764,000 (2011: US$ 9,562,000), to hedge cash flows with foreign customers). As in the previous year, all forward currency contracts in place at the end the reporting period relate to sales contracts and all mature in 2013. An unrealised loss of € 72,000 (2011: € 357,000) has been recognised for contracts with a negative fair value and an unrealised gain of € 8,000 (2011: € 3,000) has been recognised for contracts with a positive fair value.

There were no silver forward contracts in place at 31 December 2012 to hedge against price fluctuations relating to the silver content of intermediate products (2011: 26 contracts, total amount € 2,477,000). All of the previous year's forward contracts matured in 2012.

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 € 775,000 (31 December 2011: € 1,025,000) had a positive market value of € 24,000 at the end of the reporting period (31 December 2011: € 56,000).

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		TRY		INR	
	2012	2011	**2012**	2011	**2012**	2011
Trade accounts receivable	-137	-104	-	-	-	-40
Receivables from affiliated companies	-123	-78	-	-	-	-
Receivables from associated companies	-	-	-77	-	-	-
Trade accounts payable	17	13	-	-	-	-
Payables to affiliated companies	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Gross risk exposure	**-243**	**-169**	**-77**	**-**	**-**	**-40**
Currency hedging	143	68	-	-	-	-
Net risk exposure	**-100**	**-101**	**-77**	**-**	**-**	**-40**

In addition, the following seven (2011: 4) interest rate swaps were in place at the end of 2012:

No.	Nominal amount in € 000	**Fair value in € 000 31.12.2012**	Fair value in € 000 31.12.2011	Maturity date
1	6,000	-927	-822	30.12.2016
2	6,000	-976	-557	28.06.2019
3	1,350 1)	-61	-123	30.06.2014
-	- 2)		-96	31.12.2012
4	2,000	+31	-	31.08.2017
5	1,000	+24	-	31.08.2017
6	500	+18	-	31.08.2017
7	500	+8	-	31.08.2017
Σ	**17,350**	**-1,883**	**-1,598**	

1) Nominal amount of the swap at 31.12.2011: € 2,250,000
2) Nominal amount of the swap at 31.12.2011: € 3,000,000

As a result of obligations relating to interest-rate swaps, an amount of € 282,000 (2011: € 257,000) 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), € 635,000 (2011: € 234,000) of amounts previously recognised directly in OCI were reclassified to cost of materials, other operating expenses, interest expense and deferred taxes (see Group 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	2012	2011
Mobile Transportation Technology	123,486	122,528
Stationary Transportation Technology	142,055	105,379
Components	97,168	90,385
Holding company	100	99
	362,809	**318,391**

Sales include an amount of € 1,205,000 (2011: € 0) recognised using the percentage-of-completion method. The corresponding expenses recognised in 2012 amounted to € 955,000 (2011: € 0). The income statement impact of using the percentage-of-completion method in 2012 was a profit of € 250,000 (2011: € 0). Advance payments received from customers at the end of the reporting period amounted to € 338,000 (2011: € 0).

Contract costs comprise costs that are directly and indirectly attributable to the contract as well as costs that can be charged to customers under the terms of the contract. The stage of completion of a project is determined on the basis of milestones achieved, as measured in conjunction with project controlling. Sales revenue is recognised accordingly. Balances on customer contracts at the end of the reporting period amounted to € 4,000 (positive) and € 8,000 (negative) respectively.

Sales by market

in € 000	2012	2011
Germany	160,306	147,167
Other EU countries	90,117	82,808
Other European countries	29,735	26,239
China / Hong Kong	48,532	43,894
North America	19,976	12,081
Other countries	14,143	6,202
	362,809	**318,391**

85.9% (2011: 87.2%) of sales were billed in euro, 6.8% (2011: 7.1%) in Chinese renminbi yuan and 7.0% in US dollar (2011: 4.9%); other currencies accounted for 0.3% (2011: 0.8%). On the expense side, 91.7% (2011: 92.6%) of personnel, material and other non-personnel expenditure were settled in euro, 3.7% in US dollar (2011: 2.2%) and 3.5% (2011: 4.0%) in renminbi yuan; 1.1% (2011: 1.2%) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 126,999,000 or 35.0% (2011: € 108,375,000 or 34.0%).

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

in € 000	2012	2011
Change in inventories	3,945	5,468
Own work capitalised	1,111	498
	5,056	**5,966**

(3) OTHER OPERATING INCOME

in € 000	2012	2011
Reversal of allowances	132	367
Reversal of provisions	2,209	2,208
Public-sector grants	276	94
Exchange gains	493	1,154
Gains on derivatives	144	263
Sundry other operating income	1,124	919
	4,378	**5,005**

Other operating income includes income of € 2,754,000 (2011: € 2,654,000) 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	2012	2011
Cost of raw materials, supplies and purchased goods	161,538	147,911
Cost of purchased services	23,274	18,881
	184,812	**166,792**

Cost of materials was increased in 2012 by € 332,000 (2011: € 109,000) 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 Combined Group and Company Management Report.

(5) PERSONNEL EXPENSE / EMPLOYEES

in € 000	2012	2011
Wages and salaries	93,786	80,463
Social security, pension and welfare expenses	18,303	14,944
	112,089	**95,407**
Number of employees		
Development	247	207
Purchasing and logistics	179	162
Production	876	788
Sales and marketing	255	217
Administration including Executive Board members and group company directors	166	141
Trainees	19	19
	1,742	**1,534**

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 Combined Group and Company Management Report.

(6) OTHER OPERATING EXPENSES

in € 000	2012	2011
Operational costs	4,856	3,642
Administrative costs	13,771	11,698
Selling costs	14,367	12,267
Employee-related costs	1,494	1,742
Losses on the disposal of non-current assets	21	103
Allowances on receivables	638	395
Exchange losses	702	1,016
Losses incurred on derivative instruments	19	218
Other taxes	777	446
Sundry other expenses	1,707	955
	38,352	**32,482**

Expenses relating to prior periods totalled € 198,000 (2011: € 351,000).

Research and development expenditure in 2012 amounted to € 21,763,000 (2011: € 18,851,000), and the corresponding expense was € 21,386,000 (2011: € 18,699,000). Accordingly, a total of € 377,000 (2011: € 152,000) 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 2012 and 2011 was € 3,746,000 and € 3,063,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 3,372,000 (2011: € 3,896,000) payable in up to one year, € 5,884,000 (2011: € 5,542,000) in up to five years and € 1,187,000 (2011: € 1,291,000) later than five years.

Purchases from the five largest suppliers accounted for 8.1% (2011: 10.6%) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

in € 000	**2012**	2011
Result from equity accounted investments	1,954	2,049
Sundry other result from investments	-340	1,871
	1,614	**3,920**

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

The result from equity accounted investments relates to the Group's share of the profit for the year of BoDo Bode-Dogrusan (Turkey), RAWAG (Poland) and Rail Door Solutions Ltd (UK).

Sundry other result from investments in 2012 relates to an impairment loss (€ 340,000) recognised on the cost of investment of a non-consolidated foreign subsidiary. In the previous year, sundry other result from investments included 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 (€ 2,400,000) and RAWAG (€ 679,000) as well as the expense for impairment losses on investments in non-consolidated foreign subsidiaries amounting to € 1,353,000.

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 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 € 2,173,000 / € 1,775,000 (2011: € 2,252,000 / € 1,843,000).

(8) FINANCIAL RESULT

in € 000	**2012**	2011
Other interest and similar income (of which from affiliated companies)	134 (25)	26 (7)
Interest and similar expenses (of which to affiliated companies)	- 5,236 (-13)	- 6,486 (-8)
	- 5,102	**- 6,460**

Interest expenses include € 1,492,000 (2011: € 1,074,000) relating to the interest component of allocations to pension provisions and € 0 (2011: € 1,322,000) relating to the unwinding of interest on liabilities. Also included is an interest expense of € 1,117,000 (2011: € 1,114,000) on participation rights capital. The interest expense for the year increased by € 403,000 (2011: € 368,000) 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 2012 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 31.12.2012**		+ 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	- 2,046	3.63%	754	114	528	- 665	- 114	- 465
Bank interest				- 397			397	
Sundry other interest				- 4			4	
Total cash flow sensitivity				**- 287**			**287**	

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**	

(9) INCOME TAXES

in € 000	2012	2011
Income tax expense	5,923	4,830
Deferred tax income	- 2,131	-1,534
	3,792	**3,296**

Tax pooling arrangements are in place between Schaltbau Holding AG and the German operating companies (with the exception of Pintsch Tiefenbach GmbH) for corporation, municipal trade and value added tax purposes wherever the conditions for such arrangements are met.

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

in € 000	31.12.2012			31.12.2011		
	Deferred tax assets	Deferred tax liabilities	Result	Deferred tax assets	Deferred tax liabilities	Result
Fixed assets	1,651	5,652	3	1,464	5,565	309
Inventories	959	64	311	761	-	275
Other current assets	403	214	37	283	115	92
Pension provisions	1,502	-	3	756	-	-27
Other provisions	578	3	-224	793	-	-103
Liabilities	775	912	128	714	922	53
Tax losses available for carryforward	7,484	-	1,873	5,611	-	935
	13,352	**6,845**	**2,131**	**10,382**	**6,602**	**1,534**

No deferred tax assets are recognised on German corporation tax losses available for carryforward amounting to € 0 (2011: € 16,911,000) and on German municipal trade tax losses available for carryforward amounting to € 5,820,000 (2011: € 14,557,000). In addition, no deferred tax assets are recognised on tax losses available for carryforward at the level of foreign companies totalling € 3,435,000 (2011: € 2,087,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 16,908,000 (2011: € 15,878,000) 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	2012	2011
Profit before tax	**26,016**	**24,949**
Expected tax expense (30%)	7,805	7,485
- different computation of taxes outside Germany	-781	-946
- tax-exempt income	-55	-262
- non-deductible expenses	446	439
- associated companies and interests accounted for using the equity method	-450	-1,113
- tax expense and reimbursements for prior years	-19	64
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-3,664	-2,854
- foreign withholding taxes	382	210
- other differences	128	273
Income tax expense	**3,792**	**3,296**
Effective tax rate	14.6%	13.2%

(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 2007 was terminated by the Company in 2011. In total, 175,568 new shares arose, with practically all of the bond options being converted into equity.

The Company's subscribed capital (share capital) was split in a ratio of 1:3 on 20 August 2012, as a result of which it now comprises 6,152,190 shares (31 December 2011: 2,050,730 shares). The carrying amount of share capital was not affected by the share split.

	2012	2011
Shares in circulation at beginning of year	2,050,730	1,875,162
1:3 share split	6,152,190	-
New shares arising from convertible bond in 2011: 175,568 - weighted on basis of bond duration	-	125,096
Share buy-back	- 15,000	- 5,000
Calculated weighted number of shares at end of fiscal year	6,137,190	1,995,258
Further potential shares from share options (diluted)	192 (183)	64 (61)
Actual and potential shares at end of year (diluted)	6,137,373	1,995,319
Weighted shares - undiluted	6,137,190	1,995,258
Weighted shares - diluted	6,137,373	1,995,319

Earnings per share	**2012**	2011
Group net profit for year (€000)	22,224	21,653
Profit attributable to minority shareholders (€000)	3,244	2,946
Profit attributable to shareholders of Schaltbau Holding AG (€000)	18,980	18,707
Earnings per share - undiluted	**€ 3.09**	**€ 9.38**
Earnings per share - diluted	**€ 3.09**	**€ 9.38**

For the purposes of better comparability, earnings per share (basic / diluted) for the previous year were adjusted in the presentation of the consolidated income statement. The computation was made for 2011 on the basis of the number of shares after the share split (1:3):

	2012	2011
Weighted shares - undiluted	6,137,190	5,985,774
Weighted shares - diluted	6,137,373	5,985,954
Earnings per share - undiluted	€ 3.09	€ 3.13
Earnings per share - diluted	€ 3.09	€ 3.13

Reconciliation of undiluted and diluted weighted shares	**2012**	2011
Weighted shares - undiluted	6,137,190	1,995,258
192 (2011: 64) share options not exercised by 31.12.2012; weighted	183	61
Weighted shares - diluted	6,137,373	1,995,319

Notes to the consolidated balance sheet

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

Goodwill totalling € 11,552,000 (2011: € 10,362,000) comprises € 5,970,000 (2011: € 5,061,000) allocated to the Stationary Transportation Technology segment, € 5,201,000 (2011: € 5,301,000) allocated to the Components segment and € 381,000 allocated to the Mobile Transportation Technology segment. There was no requirement to recognise any impairment losses on goodwill during the year under report. Even after reducing forecasted 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 € 6,953,000 (2011: € 6,576,000).

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	**31.12.2012**	31.12.2011
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 2011 or 2012.

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

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

in € 000	**31.12.2012**			31.12.2011		
	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,590	354	50.0%	3,609	354
BORA	37.1%	3,163	0	37.1%	2,079	0
BOUK	25.0%	706	563	25.0%	659	563
		7,459	**917**		**6,347**	**917**

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

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31 December 2012

in € 000 Note: Rounding differences may arise due to the use of electronic rounding aids.	Acquisition/manufacturing cost						
	01.01.12	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.12
I. Intangible assets							
1. Concessions and similar rights	4,005	-2	1,785	220	-1	0	6,007
2. Software	6,347	-4	441	624	-795	3	6,616
3. Goodwill	38,516	-100	1,290	0	0	0	39,706
4. Capitalised development costs	0	0	0	0	0	0	0
5. Ongoing development projects	6,576	0	0	377	0	0	6,953
6. Payments in advance	3	0	0	497	0	-3	497
	55,447	**-106**	**3,516**	**1,718**	**-796**	**0**	**59,779**
II. Property, plant and equipment							
1. Land and buildings	38,167	0	43	419	-56	38	38,611
2. Plant and machinery	29,236	17	633	1,956	-845	903	31,900
3. Other plant and equipment	37,370	-15	2,269	3,601	-1,849	333	41,709
4. Assets under construction	1,407	0	0	1,655	0	-1,274	1,788
	106,180	**2**	**2,945**	**7,631**	**-2,750**	**0**	**114,008**
III. Investments							
1. Investments in subsidiaries	6,220	0	0	345	-47	0	6,518
2. At-equity accounted investments	3,191	0	0	0	0	0	3,191
3. Investments in other companies	0	0	0	0	0	0	0
4. Other loans	20	0	431	113	-544	0	20
	9,431	0	431	458	-591	0	9,729
	171,058	**-104**	**6,892**	**9,807**	**-4,137**	**0**	**183,516**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.12	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.12	31.12.12	31.12.11
2,595	-2	214	899	-1	0	3,705	2,302	1,410
4,678	-1	347	748	-795	0	4,977	1,639	1,669
28,154	0	0	0	0	0	28,154	11,552	10,362
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	6,953	6,576
0	0	0	0	0	0	0	497	3
35,427	**-3**	**561**	**1,647**	**-796**	**0**	**36,836**	**22,943**	**20,020**
15,065	-2	42	941	-56	0	15,990	26,975	27,456
21,622	5	318	1,657	-825	0	22,777	9,123	7,614
29,872	-18	1,688	3,229	-1,830	0	32,941	8,768	7,498
0	0	0	0	0	0	0	1,788	1,407
66,559	**-15**	**2,048**	**5,827**	**-2,711**	**0**	**71,708**	**46,654**	**43,975**
2,585	0	0	340	-47	0	2,878	3,640	3,635
-3,156	0	0	0	0	-1,112	-4,268	7,459	6,347
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	20	20
-571	0	0	340	-47	-1,112	-1,390	11,119	10,002
101,415	**-18**	**2,609**	**7,814**	**-3,554**	**-1,112**	**107,154**	**80,716**	**73,997**

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 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

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

in € 000	31.12.2012		31.12.2011	
	100%	Group's share	100%	Group's share
Assets	31,013	12,843	23,735	9,780
Liabilities	14,604	5,878	10,671	4,169
Sales	44,609	17,448	44,934	17,612
Net profit for the year	4,780	1,954	5,305	2,219

Mortgages totalling € 16,765,000 (2011: € 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 (2011: € 0).

(12) INVENTORIES

in € 000	31.12.2012	31.12.2011
Raw materials and supplies	34,524	27,955
Work in progress	27,206	23,423
Finished products, goods for resale	12,794	9,383
Advance payments to suppliers	484	72
	75,008	**60,833**

None of the Group's inventories are pledged as collateral. Write-downs totalling € 1,577,000 (2011: € 1,235,000) were recognised on inventories in 2012. Sell-offs and changes in customer ordering patterns resulted in reversals of write-downs on inventories amounting to € 693,000 (2011: € 609,000). Write-downs on inventories at the end of the reporting period totalled € 14,243,000 (2011: € 12,002,000).

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

in € 000	31.12.2012	31.12.2011
Trade accounts receivable	66,440	47,830
Receivables from affiliated companies	3,769	2,959
Receivables from associated companies	2,207	571
Income tax receivables	453	242
Positive fair values of derivative instruments	54	58
Sundry other assets	5,383	4,015
	78,306	**55,675**

Receivables from affiliated and associated companies comprise trade accounts receivable and loan receivables totalling € 630,000 (2011: € 241,000).

Allowances comprised the following:

in € 000	1.1.12	Changes in Group reporting entity	Utilised	Reversed	Allocated	Currency/ other	31.12.12
Trade accounts receivable							
Specific allowances	662	67	91	73	309	0	874
Additional risk allowance	1,620	107	36	59	277	-19	1,890
	2,282	**174**	**127**	**132**	**586**	**-19**	**2,764**
Other allowances	5	0	0	0	11	0	16
Total	**2,287**	**174**	**127**	**132**	**597**	**-19**	**2,780**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 18,505,000 (2011: € 13,613,000).

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

in € 000	31.12.2012			31.12.2011		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	10,026	-226	9,800	4,882	-68	4,814
31 to 60 days	2,976	-113	2,863	2,384	-56	2,328
61 to 90 days	3,142	-124	3,018	2,452	-93	2,359
91 to 180 days	6,157	-345	5,812	4,826	-336	4,490
181 to 365 days	3,751	-389	3,362	2,965	-291	2,674
more than one year	2,538	-1,332	1,206	1,461	-1,169	292
	28,590	**-2,529**	**26,061**	**18,970**	**-2,013**	**16,957**
Not yet due	40,615	-236	40,379	31,142	-269	30,873
	69,205	**-2,765**	**66,440**	**50,112**	**-2,282**	**47,830**

Of the trade accounts receivable total reported at 31 December 2012, 28.4% (2011: 24.0%) relate to the five largest debtors.

Overall, 71.3% (2011: 67.6%) of the receivables are denominated in euro, 20.0% (2011: 25.4%) in CNY and 7.1% (2011: 5.6%) in USD.

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

(14) CASH AND CASH EQUIVALENTS

in € 000	31.12.2012	31.12.2011
Cheques and cash on hand	44	30
Cash at bank	8,466	12,697
	8,510	**12,727**

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 **Consolidated Statement of Changes in Equity.**

(16) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 6,152,190 (2011: 2,050,730) non-par value shares and is fully paid up. The share capital was split in a ratio of 1:3 on 20 August 2012 in accordance with a resolution taken at the Annual General Meeting on 6 June 2012.

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2011: € 234.24) remained in place at 31 December 2012 the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 192 new ordinary bearer shares **(Conditional Capital I)**. This conditional capital was resolved to allow shares to be issued for share options issued by the Company on 15 March 2004 in conjunction with participation rights (see also Note (19)). The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements 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 2012.

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 2012 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 following the conditional issue of up to 2,700,000 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue up to 8 June 2016 bearer convertible bonds and bonds with warrants as well as participation rights capital with conversion or option rights.

(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 (2011: € 13,701,000). In addition, it was necessary to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 1,251,000) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to € 258,000 (net of deferred tax of € 172,000) as well as the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to € 595,000 (see also Note (19) Participation rights capital).

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the Consolidated Financial Statements from a HGB to an IFRS basis. In addition, there was a positive impact (net of deferred tax) of € 166,000 (2011: negative impact of € 749,000) 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 15,000 treasury shares (after share split) 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 2011 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 1,300,000 was transferred to revenue reserves and a dividend of € 3,682,000 (€ 1.80 per share) paid.

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

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

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

(18) MINORITY INTERESTS

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

(19) PARTICIPATION RIGHTS CAPITAL

in € 000	**31.12.2012**	31.12.2011
Participation options: 362,730 (number)	**7,104**	**7,077**

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 2012 amounted to € 8,706,000 (2011: € 8,706,000).

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) PENSIONS 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	**31.12.2012**	31.12.2011
Claims under reinsurance policies relating to pension commitments	**111**	**122**

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	**2012**	2011
Employer contributions to state pension insurance claims	**7,220**	**6,301**

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

in € 000	**31.12.2012**	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Actual defined benefit obligation	34,248	20,931	20,450	19,236	17,580
Net amount of unrecognised actuarial gains/losses (-)	-7,617	-2,427	-1,706	-380	1,407
Carrying amount of provision at 31.12.	**26,631**	**18,504**	**18,744**	**18,856**	**18,987**

The defined benefit obligation changed as follows:

in € 000	2012	2011
Balance at 1.1.	20,931	20,450
Change in Group reporting entity	8,758	-
Actuarial gains and losses / not recognised	5,190	721
Pension payments / utilised	-2,278	-1,382
Service cost (personnel expense) / allocated	339	199
Interest expense / allocated	1,308	943
Balance at 31.12.	**34,248**	**20,931**

Pension provisions developed as follows:

in € 000	2012	2011
Balance at 1.1.	18,504	18,744
Change in Group reporting entity	8,758	-
Pension payments / utilised	-2,278	1,382
Service cost (personnel expense) / allocated	339	199
Interest expense / allocated	1,308	943
Carrying amount of provision at 31.12.	**26,631**	**18,504**

Allocations to the pension provision do not include any significant amounts for the amortisation of actuarial gains or losses.

The main actuarial assumptions applied were as follows:

	31.12.2012	31.12.2011
Interest rate	3.3%	4.5%
Salary trend	2.5%	2.6%
Pension trend	2.0%	2.0%
Fluctuation rate	1.3%	1.2%

Pension provisions are measured using a discount factor which was determined on the basis of the Mercer Pension Discount Yield Curve Approach (MPDYC), revised in 2012 as a result of current market developments. If the pension obligation at 31 December 2012 had been measured using a discount rate determined on the same basis as one year earlier, the pension obligation would have been € 1,572,000 higher. Interest expense in the coming fiscal year will be € 53,000 lower as a result of the change in method.

Pension expense comprised the following:

in € 000	2012	2011
Service cost (personnel expense)	339	199
Interest expense	1,308	943
	1,647	**1,142**

(21) OTHER PROVISIONS

Other provisions developed as follows:

in € 000	01.01.12	Changes in Group reporting entity	Utilised	Reversed	Allocated	Interest impact	Currency/ other	31.12.12
Non-current provisions								
Personnel	3,578	59	-714	-47	881	184	-460	3,481
Warranties	334	0	-78	-256	66	0	0	66
	3,912	**59**	**-792**	**-303**	**947**	**184**	**-460**	**3,547**
Current provisions								
Personnel	5,676	225	-5,120	-358	5,452	0	457	6,332
Taxes	2,892	20	-1,510	-254	936	0	-9	2,075
Warranties	4,899	2,667	-1,905	-648	2,871	0	0	7,884
Outstanding supplier invoices	5,862	1,467	-5,884	-837	5,674	0	-33	6,249
Sundry other provisions	2,464	45	-1,789	-64	2,601	0	4	3,261
	21,793	**4,424**	**-16,208**	**-2,161**	**17,534**	**0**	**419**	**25,801**
Total	**25,705**	**4,483**	**-17,000**	**-2,464**	**18,481**	**184**	**-41**	**29,348**

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 2013. As a result of the "minimum taxation" rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

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

Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards and pre-retirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 845,000 (2011: € 709,000) and are offset against non-current personnel-related provisions.

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

Sundry other provisions comprise mainly provisions for Group and company external audit costs, legal disputes, supervisory board remuneration and miscellaneous other items.

(22) LIABILITIES

in € 000	**31.12.2012**	31.12.2011
Non-current liabilities		
Liabilities to banks	46,470	33,145
Other financial liabilities	3,396	3,555
Financial liabilities	49,866	36,700
Other liabilities	178	10
	50,044	**36,710**
Current liabilities		
Current income tax liabilities	160	561
Liabilities to banks	7,039	6,970
Other financial liabilities	160	150
Financial liabilities	7,199	7,120
Trade accounts payable	21,137	20,023
Advance payments received	14,699	16,823
Liabilities to affiliated companies	1,027	724
Liabilities to other Group companies	570	473
Liabilities relating to derivative instruments	2,140	2,499
Sundry other liabilities (of which for taxes) (of which to employees) (of which for social security)	12,524 (1,521) (5,899) (279)	11,261 (1,392) (4,960) (178)
Other liabilities	16,261	14,957
	59,456	59,484
Total liabilities	**109,500**	**96,194**

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

in € 000	Carrying amount	Total cash outflows	within 1 year	1 to 5 years	more than 5 years
Financial liabilities	57,065	57,065	7,199	45,550	4,316
Trade accounts payable	21,137	21,137	20,895	236	6
Derivative instruments	2,140	2,140	396	1,519	225
Other liabilities	14,419	14,419	14,241	168	10
	94,761	**94,761**	**42,731**	**47,473**	**4,557**

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

in € 000	**31.12.2012**	31.12.2011
Overdue		
up to 30 days	3,884	3,591
31 to 60 days	1,777	1,975
61 to 90 days	624	638
91 to 180 days	1,766	2,608
181 to 365 days	753	693
more than 1 year	224	202
	9,028	**9,707**
Not yet due	12,109	10,316
Carrying amount	**21,137**	**20,023**

Collateral of € 17,290,000 (2011: € 17,290,000) has been given to cover **liabilities to banks**; of this amount, € 525,000 (2011: € 525,000) relates to pledges and pledge-like collateral and € 16,765,000 (2011: € 16,765,000) to mortgages.

Credit lines totalling € 117,704,000 (2011: € 82,351,000) are available. The weighted average interest rate as at 31 December 2012 for liabilities to banks during the past year was 2.3% (2011: 3.4%). The Group's main external financing revolves around a Syndicated Credit Agreement, the terms of which were changed on 14 December 2012. Under the new terms, the facility was raised from € 65 million to € 95 million, a term of 5 years (to December 2017) 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 2012.

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	
2013	7,039
2014	5,540
2015	5,575
2016	7,510
2017	26,174
danach	1,671
	53,509

Liabilities to banks due for repayment in the year 2013 include current account liabilities amounting to € 1,499,000 (2011: € 1,756,000) which are extended from year to year.

Other **financial liabilities** comprise loans payable to parties other than banks with an average interest rate of 6.4% (2011: 6.4%).

Of the **trade accounts payable** total reported at 31 December 2012, 9.8% (2011: 12.4%) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 89.4% (2011: 83.9%) in euro, 8.4% (2011: 11.8%) in CNY and 1.9% (2011: 3.5%) in USD.

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

Other Disclosures

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

Announcement on 14 January 2013
IFOS Internationale Fonds Service AG, Vaduz, Liechtenstein notified us on 11 January 2013 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went under the threshold of 3% on 12 December 2012 and amounted to 1.53% at that date (corresponding to 94079 voting rights).

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

Announcement on 16 October 2012
Monolith N.V., Amsterdam, Netherlands notified us on 15 October 2012 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the threshold of 3% on 12 October 2012 and amounted to 3.01% at that date (corresponding to 185,345 voting rights).

Announcement on 16 August 2011

1. Kreissparkasse Biberach, Biberach, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich, 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.

Announcement on 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.

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

Announcement on 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 2012 for the audit of financial statements amounted to € 609,000 (2011: € 512,000). Of this amount, € 498,000 (2011: € 418,000) related to financial statement audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. In addition, KPMG AG received € 3,000 (2011: € 3,000) for tax advisory services, € 18,000 (2011: € 0) for other attestation services and € 36,000 (2011: € 82,000) for other services.

Contingent liabilities and other financial commitments

in € 000	**31.12.2012**	31.12.2011
Other financial commitments		
Rental and lease expenses	10,442	9,454
Other commitments	3,470	1,275

Contingent liabilities amounted to € 681,000 at 31 December 2012 (2011: € 0). The risk of being called on to meet contingent liabilities is considered small.

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 € 5,182,000 (2011: € 3,896,000), between one and five years € 7,543,000 (2011: € 5,542,000) and later than five years € 1,187,000 (2011: € 1,290,000).

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:

31.12.2012 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)]	3,659	-	-	-
Trade accounts receivable	66,440	-	66,440	-
Current income tax receivables	453	453	-	-
Other current assets	11,414	835	10,525	-
Cash and cash equivalents	8,510	8,510	-	-
Total	**90,476**	**9,798**	**76,965**	**-**
Liabilities-side financial instruments				
Participation rights capital	7,104	-	7,104	-
Non-current financial liabilities	49,866	-	49,866	-
Non-current other liabilities	178	-	178	-
Current income tax payable	160	160	-	-
Current financial liabilities	7,199	-	7,199	-
Trade accounts payable	21,137	-	21,137	-
Advance payments received	14,699	-	14,699	-
Other liabilities	16,261	41	14,081	-
Total	**116,604**	**201**	**114,264**	**-**

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

Carrying amounts based on IAS 39						
Available-for-sale		Held for trading	Derivatives in hedging relationships			
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
-	3,659	-	-	-	**3,659**	3,659
-	-	-	-	-	**66,440**	66,440
-	-	-	-	-	**-**	-
-	-	-	49	5	**10,579**	10,579
-	-	-	-	-	**-**	-
-	**3,659**	**-**	**49**	**5**	**80,678**	**80,678**
-	-	-	-	-	**7,104**	7,104
-	-	-	-	-	**49,866**	49,866
-	-	-	-	-	**178**	178
-	-	-	-	-	**-**	-
-	-	-	-	-	**7,199**	7,199
-	-	-	-	-	**21,137**	21,137
-	-	-	-	-	**14,699**	14,699
-	-	-	1,992	147	**16,220**	16,220
-	**-**	**-**	**1,992**	**147**	**116,403**	**116,403**

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 payable	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	Derivatives 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**

Fair value hierarchy:
At 31 December 2012 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	**31.12.2012**
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	49	-	49
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	5	-	5
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	1,992	-	1,992
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	147	-	147

There were no reclassifications during the fiscal year 2012 between level 1 and level 2 in conjunction with measurement at fair value. There were similarly no reclassifications to level 3 in conjunction with measurement at fair value.

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

Net gains and loss by measurement category

	2012	2011
Measured at fair value through profit and loss	159	44
Loans and receivables	-796	111
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 € 469,000 (2011: € 983,000) 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 2012 thanks to positive Group earnings for the year. At 31 December 2012, Group equity stood at € 76.5 million and was therefore € 17.0 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 29.9%. The Group's debt coefficient increased during the year under report, and now stands at 1.2 (2011: 0.8). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Combined Group and Company 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 14 December 2012 at http://www.schaltbau.de/investor-relations/corporate-governance/entsprechenserklärung.

Related party transactions

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

in € 000	Volume of services performed		Volume of services received	
	2012	2011	**2012**	2011
Associated companies				
Goods and services	4,878	4,275	6,038	5,212
Other relationships	-	-	-	-
Non-consolidated companies				
Goods and services	6,745	5,893	2,318	1,911
Other relationships	32	247	788	137

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

in € 000	Receivables		Payables	
	2012	2011	**2012**	2011
Associated companies	2,176	571	570	473
Non-consolidated companies	3,769	2,959	1,027	724

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 Combined Group and Company Management Report in the section "Business activities"

As a general rule, sales of materials between Group companies are billed on the basis of arm's length principles. Costs are recharged 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 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	
	31.12.2012	31.12.2011	**2012**	2011	**2012**	2011
Germany	189,329	155,028	8,769	8,251	160,306	147,167
Other EU countries	16,288	13,748	465	1,581	90,117	82,808
Other European countries	3,590	3,609	-	-	29,735	26,239
China / Hong Kong	32,766	31,007	451	1,363	48,532	43,894
North America	13,404	9,707	121	143	19,976	12,081
Other countries	515	515	-	671	14,143	6,202
	255,892	**213,614**	**9,806**	**12,009**	**362,809**	**318,391**

Reconciliations

in € 000	Sales	
	2012	2011
Total sales of segments	364,764	319,557
Other sales	2,253	2,161
Consolidation	-4,208	-3,327
Sales as per income statement	**362,809**	**318,391**

in € 000	EBIT	
	2012	2011
Total EBIT of segments	35,194	32,758
Other EBIT	-5,510	-4,470
Consolidation	-180	-799
EBIT as per income statement	**29,504**	**27,489**

in € 000	Assets	
	2012	2011
Total segment assets	268,482	222,916
Other assets excluding deferred tax assets	48,863	35,769
Deferred taxes	7,053	6,056
Consolidation	-68,506	-51,127
Group assets as per balance sheet	**255,892**	**213,614**

in € 000	Liabilities	
	2012	2011
Total segment liabilities	173,109	141,325
Other liabilities excluding deferred tax liabilities	61,900	47,893
Deferred taxes	791	771
Consolidation	-56,372	-35,906
Group liabilities as per balance sheet	**179,428**	**154,083**

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

The presentation of the Statement of Cash Flows has been changed compared to the previous year. Prior year figures have been adjusted accordingly. The change has been made to improve the clarity and transparency of presentation and hence to increase the reliability and relevance of information disclosed. The Statement of Cash Flows now begins with EBIT rather than the Group net profit for the period, as a result of which non-cash items no longer need to be adjusted below EBIT. Interest paid and received are now reported as part of the "Cash flows from financing activities" rather than as part of "Cash flows from operating activities", in order to make a clearer distinction between financing and operating activities. Interest received arises only on short-term deposits of surplus cash and thus has the same cash flow effect as using cash to repay financial liabilities subject to interest. Cash funds have been expanded to include the net balances pertaining to cash management arrangements with non-consolidated entities, reflecting the fact that they are equivalent to cash funds due to their availability.

a) Cash flows from operating activities (indirect method)

Based on the Group's profit before financial result and taxes (EBIT) of € 29.5 million, the total cash flow from operating activities in 2012, amounting to € 7.0 million, was approximately € 18.6 million lower than in the previous year. As a result of a further sharp rise in total output for the year, the cash outflow for operating activities increased at an even faster rate as a result of the € 17.1 million increase in current assets (primarily due to increases in trade accounts receivable and inventories). The decrease in advance payments from customers resulted in a further cash outflow of € 3.7 million, whereas in 2011 there had been an increase. Taxes paid doubled in 2012 as a result of the utilisation of municipal trade tax loss carryforwards which resulted in retrospective advance payments for 2011 and higher advance payments for 2012. Overall, the cash flow from operating activities was well below Group EBIT and significantly lower than in the previous year.

b) Cash flows from investing activities

The total cash outflow from investing activities in 2012 amounted to € 12.6 million and was therefore slightly lower than one year earlier. Slightly higher cash outflows for investment in property, plant and equipment and for the acquisition of fully consolidated entities compared to the previous year were more than offset by lower cash outflows for additional capital funds to foreign group entities to finance expanding operations.

c) Cash flows from financing activities

The overall positive cash flow from financing activities amounting to € 1.0 million arose – despite increased dividend payments to the shareholders of Schaltbau Holding AG and to minority shareholders on the one hand and increased repayments of loans compared to the previous year – as a result of higher liabilities to banks and new loans raised. Loan repayments increased as a result of the repayment of mezzanine capital previously accounted for at the level of the newly acquired Tiefenbach GmbH. Interest paid decreased thanks to improved conditions and lower average market interest rates. The renewed restructuring of financing at the level of Schaltbau Holding AG resulted, among other things, in loans being increased by € 4.0 million which more than offset loan repayments. Further credits raised at the level of the Bode sub-group entities amounting to € 4.0 million were employed primarily to finance the purchase price paid to acquire the Werner Kircher operations.

d) Composition of cash funds

Cash funds comprise:

in € 000	**31.12.2012**	31.12.2011
Cash and cash equivalents	8,510	12,727
Balance on cash management accounts	-847	-509
	7,663	**12,218**

In addition to cash and cash equivalents, the balance on cash management accounts with non-consolidated subsidiaries is included. This item is presented in the balance sheet in current other liabilities (payables to affiliated companies).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 4, 2013 Schaltbau Holding AG announced that negotiations to take over the Dutch company, Vialis Railway Systems B.V. by PINTSCH BAMAG had been unexpectedly broken off by the selling party.

Segment Information

in € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2012	2011	**2012**	2011
Order intake (external)	127,712	134,697	147,109	111,318
Sales	124,713	122,528	142,328	106,175
- of which external	123,486	122,528	142,055	105,379
- of which with other segments	1,227	0	273	796
Order book (external)	105,952	101,673	75,087	49,668
EBITDA	8,756	9,132	14,441	11,381
Result from operating activities (EBIT)	7,037	7,358	12,080	9,582
Result from at-equity accounted companies	1,954	2,049	0	0
Sundry other result from investments	0	679	-340	-1,353
Interest income	106	113	204	166
Interest expense	-638	-817	-2,344	-1,496
Income taxes	177	-57	-696	193
Segment result / Group result *1)	8,636	9,325	8,904	7,092
Change in Group reporting entity	1,995	0	2,287	0
Capital expenditure on investments	344	1,899	113	1,514
Impairment losses on investments	0	0	-340	-1,353
Capital expenditure *2)	1,395	2,320	3,862	2,936
Amortisation and depreciation *2)	-1,719	-1,774	-2,361	-1,799
Impairment losses (without investments)	-463	-305	-1,038	-575
Reversal of impairment losses (without investments)	396	259	68	547
Other significant non-cash expenses	-3,462	-3,719	-4,966	-3,668
Segment assets *3)	72,974	61,543	105,916	73,499
Investments accounted for at-equity	7,459	6,347	0	0
Capital employed *4)	54,277	48,454	74,931	44,959
Segment liabilities *5)	32,645	28,060	85,298	56,877
Employees (average)	522	488	631	484
EBIT margin *6)	5.7%	6.0%	8.5%	9.1%
Return on capital employed (ROCE) *7)	13.0%	15.2%	16.1%	21,3%

*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	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
97,415	96,657	372,236	342,672	98	99	372,334	342,771
97,723	90,854	364,764	319,557	-1,955	-1,166		
97,168	90,385	362,709	318,292	100	99	362,809	318,391
555	469	2,055	1,265	-2,055	-1,265		
48,782	46,090	229,821	197,431			229,821	197,431
18,929	18,929	42,126	39,442	-5,136	-4,761	36,990	34,681
16,077	15,818	35,194	32,758	-5,690	-5,269	29,504	27,489
0	0	1,954	2,049	0	0	1,954	2,049
0	2,400	-340	1,726	0	145	-340	1,871
108	78	418	357	-284	-331	134	26
-1,792	-1,702	-4,774	-4,015	-462	-2,471	-5,236	-6,486
-3,088	-1,788	-3,607	-1,652	-185	-1,644	-3,792	-3,296
11,305	14,806	28,845	31,223	-6,621	-9,570	22,224	21,653
0	4,917	4,282	4,917	0	0	4,282	4,917
0	1	457	3,414	0	0	457	3,414
0	0	-340	-1,353	0	0	-340	-1,353
3,900	2,993	9,157	8,249	192	346	9,349	8,595
-2,839	-3,106	-6,919	-6,679	-555	-508	-7,474	-7,187
-672	-717	-2,173	-1,597	-1	0	-2,174	-1,597
362	145	826	951	-1	0	825	951
-5,274	-6,168	-13,702	-13,555	-1,138	-5,050	-14,840	-18,605
89,592	87,874	268,482	222,916	-12,590	-9,302	255,892	213,614
0	0	7,459	6,347	0	0	7,459	6,347
68,895	66,816	198,103	160,229	-11,775	-14,414	186,328	145,815
55,166	56,388	173,109	141,325	6,319	12,758	179,428	154,083
570	545	1,723	1,517	19	19	1,742	1.536
16.5%	17.5%					8.1%	8.6%
23.3%	23.7%					15.8%	18.9%

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

Members of the Executive Board

Dr. Jürgen H. Cammann
Executive Board spokesman,
CEO

No mandates

Elisabeth Prigge
Member of the Executive Board,
CFO (since 01.09.2012)

No mandates

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

Director:
Gebr. Bode & Co. Beteiligungs GmbH

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

Member of the Supervisory Board of:
Rail Door Solutions, Great Britain

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

Chairman of the Supervisory Board of:
Shenyang Bode Transportation Equipment Co. Ltd., China

Chairman of the Board:
Bode Dogrusan Otomotiv Yan San ve TIC A.S., Turkey
(since 20.03.2012)

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

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

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

Members of the Supervisory Board

Hans Jakob Zimmermann
Chairman

Supervisory Board

Director of HSBC Trinkhaus
Private Wealth GmbH,
Düsseldorf (to 31.12.2012)

Chairman of the Supervisory Board of:
GARANT Schuh + Mode AG, Düsseldorf (to 21.12.2012)
Paragon AG, Delbrück
ANWR-GARANT International AG (since 21.12.2012)

Member of the Supervisory Board of:
MERKUR BANK KGaA, Munich
Scholz AG (since 25.10.2012)

Members of the Supervisory Board

Director of HSBC Trinkhaus Consult GmbH, Düsseldorf (to 31.12.2012)	**Member of the Administrative Board of:** Rheinzink GmbH & Co. KG, Datteln **Chairman of the Advisory Board of:** ante-holz GmbH, Bromskirchen-Somplar
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
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, Aldersbach factory
Dr. Stefan Schmittmann Member of the Executive Board of Commerzbank AG, Chief Risk Officer, Frankfurt am Main	**Member of the Supervisory Board of:** Verlagsgruppe Weltbild GmbH, Augsburg Eurohypo AG, Eschborn (to 31.08.2012) Hypothekenbank Frankfurt AG (since 31.08.2012) Commerzbank Auslandsbanken Holding AG, Frankfurt am Main **Deputy Chairman of the Supervisory Board of:** Commerz Real AG, Düsseldorf/Wiesbaden
Friedrich Smaxwil President CEN, Brussels (since 01.01.2012)	**No mandates**
Horst Wolf Employee	**Chairman of:** Works Council of Pintsch Bamag GmbH, Dinslaken **Member of:** Group Works Council of Schaltbau Holding AG, Munich

Remuneration of persons in key positions
The total remuneration of the Executive Board for the fiscal year 2012 amounted to € 1,334,000 (2010: € 1,010,000).

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

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 242,000 (2011: € 207,000). In addition, a remuneration of € 36,000 (2011: € 22,000) was paid to two members of the Supervisory Board in 2012 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 € 445,000 (2011: € 500,000). The expense for remuneration paid to former members of the Executive Board and their surviving dependents amounted to € 229,000 (2011: € 83,000).

As at 31 December 2012, a total of 691,347 shares of the Company were held, all directly, by Dr. Cammann.

Members of the Supervisory Board hold in total 627,714 of the Company's shares, comprising 622,710 held directly or indirectly by Mr. Zimmermann, 4,794 held directly or indirectly by Mr. Jahrmarkt and 210 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 € 0.77 per share each representing € 1.22 of the Company's share capital of € 7,505,671.80	4,737,186.30
Transfer to revenue reserves	1,900,000.00
To be carried forward	15,308.37
Unappropriated profit	**6,652,494.67**

Munich, 15 March 2013
The Executive Board

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

The Supervisory Board

Hans Jakob Zimmermann
Chairman
Supervisory Board

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

Marianne Reindl *
Secretary

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

Friedrich Smaxwil
President CEN, Brussels
(since 01.01.2012)

Horst Wolf *
Employee

* Employee representatives

Report of the Supervisory Board

Supervisory Board activities during the reporting year

During the fiscal year 2012 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. In accordance with stock corporation law, the Supervisory Board regularly advised the Executive Board in its management tasks, supervised the governance of Schaltbau Holding AG and was directly involved in all decisions of fundamental importance for the enterprise. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both oral and written reports regarding business performance, corporate policies, financial, investment and personnel planning as well as the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group in general. Moreover, the corporate strategy of the Schaltbau Group and its related projects were among the main topics of the Executive Board's reports and meetings with the Supervisory Board.

The monitoring and advisory work of the Supervisory Board was performed on the basis of detailed oral and written reports made by the Executive Board regarding the business status of Schaltbau Holding AG and the Group. The Executive Board reports principally concerned business policies, fundamental questions of finance and investment policies and the profitability and risk situation of Schaltbau Holding AG and 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. In addition to their formal meetings and joint consultations, the Chairmen of the Supervisory and Executive Boards maintained regular contact. The Chairman of the Supervisory Board regularly obtained information from the Chairman of 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 major significance for assessing the financial condition and performance of both the Company and the Group.

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.

Main focus of Supervisory Board meetings

Four regular Supervisory Board meetings took place during the year under report. Two of these meetings were attended by all of the Supervisory Board members. One member was excused from taking part in one meeting and two members were excused from taking part in a further meeting. In addition, the Supervisory Board voted by telephone on isolated occasions.

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 agenda.

Furthermore, the Supervisory Board addressed the following topics at its various meetings during fiscal year 2012:

At its meeting held on 19 April 2012 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report 2011 for both Schaltbau Holding AG and the Schaltbau Group as a whole. The external auditors, who were present, answered all of the questions put to them by the Supervisory Board. On this basis the Company Financial Statements were adopted and the Consolidated Financial Statements approved. The Supervisory Board approved the statements regarding the further development of the business and the disclosures pursuant to Section 289 subsection 4 (5) and Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code as well as the Corporate Governance Statement. Moreover, the Supervisory Board thoroughly discussed the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit from 2011 and concurred with it. In addition, on 19 April the Supervisory Board adopted the Corporate Governance Report as well as the agenda of the Annual General Meeting from 6 June 2012 and approved the report of the Supervisory Board. A further subject of the Supervisory Board meeting held on 19 April was the planned enlargement of the Executive Board to include Ms Elisabeth Prigge, who was appointed member of the Executive Board of Schaltbau Holding AG with effect from 1 September 2012.

During its meeting held on 5 June, the Supervisory Board determined the audit plan for the internal audit to be performed in 2012.

At its meeting held on 7 September, the Supervisory Board closely examined the annual risk report and was provided with information by the Executive Board describing the preventive compliance measures. In addition, the Supervisory Board carried out the annual efficiency examination. Further topics discussed were specific options available in the strategic further development of the Schaltbau Group.

The Supervisory Board meeting held on 14 December 2012 was devoted to the forecast for the Schaltbau Group for the period from 2013 to 2015, including the investment budget for 2013, which was adopted by the Supervisory Board after extensive discussion. Furthermore, the division of tasks within the Executive Board was discussed and redefined with the approval of the Supervisory Board. The rules of procedure for the Executive Board were adapted accordingly. Furthermore, the Supervisory Board considered the report made by the auditors Deloitte & Touche regarding 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 of and particularly the changes to the German Corporate Governance Code. A further topic of discussion at this meeting was the planned acquisition of Vialis Railway Systems B.V. by Pintsch Bamag Antriebs- und Verkehrstechnik GmbH.

Two resolutions put forward by the Executive Board, concerning the appointment of Dirk Christian Löchner to the Executive Board and the takeover of the company Werner Kircher, Elektro- und Feinmechanischer Gerätebau, Ahnatal, were approved by the Supervisory Board by way of circulation procedure in February and July 2012 respectively.

Personnel Committee activities

The Personnel Committee formed within the Supervisory Board held two meetings during the year under report. The main topics of discussion were Executive Board matters relating to personnel changes to the Executive Board that were 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 six-person Supervisory Board is eminently achievable.

Company and Consolidated Financial Statements 2012

At the proposal of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as external auditor for both the AG and the Group. After the conclusion of the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor, KPMG AG provided the Chairman of the Supervisory Board with a written statement that no circumstances exist which could impair its independence as external auditor.

The external auditor audited the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2012 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 12 April 2013. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2012, 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 Consolidated Financial Statements, the Combined Management Report and the Executive Board's proposal for the appropriation of the Company's unappropriated profit. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the result of the audit of the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report. The Supervisory Board then formally approved the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements for the fiscal year 2012 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board has hereby approved the joint management report, including the statements regarding the further development of the Group and the particulars in accordance with Section 289 subsection 4 (5), Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code. 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 Section 91 subsection 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. The composition of the Supervisory Board in 2012 was identical with that of the previous year. Shareholder representatives remain Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board, Dr Stefan Schmittmann, Grünwald, and Friedrich Smaxwil, Gerlingen. The Supervisory Board's term of office will cease at the end of the Annual General Meeting, 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.

Mr Hans Gisbert Ulmke resigned as member of the Executive Board on 26 January 2012. 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. Ms Elisabeth Prigge was appointed as further member of the Executive Board of Schaltbau Holding AG with effect from 1 September 2012.

The Supervisory Board particularly wishes to thank the Executive Board, the management teams of the various Group companies, the Works Council and the entire staff of the Group for the dedicated and successful work performed during the past fiscal year.

Munich, April 2013

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2012

ASSETS

in € 000	2012	2011
A. FIXED ASSETS		
I. Intangible assets	755	1,056
II. Property, plant and equipment	73	78
III. Investments	86,449	82,949
	87,277	**84,083**
B. CURRENT ASSETS		
I. Receivables and other assets	45,344	25,497
II. Cash and cash equivalents	74	6,661
	45,418	**32,158**
C. PREPAID EXPENSES	**61**	**39**
	132,756	**116,280**

EQUITY AND LIABILITIES

in € 000	2012	2011
A. EQUITY		
I. Subscribed capital (Conditional capital € 3.294)	7,506	7,506
Nominal amount of treasury shares	-18	-18
Issued share capital	7,488	7,488
II. Capital reserves	15,756	15,756
III. Revenue reserves	39,954	38,654
IV. Participation rights capital	10,000	10,000
V. Unappropriated profit	6,653	5,045
	79,850	**76,943**
B, PROVISIONS		
I. Provisions for pensions and similar obligations	6,474	6,671
II. Other provisions	3,620	4,895
	10,094	**11,566**
C. LIABILITIES	**42,812**	**27,771**
	132,756	**116,280**

Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2012

in € 000	2012	2011
1. Sales	2,253	2,161
2. Other operating income	91	253
3. Cost of materials	670	595
4. Personnel expense	3,550	3,016
5. Amortisation and depreciation	554	507
6. Other operating expenses	3,191	3,309
7. Income from investments	2,000	0
8. Income from profit transfers	12,644	13,849
9. Net interest expense	-758	-1,666
10. Profit from ordinary activities	**8,265**	**7,170**
11. Taxes	1,675	2,235
12. Net profit	**6,590**	**4,935**
13. Unappropriated profit brought forward	63	110
14. Change in capital reserves	0	0
15. Unappropriated profit	**6,653**	**5,045**

Responsibility Statement

Executive Board

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

Elisabeth Prigge,
Düsseldorf

Dirk Christian Löchner,
Bergisch-Gladbach

"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, 15 March 2013
Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann	Elisabeth Prigge	Dirk Christian Löchner

Auditor's Report

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the report on the position of the company and the group for the business year from January 1 to December 31, 2012. 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, 22 March 2013
KPMG AG
Wirtschaftsprüfungsgesellschaft

Moesta
Wirtschaftsprüfer

Querfurth
Wirtschaftsprüfer

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