Annual Report 2013

Schaltbau Group 5-year summary

Group key financial figures		2013	2012	2011	2010	2009
Order situation						
Order intake	€ m.	390.7	372.3	342.8	288.7	251.7
Order book	€ m.	228.1	229.8	197.4	171.5	163.4
Income statement						
Sales	€ m.	390.7	362.8	318.4	280.4	269.8
Total output	€ m.	389.9	367.9	324.4	288.6	262.1
EBITDA	€ m.	45.1	37.0	34.7	30.1	26.5
EBIT	€ m.	36.0	29.5	27.5	23.8	20.3
EBIT margin	%	9.2	8.1	8.6	8.5	7.5
Group net profit	€ m.	24.7	22.2	21.7	14.8	14.1
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	21.4	19.0	18.7	12.1	12.3
Return on capital employed	%	18.2	15.8	18.9	18.2	17.6
Balance sheet						
Fixed assets	€ m.	92.4	80.7	74.0	64.0	61.5
Capital expenditure	€ m.	13.1	9.3	8.6	8.0	9.0
Amortisation and depreciation	€ m.	6.7	7.5	7.2	6.4	6.1
Working capital	€ m.	105.9	105.6	71.8	66.8	53.8
Capital employed	€ m.	198.3	186.3	145.8	130.8	115.3
Group equity **	€ m.	89.4	71.1	57.8	31.9	20.3
Net liabilities to banks	€ m.	41.7	45.0	27.4	31.5	33.9
Balance sheet total **	€ m.	267.4	258.2	214.3	190.1	168.0
Cash flow statement						
Cash flow from operating activities	€ m.	36.5	7.0	25.6	11.1	16.2
Cash flow from investing activities	€ m.	-20.1	-12.6	-13.4	-5.7	-9.8
Cash flow from financing activities	€ m.	-10.8	1.0	-11.7	-2.7	-3.3
Change in cash funds	€ m.	5.5	-4.6	0.7	3.0	3.2
Personnel						
Employees at 31 December	Number	2,044	1,972	1,738	1,610	1,603
Average number of employees	Number	1,839	1,742	1,535	1,453	1,437
Personnel expense	€ m.	119.4	112.1	95.4	87.3	81.7
Personnel expense per employee	€ 000	64.9	64.3	62.1	60.1	56.9
Total output per employee	€ 000	212.0	211.1	211.3	198.6	182.3
Key fin. figures for Schaltbau Holding AG		**2013**	**2012**	**2011**	**2010**	**2009**
Subscribed capital	€ 000	7,506	7,506	7,506	6,863	6,850
Equity of the AG	€ m.	72.9	79.9	76.9	66.0	57.7
Equity ratio of the AG	%	52.1	60.1	66.2	60.2	60.2
Stock market price at 31 December *	€	46.0	31.1	23.5	19.1	13.0
Market capitalisation at 31 December	€ m.	282.3	190.6	144.4	107.4	73.0
Earnings per share (undiluted) *	€	3.48	3.09	3.13	2.17	2.21
Earnings per share (diluted) *	€	3.48	3.09	3.13	2.03	2.06
Dividend per share *	€	0.96	0.77	0.60	0.37	0.23

* Adjusted in line with the share split implemented on 20 August 2012
** 2012 figure adjusted in accordance with IAS 19 (revised)

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

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

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

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

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

2013 was the best year ever recorded in the history of the Schaltbau Group. With sales at an all-time high of more than € 390 million, almost eight per cent up on the previous year, we clearly surpassed our original target of € 374 million and achieved the forecast that we upwardly adjusted in April 2013. However, for us as a profit-oriented company, earnings have the highest priority and our earnings per share figure of € 3.48 even slightly exceeded the forecast, which had again been upwardly adjusted last November. Cash flow also developed well, despite our extensive investment budget. On this basis, the Executive Board will submit a profit appropriation proposal to the Supervisory Board for the payment of a dividend of € 0.96 per share, an increase of 25 per cent on the previous year. Even so, the distribution rate remains at a moderate 27.5 per cent, since we also want to generate growth in the years to come – and that growth needs to be adequately financed. In order to have sufficient liquidity at our disposal we have increased our credit lines, which will enable us to implement the projects we have planned. As in the past, we will only utilise the available funds where we see opportunities to create added value for the Schaltbau Group and if the accompanying risks can be kept at an acceptable level.

Representative for the many successfully implemented measures, at this point four main factors should be mentioned that fundamentally drove Group performance during the 2013 fiscal year:

Firstly, products that have been on the market for only a few years – notably Door Systems for Railway Vehicles equipped with the innovative BIDS drive system – have made a substantial contribution to our sales growth. The decision to invest a considerable proportion of total output in product development (6.1 per cent in the year under report) was, and continues to be, a strategically sound one, and an increasing number of customers have come to appreciate the Schaltbau Group's companies as flexible, innovative system partners. This fact is borne out by the volume of incoming orders recorded in 2013, which was some five per cent up on the previous year.

Secondly, as a result of our upfront expenditure, which was quite sizable in some cases, we generated more than 57 per cent of our sales outside Germany. We registered strong growth in Asia, Russia and the USA in particular, driven by a combination of outstanding products – such as high-voltage contactors for Russian railways and brake systems for container terminals – and the untiring work of our sales team. We were more than able to compensate for isolated contrary developments, particularly those caused by the postponement of railway projects in Germany, China and Latin America. In future too, we will actively continue to promote business on international markets, with the aim of keeping dependence on individual regions as low as possible.

Thirdly, all of our segments contributed towards the growth we achieved. The major growth drivers are, above all, the global megatrends, such as increasing urbanisation, the expansion of world trade and growing environmental awareness. Our systems and components for transportation technology and industry enable us to benefit from these key trends.

Fourthly, acquisition activities undertaken in the previous year – taking over the operations of Werner Kircher, now fully integrated in the Bode Group, and the acquisition of Pintsch Tiefenbach – have made a significant contribution to earnings. We therefore continued our successful policy of identifying, acquiring and integrating targeted companies beneficial to the Schaltbau Group. Our approach is based on a set of clearly defined criteria in terms of strategic fit, fair valuation and amortisation period. The consolidation process currently ongoing in the rail industry is set to continue over the next few years, giving us ample opportunity to take an active part in this process.

However, we are not solely focusing on acquisitions. Even more important for us is organic growth. Last year, the Schaltbau Group launched its most ambitious investment programme for many years: a new technology centre for the Mobile Transportation Technology segment, the expansion of Brake Systems production facilities within the Stationary Transportation Technology segment and the major expansion of two plants in the Components segment, including the repurchase of properties. The sum of these measures has created the manufacturing capacity required to meet future production targets, as we intend to continue making the vast majority of our products at our own plants. Furthermore, the additional facilities will enable us to continue raising efficiency levels along the entire valued-added chain.

2014 is therefore scheduled to be a year of further growth. We intend to increase Group sales by around five per cent to € 410 million and are confident that our premium goods will continue to be in high demand. The current order book provides us with a solid basis for achieving our sales targets. The Schaltbau Group's reported earnings for 2013 mean that it has already advanced to within five per cent of the earnings per share figure of € 3.66 targeted for 2015. This performance has both enabled us and encouraged us to considerably "raise the bar" and in 2016 we now aim to generate earnings per share of € 5.00 for our shareholders, assuming, of course, that the requirements of our core markets remain at similar levels to those of recent years. In 2014, however, we expect earnings per share of € 3.50, only slightly higher than in the previous year. The primary reason for this is upfront expenditure for personnel, which will, however, lead to even faster growth in sales and earnings in the years that follow.

Dr Jürgen H. Cammann
Spokesman of the Executive Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich,
for the fiscal year 2013

PROFILE OF THE SCHALTBAU GROUP

Structure and business model

The Schaltbau Group is a leading supplier of components and systems in the field of transportation technology and for the investment goods industry. The companies of the Schaltbau Group supply complete level crossing systems, train marshalling and signals technology, door and boarding systems for buses, trains and commercial vehicles, industrial brakes for container cranes and wind turbines as well as high- and low-voltage components for railway vehicles and other fields of application. Its innovative and future-oriented products make Schaltbau a key business partner for its many customers.

Organisational structure

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

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

As the ultimate holding company of the Schaltbau Group, Schaltbau Holding AG has been listed publicly since 1994 and in the SDAX since 2011. At the end of the year under report, 73 per cent of its shares were in free float (for further information see page 52).

Management and control

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

- As Spokesman of the Executive Board, Dr Jürgen H. Cammann is responsible for Group strategy, research and development activities, compliance and investor relations.
- Elisabeth Prigge is responsible for finance, controlling, personnel and IT.
- Dirk Löchner concentrates on corporate development, focusing on business expansion and coordinating the Group's foreign subsidiaries and their activities.

The Supervisory Board consists of six members and cooperates closely with the Executive Board. The Supervisory Board monitors and advises the Executive Board on a regular basis on all key questions concerning Group management. Changes in the composition of the Supervisory Board are described in the Supervisory Board report. The principal features of the compensation systems for members of the Executive Board and the Supervisory Board as well as their total compensation are described in the compensation report on pages 46 to 47 of the Group Management Report.

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

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

Business model, markets and influencing factors

The Schaltbau Group's sales during the year under report were divided as follows: 60 per cent railway industry, 16 per cent automotive industry and 24 per cent the investment goods sector, such as port cranes and industrial trucks. As a supplier of niche products with a limited number of competitors, Schaltbau is positioned among the top three companies worldwide in its primary fields of business. Schaltbau continues to generate the major part of its sales in Germany (2013: 43 per cent) and the rest of Europe (2013: 34 per cent).

The Schaltbau Group features a high degree of added-value depth and generates the majority of its output with its own in-house resources, whether research and development, production or sales. Long-term product life cycles and high standards of quality and safety as well as ready availability require an intensive level of development activity. Spending in this field during the year under report was equivalent to 6.14 per cent of Group earnings (see "Research and development" on page 32). Our systems and components are developed and produced worldwide in local and regional units that are capable of reacting swiftly and flexibly to changing market requirements. They also contribute towards the generally growing demand for local content. The various companies in the Schaltbau Group operate 27 sales and production sites in 13 different countries worldwide. Group companies operate their own sales offices in regions of strategic importance. Moreover, external sales partners ensure optimal coverage in selected markets.

The Schaltbau Group operates in markets with a long-term character that are often influenced by the volume of public-sector investment. Group presence in a broad range of customer sectors and regions means its dependence on economic conditions in individual market segments is relatively low. In the railway sector, which is of key importance for the Schaltbau Group, sales volume is often indirectly dependent on the awarding of orders by railway companies to railway vehicle manufacturers and directly influenced by investments in rail infrastructure. The demand for door systems for buses relies strongly on demand coming from communal transportation authorities and therefore on the financial situation of cities, towns and local councils. In the industrial sector, demand is more influenced by economic performance in trade and the logistics industry, although the energy sector also plays a crucial role.

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

- Increasing urbanisation and growing mobility are leading to a greater need for mass public transportation facilities.
- The long-term upward trend in world trade and above-average growth rates in emerging markets are leading to greater demand for transportation infrastructure.
- The limited availability of fossil fuels and increased climate protection measures are calling for energy-efficient methods of transportation.

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
Platform Screen Doors

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

The Mobile Transportation Technology segment

The Bode Group represents the Mobile Transportation Technology segment, comprising the product groups Door Systems for Railway Vehicles, Door Systems for Buses, and Fittings for Sliding Vehicle Doors, which are widely used components in commercial vans and cars.

The Door Systems for Railway Vehicles product group provides complete tailor-made systems, which are equipped with innovative safety technology and boarding aids for underground trains, metros, trams, regional trains and railcars as well as high-speed trains. Its innovative 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 and the cornerstone of the Bode Group's international success is the Bode Innovative Door System (BIDS) for regional trains.

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

The Fittings for Sliding Vehicle Doors product group provides sliding doors with guide systems for box bodies and guide systems for the sliding side doors of both commercial vans and cars. The Bode Group's customer base includes well-known manufacturers of commercial vehicles.

The Bode Group covers the entire value-added chain in the field of boarding systems. A global network of sales and service partners optimally supports Bode's customers in their operations worldwide. Group entities in Poland, Turkey, the USA, China and South Korea, each with their own production plants, provide direct market access in each of these regions. 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 Stationary Transportation Technology segment

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

In the **Rail Infrastructure** business field, the Pintsch Bamag Group specialises in level crossing safety systems and is a key supplier to Deutsche Bahn AG (German national railways), with which Schaltbau has long-term framework agreements. Pintsch Bamag also supplies to numerous private, company and port railway systems. The RBÜT switching system is an essential operating component, widely used in all fields of level crossing safety technology, both in Germany and abroad. A further product group in this business field is that of vehicle equipment, which includes lighting, door, and boarding systems for railway vehicles as well as the relatively new addition of Platform Screen Doors (PSD). In the Warning Systems product group, throughout Europe Pintsch Bamag offers acoustic and visual warning systems for the vehicles of authorities, industry and rescue services as well as for civil management and disaster control. These systems include lightbars for vehicle roofs, warning systems, LED flashers and electronic sirens.

The Pintsch Tiefenbach Group completes the Rail Infrastructure portfolio with railway signalling equipment, train formation facilities and sensor technology for industry and mining in both domestic and foreign markets. Pintsch Aben supplies rail point heating systems and tunnel safety illumination facilities. Pintsch Aben excels particularly in the manufacture of electrical and gas-infrared point heating systems.

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

Its outstanding technological expertise has made Pintsch Bubenzer worldwide market leader in the field of brakes produced for cranes in the maritime sector and is internationally coveted as a development partner and systems supplier. Pintsch Bubenzer operates its own service centres in the strategically important markets of China, Malaysia and the USA.

The Components segment

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

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

In addition to its German sites in Munich, Velden and Aldersbach, the Components segment includes eight subsidiaries and over 60 sales partners who are locally present on important international markets. Schaltbau operates a relatively large production plant in Xi'an (China), which produces railway components for the Asian market, and a second plant in Shenyang (China) for manufacturing industrial contactors. Schaltbau GmbH is also present on the Indian market with its own non-consolidated subsidiary. A further subsidiary in the UK mainly produces contactors for industrial trucks. Markets in France, North America and Southeast Asia are served by nationally based subsidiaries. The Russian market has its own representative office.

Master controller by Schaltbau GmbH integrated in the driver's seat of Flexity low-floor trams in Blackpool

Targets and strategies

The backbone of the Schaltbau Group's strategy is sustainable, profitable growth. With specialised knowledge and a high level of investment in the products they manufacture, the Group's companies have worked hard to gain the trust and confidence of their customers. They constantly strive to further improve on the market position they have attained through selective research and development activities.

Organic growth is the result of innovative products and solutions, entry to new customer markets and greater market penetration. Moreover, the Schaltbau Group is growing through strategic acquisition in its core markets and thereby tapping additional potential.

The Schaltbau Group has set itself the following strategic targets:

- **Organic and non-organic growth:** The Schaltbau Group continues to supplement its product range in the fields of Door Systems and Rail Infrastructure, focusing particularly on system solutions and also technically and qualitatively sophisticated, progressive products. It also considers strategic acquisitions of companies whose products and services moderately overlap with Schaltbau's existing range and which are generally likely to achieve a return on investment (RoI) within a five-year period. Schaltbau is particularly interested in companies capable of sustainably improving the Group's technologically leading position and its ability to come up with system solutions for customers. In the fields of brakes and components, Schaltbau is primarily relying on organic growth, which will be mainly ensured through internally financed investments.

- **Safeguard the technology position:** The Schaltbau Group preserves its technological edge with a high rate of investment. This leading position is based on intensive research and development work as well as product adaptations specially designed to suit regional requirements, for which the Group utilises a high percentage of its sales revenue, when compared with many other companies in the same industry.

- **International footprint:** Both now and in the future, the companies of the Schaltbau Group are expanding their regional production and development units in order to react swiftly to market changes, enter new markets, specifically benefit from advantages related to certain countries or purchasing markets and meet the need for local content.

- **Diversified structure:** In order to maintain a balanced level of risk within the Group, Schaltbau endeavours to retain an even structure of customers and industries. The benchmark to aim for is around 60 per cent of Group sales from the rail industry and 15 to 25 per cent from the automotive and investment goods industries respectively.
- **Operating excellence:** The Schaltbau Group continually works on raising efficiency along the entire value-added chain. With this aim in mind, a lean approach is adopted in the course of expanding production facilities. Efficiency can be further improved by combining production and development activities.
- **Stakeholder orientation:** Customers, employees (both in Germany and abroad) and also shareholders benefit from the sustainable growth of the Group. The Schaltbau Group intends to increase its earnings per share to € 5.00 by 2016.

Door systems by Gebr. Bode in the FLIRT LEO Express intercity train

Management

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

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

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

REPORT ON ECONOMIC POSITION

General economic and sector-specific environment

General economic environment

According to the World Economic Outlook published by the International Monetary Fund, the world economy only grew by 3.0 per cent in 2013. Many emerging economies, including China, India, Brazil and Russia, did not manage to achieve the growth rates forecast by the IMF in spring. Overall, the economic output of the emerging economies only rose by 4.7 per cent, compared with 4.9 per cent one year earlier.

The economic situation in the advanced economies was generally stable. A minor slowdown in the pace of growth in the USA, partly attributable to the long drawn out fiscal debate, stood in contrast to a moderate recovery in the eurozone during the year under report. However, with a contraction of 0.4 per cent overall, growth in the eurozone did not live up to expectations. Germany disappointed with a positive rate of only 0.5 per cent, despite an employment boom and strong domestic consumption figures. The continued negative growth rates in Italy and Spain as well as increasing economic problems in France make it clear that the sovereign and public-sector debt crisis in the eurozone is still a long way from being overcome.

Although industrial production and world trade generally gained some momentum in the course of the year, growth remained comparatively slow.

The Schaltbau Group generates the vast majority of its sales in euros. Currency exchange rate effects resulted primarily from fluctuations of the US dollar and the Chinese renminbi in relationship to the euro. The appreciation in the value of the renminbi in particular had a moderately positive effect on the Schaltbau Group's earnings in 2013.

Sector-specific environment

Sales markets

Despite varying developments in the Schaltbau Group's sales markets and industries in the course of 2013, overall demand remained stable.

In the international rail sector, the general development and upgrading of infrastructure in Eastern Europe and the Americas has helped create favourable market conditions for the Schaltbau Group in those regions. Demand for door and boarding systems in particular remained extremely high. By contrast, the Chinese market continues to be hampered by the restructuring of its rail sector and the resulting investment backlog. The dismantling of the Ministry of Railways (MOR) in 2012 led to a prolonged decision-making vacuum that brought sales growth practically to a halt.

The rail sector in Germany continued to be strongly influenced by the service and financing agreement entered into between Deutsche Bahn AG and the German Federal Ministry of Transport, which resulted in the continuous implementation of infrastructural measures by Deutsche Bahn AG throughout 2013. The agreement was extended to 2015 during the year under report. However, reorganisation measures within Deutsche Bahn AG have led to growing sluggishness in the awarding of orders. Furthermore, the current focus of investment has increasingly shifted to the fields of superstructure and bridge renovation, at the cost of control and safety technologies, especially signalling equipment.

Emergency brake systems by PINTSCH BUBENZER for jack-up working platforms and jack-up drilling platforms

General market conditions for industrial customers continued to be negatively impacted by the weak economy in the eurozone and structural problems in certain customer sectors. In Western Europe, orders from the automotive sector and for industrial trucks were considerably down on the previous year's figures. Furthermore, tight communal budgets in many parts of Europe reduced the number of new bus registrations. These failed to match the previous year's figure, despite a moderate upward trend towards the end of 2013 due to stricter vehicle emission regulations that came into force as from 1 January 2014. Suppliers and upstream industries, such as the crisis-hit steel sector, also suffered under the difficult conditions. Overcapacities in the photovoltaics market have not yet been eliminated, putting continued pressure on profit margins, which meant the readiness to invest was correspondingly low. The wind power market in the USA remained sluggish, due to a lack of clear regulation.

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

Procurement markets

Procurement markets were characterised primarily by falling prices. The annual average price of copper (upper DEL quotation) was 10.7 per cent down on the previous year. The aluminium price fell by 7.3 per cent during the same period. Rolled steel and flame-cut steel parts also became slightly cheaper on average over the year. The prices of gold (18.6 per cent) and silver (26.7 per cent) fell particularly sharply. Schaltbau mainly requires these precious metals to manufacture the contacts of its switches and contactors. Prices for printed circuit boards remained at the previous year's level.

Although the price of crude oil rose in the course of the year under report, the average was only marginally above that of 2012, which meant plastics prices remained generally stable. There were no supply bottlenecks worth mentioning during the period under report.

Competitive environment

Stagnating market volumes in Europe are responsible for increasing consolidation within the Schaltbau Group's competitive environment. Particularly companies in the rail infrastructure industry were affected by takeovers last year. The situation also presents opportunities for non-organic growth. The Schaltbau Group has actively pursued a policy of acquisition in recent years and succeeded in integrating acquired entities in its existing business model within a short time. Possible targets for acquisition are continually examined. However, they are required to fulfil stringent criteria.

Moreover, the entry of new competitors on the market is exerting additional downward pressure on selling prices. The situation is exacerbated by the fact that European railway companies conduct their ordering activities on a more international basis and are therefore keen to test new suppliers. Nevertheless, the companies of the Schaltbau Group successfully maintained their market positions and entered important new foreign markets.

Regulatory conditions

All products manufactured for the railway signals technology sector as well as other electronic control equipment for railway vehicles are subject to regulation by the European Committee for Electrotechnical Standardisation (CENELEC).

During the year under report, transportation technology products (door controls, power supply systems) as well as Platform Screen Doors (PSD) were classified on the basis of CENELEC's Security Integrity Level (SIL) for the first time.

In Germany, a new type approval has been introduced for all products in the field of control and safety technology. This new development effectively transfers the main responsibility to the operator (typically DB Netz AG) and takes pressure off the German Federal Railway Authority. However, the change can lead to delays in the granting of approvals.

Particularly in the second half of the year under report, the sale of products for road vehicles benefited from the introduction of the Euro 6 standard, which specifies stricter, binding emission levels for newly registered vehicles as from 1 January 2014. The tighter regulation led to early orders for buses, which were permitted to be manufactured in accordance with the Euro 5 standard until the end of 2013.

Business performance

The companies of the Schaltbau Group implemented Group strategy during the reporting year by increasing their international presence and simultaneously reorganising structures to make them even more efficient.

Significant investments in other entities

In the **Mobile Transportation Technology** segment, the shareholding in Bode Korea was increased from 80 to 100 per cent in May 2013. In the UK, Gebr. Bode & Co. Beteiligungs GmbH, Kassel, acquired a further 25 per cent shareholding in Rail Door Solutions Ltd., Milton Keynes, in March 2013, increasing its total shareholding to 50 per cent. In September 2013, a share

Point position indicator for double slip points by PINTSCH TIEFENBACH to indicate the monitored end position of electrical locally-operated points

capital increase was implemented and mezzanine financing arrangements put in place, with a view to stabilising the liquidity and financial situation at the UK-based subsidiary, which continues to be accounted for in the Consolidated Financial Statements using the equity method. The underlying reason for these measures was a sales shortfall due to economic difficulties experienced by the subsidiary's main customer. However, that customer has meanwhile been taken over by another company and there is no longer any risk of payment defaults due to insolvency. The supply contracts have been amended accordingly. Bode has a put-call option entitling it to purchase further shares and thereby gain a majority stake in the UK company between 1 April 2017 and 30 March 2022.

Bode Zustiegssysteme GmbH, which acquired the business operations of Werner Kirchner in fiscal year 2012, was merged with Gebr. Bode GmbH & Co. KG with retroactive effect from 1 January 2013 and integrated in the existing production site at the end of the year, thereby completing the integration process.

During the year under report, the Polish at-equity-accounted Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Rawicz, bought back 12.78 per cent of its own shares, effectively increasing the shareholding in the company from 37.13 per cent to 42.57 per cent.

In order to increase foreign business, the **Stationary Transportation Technology** segment has commenced operations at a new site. Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA is based in Sao Paolo (75.0 per cent shareholding) and specialises in the sale, assembly and maintenance of platform screen doors on the Brazilian market. A number of the company's projects are currently in the implementation or bidding phase.

In November 2013, Schaltbau Holding AG announced its intention to purchase 40 per cent of the shares in Albatros S.L., a manufacturer of railway technology based in Madrid. Furthermore, purchase options have been agreed upon, which are intended to enable Schaltbau to take over a majority in the company within the next five years. At the same time, Schaltbau is currently in advanced negotiations regarding the purchase of ALTE Transportation S.L. ("ALTE"), Barcelona, which is a subsidiary of Albatros S.L. and an internationally leading supplier of complete toilet systems and air conditioning equipment.

These takeovers will enable the Schaltbau Group to broaden its range of products and additionally bolster its presence, both on the Spanish market and in North and South America. At the time the Group Management Report 2013 was prepared, both of these takeovers were still subject to a number of conditions precedent, including finalisation of a legally binding purchase contract, the approval of the boards and a further restructuring contribution from the creditors of the two entities concerned (see report on subsequent events on page 34). The intended takeover of the Dutch company VRS Railway Systems B.V. by Pintsch Bamag in December 2012 was broken off by the selling party in March 2013.

Significant investments in property, plant and equipment

The Schaltbau Group increased its investments in property, plant and equipment to € 13.1 million in fiscal year 2013 (2012: € 7.6 million). The principal focus of investment was on broadening production capacities at the Group's German plants in order to enable further growth.

The Bode Group primarily invested in the construction of a new technology centre at its Kassel site. The new centre will not only include extensive development facilities, but also the testing and toolmaking departments.

Due to continued high demand, the Pintsch Group invested in expanding Pintsch Bubenzer's brake systems manufacturing capacities, mainly through the purchase of a neighbouring building.

In the Components segment, Schaltbau GmbH expanded manufacturing capacities at its Velden and Aldersbach plants and streamlined its production processes in the course of reorganisation. The previous lease financing of the property and existing buildings was terminated as part of the extensive investment project. After purchasing the remaining stakes in Alud Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG and ALUD Grundstücksverwaltungsgesellschaft mbH, which had been held by a leasing company, these two entities were merged with Schaltbau GmbH.

In addition to the above-mentioned major projects at Bode and Schaltbau GmbH, which continue into 2014, further investments were made in a variety of replacements, new equipment and rationalisation measures as well as the purchasing of tools required to manufacture new products.

Business and earnings position

Impact of new financial reporting requirements

The first-time application of the amended IAS 19R gives rise to various changes in the accounting treatment of pensions. Comparative figures for the previous year have been adjusted accordingly. Further information can be found in the notes to the consolidated financial statements (page 93).

Overall assessment of financial condition

The Schaltbau Group made excellent progress in the fiscal year 2013, particularly in view of subdued investment activities in some of the major market segments in which it operates. Compared to the previous year, all three segments reported higher sales than the comparable figures for 2012, with the Mobile Transportation Technology segment performing particularly dynamically. Sales rose steeply in the Door Systems for Railway Vehicles product

Safe and reliable: level crossing systems by PINTSCH BAMAG

group on the back of the ongoing success of BIDS (Bode Innovative Door Systems) technology. Within the Stationary Transportation Technology segment, the slight decrease in sales recorded by the Rail Infrastructure business field was more than offset by the positive performance of the Brake Systems business field. The Components segment profited in particular from series deliveries of high-voltage contactors to Russian railways and from strong demand in the USA for switches.

With Group sales of € 390.7 million, the Schaltbau Group was well ahead of its original sales target of € 374 million, announced in the Outlook Report at the end of 2012, and safely reached its upwardly revised target of € 390 million communicated to the capital market in April 2013. Due to project delays on the part of customers, the new sales forecast issued in November – increased to € 395 million – was not achieved.

FORECASTS FOR THE FISCAL YEAR 2013

In € million	Outlook reported on 9.11.2012	Outlook reported on 10.4.13	Outlook reported on 8.11.13	Actual 2013
Sales	374	390	395	390.7
EBIT	32.8	35.9	36.0	36.0
Earnings per share	3.04	3.24	3.40	3.48

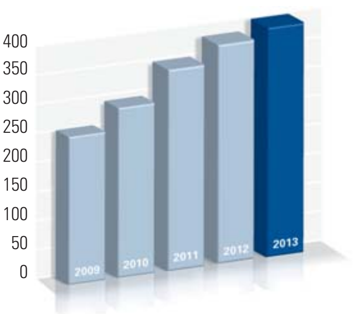
EBIT came in precisely in line with forecast at € 36.0 million. The fact that EBIT improved at a quicker rate than sales reflected the more favourable product mix structure and lower purchase prices for raw materials. Earnings per share climbed to € 3.48 and therefore exceeded the most recently forecast figure of € 3.40.

Order intake for the Schaltbau Group rose by 4.9 per cent to € 390.7 million. Based on the strong order-book situation, sales are expected to rise to approximately € 410 million in 2014.

Investment activities initiated at the Group's German sites during the past year have bolstered Schaltbau's market position and will help to secure long-term sustainable growth in the future. Thanks to its solid financial position, the Schaltbau Group is fully able to take advantage of market opportunities as they as arise.

Business and earnings position of the Schaltbau Group

Order intake



Disclosures in € m.

KEY PERFORMANCE FIGURES FOR THE SCHALTBAU GROUP

In € million	2013	2012	Δ%
Order intake	390.7	372.3	4.9
Sales	390.7	362.8	7.7
EBIT	36.0	29.5	22.0

Order intake and order book

Order intake developed positively for the Schaltbau Group in the fiscal year 2013. Overall, the volume of orders received rose by 4.9 percent to € 390.7 million compared to the previous year's € 372.3 million. The main factor for this strong performance was the sharp rise in incoming orders recorded by the Mobile Transportation Technology segment, especially for Door Systems for Railway Vehicles. The Stationary Transportation Technology segment did not quite manage to repeat its previous year's order-intake level (which had benefited from some one-time effects), but nevertheless exceeded expectations, thanks to a steep increase in orders for Brake Systems. Despite falling short of its order-intake targets due to the lower volume of exports to China and a sharp downturn in the photovoltaics business, the Components segment nevertheless recorded a slight increase in order intake overall.

Ground-breaking ceremony for the new production building in Aldersbach

Just under 55 per cent of new orders were received during the first half of the year. Although the pace of growth tailed off somewhat owing to a number of project postponements, order intake was nevertheless 4.0 per cent up for the year as a whole.

The order book stood at € 228.1 million at the end of the reporting period, very close to its level one year earlier (€ 229.8 million). Approximately 88 per cent of these orders are scheduled to be completed during the fiscal year 2014, thus providing a solid basis for the Schaltbau Group's targeted sales rise in 2014 (see Outlook Report, page 44).

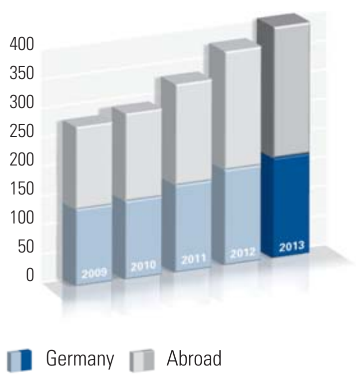
Sales

Group sales rose by 7.7 per cent from € 362.8 million to € 390.7 million in 2013. With the exception of the fourth quarter – when project delays attributable to customers meant that reported sales remained flat compared to the previous year – sales throughout the rest of the year were well ahead of the corresponding quarterly figures for 2012.

All three segments reported increases on their previous year's sales performance. Almost three quarters of the overall rise in Group sales were attributable to higher sales volumes recorded by the Mobile Transportation Technology segment, particularly in the rail sector.

Sales outside Germany accounted for 57.2 per cent (2012: 55.8 per cent) of total sales. Above-average growth was achieved in the non-EU region of Europe – including significantly improved sales performance in Russia – and in Asia. 60 per cent of sales came from the rail sector, 16 per cent from the automotive sector and 24 per cent from the capital goods sector.

Sales



Disclosures in € m.

Group earnings performance

Group EBIT grew by 22.0 per cent to € 36.0 million (2012: € 29.5 million) and thus rose at a more pronounced rate than sales. As a consequence, the EBIT margin also significantly improved at 9.2 per cent (2012: 8.1 per cent). Profit before tax (EBT) jumped by 29.6 per cent to € 33.7 million (2012: € 26.0 million), thanks to improved net interest expense and investment income results. Group net profit for the period climbed from € 22.2 million to € 24.7 million.

The more moderate increase in Group net profit compared to the growth in EBIT was partly due to the utilisation of tax losses available for carryforward, which resulted in an increased effective tax rate. Excluding deferred taxes, the tax expense increased to only € 6.5 million (2012: € 5.9 million).

Profit attributable to shareholders of Schaltbau Holding AG amounted to € 21.4 million (2012: € 19.0 million), corresponding to earnings per share of € 3.48 (2012: € 3.09). The first-time application of revised IAS 19R (see "Accounting policies" section in the notes to the consolidated financial statements) only had a minor impact on Group earnings.

In addition to the impact of increased sales, earnings also benefited from keeping a lid on the cost of materials. The more favourable product mix structure and lower purchase prices paid for raw materials on average during the year are reflected in the cost of materials ratio, which fell to 49.3 per cent (2012: 50.2 per cent, expressed in both cases as a percentage of total output).

These favourable developments more than compensated for the negative impact of higher amortisation and depreciation expenses (a consequence of greater investment) and the increase in other operating expenses.

The 6.5 per cent increase in personnel expense was due partly to the higher staff numbers necessary to steer a steady course in line with the growth in business volumes (see page 34) and partly due to increases in collectively negotiated pay rates. The average number of employees over

the twelve-month period was 5.6 per cent higher than in 2012. At 30.6 per cent, the personnel expense ratio (as a percentage of total output) was at a similar level to the previous year (30.5 per cent). Output per employee (productivity) was roughly in line with the previous year's level and amounted to € 212,000 (2012: € 211,100).

The Schaltbau Group spent € 24.0 million on research and development, equivalent to 6.14 per cent (2012: 6.0 per cent) of total output. Major projects included further work on, and country-specific differentiation for, the RBUEP, BIDS and PSD technology platforms as well as further development of the CADS electric drive systems for bus door systems.

Proposed appropriation of results

The Executive Board and Supervisory Board will propose to the Annual General Meeting, to be held on 5 June 2014 in Munich, that the

The new technology centre at Gebr. Bode

unappropriated profit of Schaltbau Holding AG amounting to € 7.8 million (based on HGB accounting principles) be used to pay a dividend of € 0.96 per share (2012: € 0.77).

Business and earnings position of the segments

The Mobile Transportation Technology segment

The Mobile Transportation Technology segment (Bode Group) can look back at a highly successful fiscal year. At € 141.4 million, order intake surpassed the previous year's figure of € 127.7 million by 10.7 per cent. The majority of orders, almost 60 per cent, were attributable to the Doors for Railway Vehicles product group, which has meanwhile established itself on further platforms of leading railway vehicle manufacturers. Demand for spare parts again rose moderately in comparison to the previous year. The main focus of sales efforts continued to be on complete systems based on BIDS technology. Market penetration of this standardised drive concept continued to make good progress during the year under report. In July, for instance, Bode was awarded a major order for the equipping of 63 regional trains that will operate in Germany. In addition, several framework agreements were entered into that are not yet visible in terms of incoming orders.

KEY PERFORMANCE FIGURES FOR THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

In € million	2013	2012	Δ%
Order intake	141.4	127.7	10.7
Sales	144.3	123.5	16.8
EBIT	11.6	7.0	65.7

Order volumes for Door Systems for Buses and Coaches showed a moderate 3.3 per cent increase, principally due to a slight upturn in demand for door systems for city buses caused by early orders relating to the introduction of the Euro 6 standard. As a market leader in Europe that is integrated in numerous platforms, Bode benefited more from this development than its competitors. The product group therefore performed better than the market as a whole, which was negatively impacted by a strong decline in the number of new vehicle registrations, particularly those of communal transport authorities in Southern Europe.

The Fittings for Sliding Vehicle Doors (automotive) product group also recorded slightly higher order volumes, primarily due to series deliveries of sliding door fittings to a major customer and steady orders for linear sliding door systems as part of a long-term contract.

The 16.8 per cent rise in segment sales to € 144.3 million (2012: € 123.5 million) was also entirely attributable to Door Systems for Railway Vehicles, coupled with growing demand for spare parts, surpassing the previous year's figure by more than 30 per cent. The growing percentage of complete systems also helped to improve the product mix. The Door Systems for Buses, and Fittings for Sliding Vehicle Doors (automotive) product groups registered stable sales performance. Growth was particularly evident in Eastern Europe, which was largely attributable to the activities of our Polish entity. In Asia too, segment sales were significantly up on those of the previous year.

Due to the comparatively moderate rise in fixed costs, segment EBIT increased at a more pronounced rate than sales, rising sharply from € 7.0 million in 2012 to € 11.6 million in 2013. The EBIT margin came in at 8.0 per cent (2012: 5.7 per cent). The improved margin was partly a result of increased sales and also due to measures taken to make cost structures more flexible. In this context, order processing for road vehicle products was significantly streamlined. Costs were also reduced through the standardisation of individual product groups. The acquisition of Bode Zustiegssysteme GmbH in the previous year also had a positive impact on segment earnings.

The Stationary Transportation Technology segment

At € 145.5 million, order volume in the Stationary Transportation Technology segment was slightly below the € 147.1 million recorded one year earlier. Order intake for the Rail Infrastructure business field dropped as a result of project delays in the field of Railway Signal Technology in Germany. Contrary to expectations, one project in particular for the renewal of obsolete level crossing systems was postponed, which meant that decreasing volumes in the field of signal and warning light technology could not be compensated. Two major orders for train formation systems were only partially able to offset the decline. The first-time awarding of two foreign projects involving signal technology in Denmark and the Middle East were strategically significant for the business field. However, the project in Denmark will only impact order intake as from 2015. Although demand for point heating systems rose towards the end of the year, order volume did not quite manage to equal the figure recorded one year earlier due to financing difficulties in the Netherlands, a key sales market.

The reduced volume of orders in the Rail Infrastructure business field was partially made good by continued higher demand in the Brake Systems business field, where incoming orders were 9.3 per cent higher in 2013, greatly exceeding expectations. Strong demand in the conventional container business firstly reflects the increasing volume of goods being transported worldwide and secondly the progressive automation of container terminals, which is driving a growing need for hydraulically operated safety brakes. In addition, new orders in the wind power and mining sectors helped generate new business.

Safe and ecological: platform screen doors by PINTSCH BAMAG

Segment sales rose by 0.7 per cent to € 143.1 million (2012: € 142.1 million), mainly resulting from growth in demand for Brake Systems. Sales figures in the Rail Infrastructure business field, however, which are primarily reliant on the financing and service agreement with Deutsche Bahn AG, did not achieve the level seen in 2012 due to project delays. It is also important to consider that the previous year's figure includes a major contract in the field of warning technology.

Segment EBIT totalled € 12.7 million, exceeding the previous year's figure of € 12.1 million by 5 per cent. The EBIT margin rose from 8.5 to 8.8 per cent, just below the average for the Group, reflecting not only the delayed sales caused by project postponements, but also the high pressure from competitors on margins in the field of signal technology. Acquisition- and consolidation-related expenses also held down results, although these were largely compensated by higher earnings in the Brake Systems business field.

KEY PERFORMANCE FIGURES FOR THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

In € million	2013	2012	Δ%
Order intake	145.5	147.1	-1.1
Sales	143.1	142.1	0.7
EBIT	12.7	12.1	5.0

The Components segment

New business in the Components segment was negatively impacted by the ongoing restructuring of China's rail sector. Regional railway vehicle manufacturers were forced to throttle back production to compensate for the greatly reduced volume of state-awarded orders. The resulting investment backlog has led to lower demand for contactors and switches, and only isolated projects were approved during the first half of 2013. The situation did, however, improve during the second six-month period and order volumes began to climb. Business transacted in China continues to be subject to long payment periods. The temporary drop in demand not only affected production in Germany, but also that of our Chinese joint venture Xi'an Schaltbau Electric Corporation Ltd., even though the upturn in demand in the latter part of the year as well as positive currency exchange rate factors provided some compensation. Order volumes from European industrial truck manufacturers and the photovoltaics industry were down on levels recorded one year earlier.

At € 103.2 million, segment sales were 6.2 per cent up on the previous year's figure of € 97.2 million. One of the main reasons for this improvement was the series delivery of high-voltage contactors to Russian national railways, which began in the second half of 2012. The sale of switches also exceeded the level reported one year earlier.

EBIT increased by 8.1 per cent to € 17.4 million (2012: € 16.1 million), The EBIT margin stood at 16.9 per cent, slightly up on the previous year's 16.5 per cent, which was influenced by upfront expenditure for personnel, among other factors.

Financial and net assets position

Principles of financial management

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

KEY PERFORMANCE FIGURES FOR THE COMPONENTS SEGMENT

In € million	2013	2012	Δ%
Order intake	103.7	97.4	6.5
Sales	103.2	97.2	6.2
EBIT	17.4	16.1	8.1

However, as in the previous year, negative factors were offset by particularly good market developments in Russia and the USA, causing segment order intake to rise by 6.5 per cent to € 103.7 million in 2013, compared with € 97.4 million in 2012.

In order to limit external financing, the Schaltbau Group uses internal sources of financing to the greatest extent possible. Cash flow surpluses of individual entities are used, wherever it makes sense, to cover liquidity requirements arising at the level of other subsidiaries and participations.

New UIC-IT connectors made by Schaltbau GmbH in TRAXX-model locomotives

In this context, working capital management is subject to a high degree of monitoring and co-ordination throughout the Group. All major units – with the exception of the Bode Group and Xi'an – are covered by these financing activities.

External funding is based on a Syndicated Credit Agreement, which was renegotiated in December 2013. The credit line now amounts to € 110 million and runs, unchanged from the previous agreement, to December 2017. No collateral has been given. As a result of the arrangements that are in place, management is confident that all obligations can be met again in 2014. The credit agreement is subject to numerous assurances, guaranties and conditions as well as various defined financial performance indicators (covenants), all of which were fully complied with during the year under report. At 31 December 2013, the Bode Group had access to credit facilities totalling € 17.3 million (2012: € 15.8 million).

An equity ratio of between 30 and 40 per cent has been set as the target for the Schaltbau Group.

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

Analysis of capital structure

At € 93.5 million, non-current liabilities were lower than at the end of the previous fiscal year (2012: € 94.2 million). The reclassification of participation rights capital to current liabilities more than compensates for the increase in the pension provision attributable to the adoption of amended IAS 19R. Financial liabilities were practically unchanged at € 49.8 million (2012: € 49.9 million). A loan for € 10 million was raised in 2013 in order to finance the expansion of the Components segment plant facilities, including land repurchased. This figure compares with repayments in the year under report on a similar scale (€ 9.1 million).

Current liabilities went down slightly by € 0.8 million to € 84.4 million, with the reclassification of participation rights capital offsetting the lower

Door systems by Gebr. Bode in the Coradia Lint DNK regional train

level of advance payments from customers. Current financial liabilities were also lower than one year earlier.

Net liabilities to banks (current and non-current bank liabilities less cash and cash equivalents) amounted to € 41.7 million at the end of the reporting period (31 December 2012: € 45.0 million). The debt ratio (net bank liabilities to EBITDA) at the end of the reporting period was 0.9 compared to 1.2 at 31 December 2012.

The Group had access to total financing facilities amounting to € 125.8 million at 31 December 2013 (2012: € 117.7 million), of which € 41.9 million (2012: € 33.1 million) has been disbursed as loans. Current account credit lines totalled € 68.9 million (2012: € 69.6 million), of which € 60.0 million is available until December 2017. € 22.0 million (2012: € 26.0 million) of the current account credit lines (including guarantee lines) were being utilised at 31 December 2013. The instalment loan received as part of the financing package was reduced by € 5.5 million of scheduled repayments in 2013.

The Group was able to meet its liabilities at all times during the year under report.

Thanks to the excellent progress made, equity rose to € 89.4 million (31 December 2012: € 76.5 million). As a result of the first-time application of IAS 19R, the opening figure for equity was adjusted downwards retrospectively by € 5.3 million to € 71.1 million. Despite a slight increase in the balance sheet total from € 258.2 million to € 267.4 million, the equity ratio improved to 33.4 per cent (compared to 27.6 per cent at the end of the previous year after adjustment for IAS 19R) and was therefore within the targeted range.

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

Analysis of liquidity

Cash flows from operating activities totalled € 36.5 million and were therefore significantly higher than the previous year's figure of € 7.0 million. The principal reason for the improvement – alongside higher EBIT – was the reduction of inventories.

The higher cash outflow for investing activities totalling € 20.1 million (2012: € 12.6 million) was mainly due to increased capital expenditure on property, plant and equipment. The main areas of focus of capital expenditure in 2013 were the expansion of production capacities at Pintsch Bubenzer (now completed), the start of construction of a new technology centre for Bode in Kassel (construction started during the third quarter) and the expansion of Schaltbau GmbH's plants in Velden and Aldersbach (see page 18). Capital commitments for these various construction activities totalled € 6.1 million at 31 December 2013. Separate loans were taken up in 2013 to finance these investments. Additional top-ups and other capital measures at the level of participations also resulted in a higher figure for financial investments during the twelve-month period.

The net cash outflow for financing activities amounted to € 10.8 million (2012: net cash inflow of € 1.0 million) and was influenced particularly by payment of the raised dividend as well as by the repayment of other financial liabilities. The net impact of loans borrowed and repaid was € 4.5 million.

Overall, cash and cash equivalents changed by € 5.5 million to € 13.2 million. At the end of the reporting period, cash funds of the Schaltbau Group totalled € 14.4 million (2012: € 8.5 million).

Net assets

Non-current assets totalled € 105.4 million at the end of 2013, whereby the increase over the previous year was primarily attributable to the strong performance of Rawag (accounted for at equity) during the year under report and the net impact of changes in property, plant and equipment and intangible assets. Additions totalled € 17.0 million (2012: € 9.3 million) and were thus significantly higher than depreciation and amortisation, which totalled € 9.1 million (2012: € 7.5 million). Further capital increases at foreign entities, necessary in conjunction with the ongoing internationalisation of the Schaltbau Group, also resulted in increased carrying amounts for other financial investments. The change in accounting policy for pensions also caused deferred tax assets to rise.

Overall, current assets hardly changed at all from one year-end to the next and stood at € 162.0 million at the end of the reporting period (2012: € 161.8 million). The decrease in inventories contrasted with an increase in cash and cash equivalents, mainly due to the timing of transactions around the year-end. At € 66.2 million, receivables finished at a similar level to the end of the previous year. The increase during the year (mainly due to extended payment terms in China) was countered by pro-active receivables management during the final months on the year as well as by shifts in the timing of billing. Working capital also only moved marginally from its level at the end of 2012 (€ 105.6 million), finishing the year at € 105.9 million. The decrease in inventories was matched by lower levels of advance payments from customers, partly due to a number of project postponements. The average receivables period decreased to 61 days, compared with 66 days at the end of the previous year.

Capital employed was approximately € 12 million higher at € 198.3 million. ROCE improved from 15.8 per cent in 2012 to 18.2 per cent in 2013, reflecting the fact that EBIT increased at a more pronounced rate than capital employed.

Deferred tax assets, amounting to € 13.0 million at the end of the reporting period (2012: € 13.4 million), comprised € 7.6 million (2012: € 5.8 million) recognised on timing differences and € 5.4 million (2012: € 7.5 million) recognised on tax losses available for carryforward. As a result of the first-time application of IAS 19R, the opening figure for deferred tax assets was adjusted retrospectively by € 2.2 million to € 15.6 million. Deferred tax liabilities on timing differences amounted to € 7.1 million (2012: € 6.8 million).

Earnings, financial and net assets position of Schaltbau Holding AG

The separate financial statements of Schaltbau Holding AG for the fiscal year 2013 were drawn up, as in the previous year, in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

Schaltbau Holding AG is a non-operating company. Its **earnings position** is primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries and the net interest result relating to its financing function. Profit and loss transfer agreements are in place between Schaltbau Holding AG and both Schaltbau GmbH and Pintsch Bamag GmbH. In turn, Pintsch Bamag GmbH has profit and loss transfer agreements with Pintsch Bubenzer GmbH, Pintsch Aben geotherm GmbH and – new in 2013 – with Pintsch Tiefenbach GmbH.

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

Sales of € 2.2 million (2012: € 2.3 million) comprised mainly revenue from recharging the cost of centralised IT systems to subsidiaries.

Income from profit transfers amounted to € 14.2 million and was thus higher than one year earlier (€ 12.6 million). The increase was attributable first and foremost to the improved earnings performance of Schaltbau GmbH, which, in turn, was due to increased sales, lower raw materials prices and a lower expense for depreciation and amortisation. The lower profit transfer from Pintsch Bamag was more than compensated for by the higher transfer from Schaltbau GmbH.

The result from investments increased by € 0.5 million to € 2.5 million, and reflects the improvement in Gebr. Bode GmbH & Co. KG's result for the fiscal year 2012.

Expenses also increased, mainly in the area of personnel expense, but at a less pronounced rate than the growth in income. Net interest result decreased again compared to the preceding year and reflects mainly higher interest income earned on cash pooling arrangements, in which all of the major German entities (with the exception of the Bode Group) participate.

Overall, Schaltbau Holding AG reports profit before tax of € 10.4 million, an improvement of 25.3 per cent over the previous year (€ 8.3 million).

As a result of the utilisation of taxes on tax losses available for carryforward, the effective tax rate continued to return to a more normal level of approximately 25 per cent compared to the preceding year (approximately 19 per cent). The Company reports net profit for the year of € 7.8 million, well up on the previous year's figure of € 6.6 million.

Schaltbau Holding AG's balance sheet total increased by € 7.3 million to € 140.1 million. The main reason for the rise was the higher level of receivables from affiliated companies in connection with intragroup financing. As a result, current assets rose from € 45.4 million to € 52.0 million over the twelve-month period.

By contrast, fixed assets changed only minimally and stood at € 88.1 million at the end of the reporting period (2012: € 87.3 million). Fixed assets related almost entirely to investments in affiliated companies. The small increase was mainly due to the acquisition of shares in Alud Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG and ALUD Grundstücksverwaltungsgesellschaft mbH in connection with the investment project currently being executed by Schaltbau GmbH. As in the previous year, the 137,270 participation rights bought back by the Company in 2006 are also included in non-

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

current financial assets at the year end at their buy-back cost of € 2.2 million. The participation rights, with a market value of approximately € 3.1 million at 31 December 2013, are fully available to the Company and at present there is no intention to sell or cancel them. The participation rights capital will be repaid in June 2014 and was therefore reclassified from equity to liabilities.

Liabilities increased overall from € 42.8 million to € 55.9 million, partly reflecting the above-mentioned reclassification of participation rights capital (€ 10.0 million) from equity, due to the date of repayment and partly due to higher payables to affiliated companies in connection with cash pooling arrangements. By contrast, liabilities to banks went down from € 32.3 million to € 27.2 million, due to lower requirements for external funding necessary to finance operations. The covenants contained in the Syndicated Credit Agreement were again complied with in 2013.

Due to the reclassification of participation rights capital to liabilities (€ 10.0 million), Schaltbau Holding AG's equity decreased from € 79.9 million to € 72.9 million, despite the fact that the net profit for 2013 exceeded the dividend paid for 2012. The equity ratio deteriorated accordingly from 60.1 per cent to 52.1 per cent. The current level of equity capital, combined with the availability of credit lines in conjunction with the Syndicated Credit Agreement, provides a comfortable financial base to enable Schaltbau Holding AG to proactively support the future development of the subsidiaries.

The Executive Board forecasts that Schaltbau Holding AG's profit before tax for the fiscal year 2014 will be at a similar level to 2013.

Non-financial performance indicators

Research and development

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

Product developments in the **Mobile Transportation Technology** segment primarily focused on light railway vehicles, buses and automobiles. A new, standardised door wing concept designed for use in light rail vehicles such as trams, but also for buses, makes it possible to benefit from innovative, low-cost production processes. Another new development, the swinging-sliding door drive, enables manufacturers to save space, reduce weight and cut production costs. The sliding door system can be easily adapted to match the design requirements of vehicle manufacturers, making it ideally suitable for use in road vehicles.

The development of the door systems has been enhanced to include a new sliding step design for railway vehicles that serves to bridge the gap at platforms and is equally suitable for use in both light and heavy railway networks. With its new motor and transmission unit, the sliding step can be installed in a very small space and additionally helps save weight. Moreover, new software implemented by external suppliers ensures smooth door action for a wide variety of conditions experienced by our customers.

The recently developed BIDS BMS (Bode Metro Systems) metro door system was sold for the first time for use in a customer project. The new system means that in addition to its swinging-sliding doors, Bode will also be able to provide sliding pocket doors in future and thereby enter a market that only played a minor role for Bode in the past.

Measuring - testing - safety: measuring train lights in PINTSCH BAMAG's light laboratory

During the year under report, two patents were applied for that relate to the electric drive system of linear sliding doors as well as the sliding side doors for automotive applications. Nine new patents have been granted, bringing the total number of patents held by the segment up to 149.

In the **Rail Infrastructure** business field of the **Stationary Transportation Technology** segment, the main emphasis was placed on the continued development of RBUEP (computer-aided level crossing technology). The tender for a project in the field of Platform Screen Doors (PSD) in Sao Paulo, Brazil, necessitated the considerable use of R&D resources. Another important project is the conversion of line signals to LED technology, as well as the standardisation and energy efficiency of point heating systems. In 2013 the Rail Infrastructure business field applied for eight new patents. It owns a total of 62 patent families.

Developers in the **Brake Systems** business field continued to work on completing the existing brake testing stations. The new capability will mean a reduction in product development time in future. A further key area was the further development of electromechanical wheel brakes. A new hydraulically released safety brake for automated cranes was introduced in 2013 and has meanwhile been successfully marketed in Asia.

Quality testing and final inspection of a control system

All of the product ranges in the **Components** segment have been supplemented and selectively expanded in the usual course of product maintenance. The trend towards the use of electric motors in the new Agriculture market sector remained unbroken. In particular, connectors for ancillary agricultural devices and tractors are being internationally redefined. The most important new developments were completed in the fields of high-current switches, contactors and master controllers.

The segment owns 36 patent families with 266 individual country designations. In 2013 six new patents were applied for, including four patent protection shield extensions with the focus on Russia and China.

During the year under report, the Schaltbau Group's spending on research was equivalent to 6.14 per cent (2012: 6.0 per cent) of sales, and therefore within the budgeted target corridor. Capitalised development costs totalled € 2.1 million (2012: € 0.4 million). A total of 269 employees were engaged in the various R&D departments at the end of fiscal year 2013 (2012: 252 employees). Based on these figures, more than one tenth of the workforce continues to be engaged in further enhancing the Group's technological base.

Employees

The Schaltbau Group's workforce grew to a total of 2,044 employees as at 31 December 2013 (2012: 1,972 employees).

The number of people employed in the **Mobile Transportation Technology** segment rose from 609 to 631. New staff members were recruited particularly in the fields of development, project planning and sales, in order to promote international expansion and work on various projects worldwide. Staff numbers in the **Stationary Transportation Technology** segment increased from 703 to 723, the majority of whom were recruited for development and sales purposes. Most new staff in the **Components** segment were recruited to fill vacancies in the production department. Employee numbers in this segment increased from 639 in 2012 to 668 at the end of 2013.

Improving the skills of its workforce is seen by Schaltbau as an important investment in the future. For this reason, with € 798,000 (2012: € 670,000) the Schaltbau Group again invested a significant sum on both internal and external training as well as for further qualification measures. Apart from improving language skills, the main focus was on advanced training in the fields of design software and lean management as well as leadership abilities.

Professional training based on the needs of the Group plays a decisive role in ensuring that sufficient numbers of qualified staff members are available to meet the needs of the market in the future. A total of 14 young, talented people successfully completed their training at Schaltbau's different sites in Germany in the course of 2013. As at 31 December 2013, a total of 121 (2012: 103) young people at various Schaltbau Group entities were receiving training in professions such as industrial mechanic, industrial business management assistant and IT specialist. The Mobile Transportation Technology segment employed 25, Stationary Transportation Technology 37 and Components 20 trainees at the end of 2013.

A total of 28 people (2012: 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 are offered at three of the Group's German companies.

Personnel expenditure rose to € 119.4 million (2012: € 112.1 million) as a result of increased recruitment and tariff-based pay rises. At € 212,000 the total output per employee, including trainees and executives, remained at approximately the same level as one year earlier (2012: € 211,100). An average of 1,839 full-time staff members were employed in the Group over the year, compared with 1,742 in 2012.

Events after the end of the reporting period

No events of particular significance have taken place since 31 December 2013.

Training for the laser alignment of a clutch, using a drive model

REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

Risk report

Risk management

Risk strategy and organisation of risk management

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

The risk management system, with its organised structures and workflows, is described and defined in a policy which applies throughout the entire Group. It includes a comprehensive system of documentation and reporting. In line with the decentralised organisation of risk management, all potential causes of damage are recorded according to their probability of occurrence and possible consequences. The risk management officers at Group Holding level and in the various lead companies of the operating segments are responsible for this task. Irrespective of their probability of occurrence, any risks capable of causing a medium level of damage exceeding € 100,000 require notification. If they exceed certain entity-specific thresholds for individual risks capable of jeopardising the going-concern status of any entity, these risks must be categorised accordingly and notified by means of in-house ad hoc reports without delay. Risk concentrations and their possible consequences (secondary risks) must also be appropriately considered. The risks identified are aggregated into risk categories and assessed by the Executive Board at Group level.

Appropriate levels of provision are recognised as necessary for the risks identified. Latent risks are covered either by insurance policies or by corresponding provisions in the balance sheet. Losses may occur, however, that are either not sufficiently insured or exceed the amount of provision recognised. The extent to which provision for risks is recognised in the balance sheet – in the form of provisions, specific and general allowances/write-downs – is described separately in the section on risk reporting.

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

The external auditor is responsible for examining and concluding on the basic functionality and suitability of the risk management system each year. In addition, the risk management system and its related reporting is subject to regular examination by the internal audit department.

Risk reporting

In addition to ad hoc reporting, the various Group companies are required to report on a quarterly basis on the entire spectrum of risks, as well as on any changes in the risk situation, to the

responsible risk management and compliance officers, who, in turn, collate the information gathered as the basis for a detailed risk report, which is presented to the Executive Board of Schaltbau Holding AG four times per year.

The Executive Board also obtains additional information regarding the Schaltbau Group's risk situation on the basis of the monthly reports sub-

IST door systems by Gebr. Bode in Lion's City bus

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

The following description of the risk situation shows risks on a net basis, i.e. taking risk-mitigating measures into account. Apart from the risks described below, no further significant risks have been identified. The period for which risks are considered corresponds to the period covered by the outlook. The risk situation is described as at 31 December 2013.

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

Based on a set of in-house guidelines and policies and in conjunction with extensive basic and further training activities, it is the task of the Compliance Officer to instil and raise awareness on all compliance-related matters. Audits are also conducted in order to ensure compliance with statutory requirements and in-house guidelines by the Schaltbau Group's German and international entities.

Risk categories

Macroeconomic risks

Macroeconomic risks can have a wide range of causes. Cyclical risks arise from unfavourable developments on global or regional markets, such as a flare-up of the sovereign debt crisis in Europe, the consequences of which have still not been completely overcome. Ever-shorter economic cycles and greater market volatility have the effect of reducing planning certainty. Further macroeconomic risks can arise from price increases for raw materials and supplies – particularly precious metals, steel and energy. Currency exchange rates can also change for the worse. Similarly, any move away from the expansive monetary policies pursued in the USA and Europe could lead to capital flight from the emerging economies and hence to losses in the value of those countries' currencies. The devaluation of other currencies against the euro could also have a negative impact on competitiveness in certain sales regions.

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

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

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

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

Sector-specific risks

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

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

In addition, 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.

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

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

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

Risks along the value-added chain

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

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

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

Overall, the Schaltbau Group does not consider development risks to be substantial, since the further development of products and systems is mostly carried out in close cooperation with core customers or even performed on their behalf. The development process itself is efficiently designed and continually improved by means of selective investment.

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

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

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

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

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

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

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

Legal risks

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

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

Financial risks

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

Increased working capital levels caused by long payment periods in numerous foreign markets can lead to respective funding requirements and lost potential. Our Chinese subsidiaries in particular require a high degree of working capital, which is a widespread phenomenon in

China. The situation in this region is closely monitored on a regular basis. However, in view of the great strategic potential of the Chinese market, the risk is currently considered to be at an acceptable level.

In order to safeguard its ability to grow, both organically and by means of acquisition, Schaltbau Holding AG has entered into a Syndicated Credit Agreement, the terms of which were modified in December 2013 (see page 27). The Syndicated Credit Agreement is linked to a number of assurances, guarantees and conditions that must be complied with. The agreement also requires compliance with certain covenants, which give the bank an extraordinary right of termination if these are not fulfilled. Any such termination could curtail the growth of the Schaltbau Group and impair the financing of operating activities. From today's perspective, the risk is assessed as low. Compliance with the relevant covenants is continually monitored and reported on monthly.

Any increase in the volume of financing interest would lead to an increase in interest expense in the long term. The Group has countered the risk of rising interest rates by concluding various interest-rate hedging instruments with a total nominal value of € 16.1 million. Swaps for a nominal amount of € 6.0 million are being used to hedge a credit volume of € 29.7 million within the cash pool (as at 31 December 2013). A further swap for a nominal amount of € 6.0 million was concluded in connection with the refinancing of participation rights in 2014. Four additional interest swaps for a total of € 3.7 million were put in place in connection with new credit taken out to finance further acquisitions within 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 (hedging volume as at 31 December 2013: € 0.5 million nominal). The market value of the interest swaps fluctuates, depending on changes in relevant interest rates.

The hedging transactions entered into are regularly monitored by management.


Interior equipment by Rawag in local and long-distance trains

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

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

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

Opportunities report

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

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

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

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

Sector-specific opportunities can also arise from the growing trend towards consolidation. Based on the financial stability that the Schaltbau Group has meanwhile achieved, it will continue to make the most of this situation to generate external growth through acquisition. The deciding factor, however, is that any new business is in keeping with the Group's strategies and can be quickly and efficiently integrated within existing structures. The basic forecast (Outlook Report) does not include any potential positive impact of growth through acquisition.

Further opportunities arise from the continual research and development work being conducted within the various Schaltbau Group subsidiaries. The market success achieved through new solutions can exceed expectations in terms of additional order volume and help to access new customer groups. Furthermore, there is a chance that certain development projects are completed ahead of schedule, enabling sales potential to be exploited sooner than expected.

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

The medium- and long-term prospects for the Schaltbau Group are favoured by global megatrends such as increasing urbanisation, the growing mobility of the population as a whole, the long-term upward tendency in world trade and the above-average growth rates of the BRIC states, which are, in turn, leading to an increasing need for mass transportation facilities and their accompanying infrastructure. Technological trends too, such as towards the miniaturisation of components, open up additional fields of application for the Schaltbau Group.

Outlook report

Forward-looking statements

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

Expected conditions

Expected macroeconomic environment

In view of the fact that both the economy and world trade grew moderately in the second half of 2013, the International Monetary Fund now predicts growth to jump to 3.7 per cent in 2014. The upturn will be mainly driven by the industrialised nations. The USA in particular is likely to benefit most from robust domestic demand and the agreement reached in the budget discussion in December. The eurozone could come out of recession and record growth of 1 per cent in the course of 2014. However, growth rates within the eurozone are set to remain highly diverse. In addition, high debt rates and fluctuating financial markets continue to pose considerable risks.

The emerging economies are also likely to benefit from upturns in industrialised nations' economies, although structural problems and political uncertainty could again slow the pace of growth in a number of countries during the coming year. These factors could also have a negative impact on other economic regions. Furthermore, the policy of gradual tapering likely to be adopted by the US Federal Reserve Bank from early 2014 could also result in capital flight from many emerging economies and increased volatility on financial markets.

Despite the current lack of certainty with regard to Syria and the generally instable situation in the region, the risk of a sharp increase in the price of oil in 2014 is considered low. In addition to the shale oil boom in the USA, sluggish growth in the emerging economies is helping to keep prices stable. The prices of copper, aluminium and steel are also widely predicted to remain steady, due to the growth in demand, which is expected to be low, coupled with a likely increase in supply. In this case, the most important early indicators are economic performance in China and the basic prices of iron ore and coal. In view of the pace of economic recovery, prices for precious metals are liable to continue falling. The market for electronic assemblies and components is estimated to remain generally stable

.

Expected sector-related environment

The companies of the Schaltbau Group consider the sector-related environment as somewhat more favourable than in 2013.

After a slow start, the rail sector is likely to gather steam during the course of 2014, partly due to the considerable need for maintenance and modernisation, which has been additionally exacerbated by project postponements during the year under report. However, this will greatly depend on the availability of the corresponding funds and the prioritisation of measures, some of which will be allocated by DB Netz AG. After the investment backlog on the Chinese market has been overcome, demand there is likely to grow moderately.

Demand from the bus and automotive sector in 2014 is predicted to remain at the level seen the previous year. Business is expected to develop somewhat slowly in the first half of the year, as some customers purchased in 2013 in order to circumvent the newly introduced stricter emission laws. Demand from industrial customers is likely to grow as a result of the economic upturn in the industrialised countries. For this reason, the Schaltbau Group expects demand for industrial trucks to recover in Western Europe. Market volumes in the photovoltaics and wind power industries are also expected to show a moderate improvement.

Expected business and earnings position

After a somewhat modest start to the fiscal year 2014, the Schaltbau Group intends to match the growth rates achieved in the year under report.

- Order intake is expected to increase in the upper single-digit range compared with the fiscal year 2013.

- The Schaltbau Group expects Group sales to grow by around 5 per cent to approximately € 410 million.

- Profit before financial result and taxes (EBIT) should be in the region of € 36 million.

- At around € 3.50, earnings per share should be slightly up on the previous year's figure.

Looking at the non-financial performance indicators, expenditure for research and development in 2014 should be at a similar level to 2013. The number of employees will increase in 2014 due to changes in the Group reporting entity.

Again in 2014, the Mobile Transportation Technology segment expects to see order volume growth in the rail sector, based on both long-term framework agreements and newly generated business, particularly for door systems (BIDS) and short-term orders for spare parts. Despite a slow start, the road sector is expected to remain stable compared with the previous year. The automotive sector expects to gain new orders, particularly for linear sliding doors and in the field of commercial vehicles. However, order levels will be held down to some extent by existing projects that are now coming to an end. Overall, the segment expects to achieve a moderate sales increase due to taking over a majority share in Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., a move which was contractually agreed upon in 2011.

The Stationary Transportation Technology segment expects a slight drop in order intake in 2014, mainly due to lower order volumes in the Brake Systems business field. By contrast, however, order intake in the Rail Infrastructure business field is likely to remain at the previous year's level, assuming that demand for signal technology improves in the second half of the year. Incoming orders for transportation technology are expected to remain stable, partly attributable to orders planned for the PSD product group. Segment sales are expected to be slightly lower than in the previous year.

Bode fittings for sliding vehicle doors in the VW T5

The Components segment predicts higher incoming order volumes, partly due to an upswing of business in China and the extending of framework agreements in Russia in 2013. The market in North America is forecast to grow moderately and segment sales are likely to be slightly up on the previous year's figure.

Reported earnings for the Schaltbau Group are expected to remain stable, despite increased sales, reflecting upfront expenditure for the additional staff needed to successfully continue taking the previously initiated steps in the Group's ongoing growth strategy. Non-personnel expenditure is not likely to vary significantly in comparison to the year under report. Average prices of raw materials such as silver are expected to be lower in 2014, which will be compensated by continued pressure on margins in several product fields as well as by higher amortisation and depreciation expenses as a result of investments made in previous years.

Apart from organic growth, the Schaltbau Group is also looking to expand by means of acquisition in the rail sector, particularly in view of the fact that the trend towards market consolidation is set to continue unchanged in the foreseeable future. Any acquisitions will be based on keeping the accompanying risk for the Group at an acceptable level. The same principle holds for the development of new products, which can mean considerable upfront expenditure in some cases, with projects often taking several years to bear fruit.

For 2014, Schaltbau Holding AG expects EBIT and net profit for the year to be at a similar level to 2013. The repayment of participation rights capital in June will not have a noticeable impact on the balance sheet structure. The Syndicated Credit Agreement, which was renegotiated in December 2013, ensures adequate financing for Schaltbau Holding AG and its subsidiaries in 2014. Group earnings per share forecast for 2014 form the basis for the potential payment of dividends by Schaltbau Holding AG in 2014.

Expected financial situation
Without taking acquisitions into account, the Schaltbau Group does not expect any major changes to its financial situation in 2014 in comparison to 31 December 2013.

OTHER DISCLOSURES

Compensation of Executive Board and Supervisory Board (Compensation Report)

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

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

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

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

Compensation for the active members of the Executive Board totalled € 2,012,000 for the fiscal year 2013. The compensation includes benefits in kind relating to the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each member of the Executive Board.

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

The total compensation received by former members of the Supervisory Board and their surviving dependents amounted to € 83,000 in 2013. Pension provisions for this category of people totalling € 627,000 (IFRS) are recognised at 31 December 2013.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2013.

The basic compensation for a Supervisory Board member totals € 15,000 per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount, resulting in basic compensation totalling € 112,500 in 2013.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4 per cent of share capital. The dividend paid in 2013 was above this threshold and for this reason a total of € 151,100 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 14,400 for additional work performed in 2013.

In accordance with a resolution passed at the Annual General Meeting held on 6 June 2013, since July 2013 the Chairman of the Supervisory Board has been paid a monthly fixed expense allowance of € 2,500 to cover office and secretarial expenses as well as general administrative costs, assuming the Chairman of the Supervisory Board does not utilise offices and secretarial services provided by Schaltbau Holding AG or its subsidiaries on a time-apportioned basis. Costs for the fixed expense allowance totalled € 15,000 in the year under report.

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

Disclosures pursuant to Section 289 subsection 4 and Section 315 subsection 4 of the German Commercial Code (HGB) and explanatory report of the Executive Board

1. The subscribed capital comprises the following: 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 owned 11.24 per cent of the total number of shares as at 31 December 2013.

4. There are no shareholders with special controlling rights.

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

6. Article 6 of the Articles of Incorporation of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines

their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, to appoint deputy members to the Executive Board and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Incorporation. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Incorporation.

7. The Company's subscribed capital (share capital) is divided into 6,152,190 non-par value shares. From this total, 15,000 of the Company's own shares are offset on the face of the balance sheet at their arithmetically calculated amount.

   In accordance with a resolution passed by the Annual General Meeting held on 9 June 2010, with the agreement of the Supervisory Board, the Executive Board is authorised up to 8 June 2015 to buy back a maximum of 10 per cent of the share capital in place at the date of the resolution for purposes other than trading. No Schaltbau shares were bought back during the fiscal year 2013.

   Based on the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, conditional capital of € 234.24 (2012: € 234.24) was still in place on 31 December 2013. The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable the servicing of option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase should only be implemented to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been accordingly increased by € 1,829,765.76. No options were exercised in 2013.

   Based on a resolution of the Annual General Meeting taken on 9 June 2011, a (new) Conditional Capital II was in place at 31 December 2013 totalling € 3,294,000, based on the issuing of up to 2,700,000 bearer shares. Subject to the approval of the Supervisory Board, up to 8 June 2016 the Executive Board is authorised to issue convertible and option bearer bonds as well as participation rights with either conversion or option rights.

   Based on a resolution of the Annual General Meeting passed on 6 June 2013, authorised capital of € 3,294,000 was in place at 31 December 2013. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 5 June 2018 by issuing new shares in return for 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.

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

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

Wheel sensors by PINTSCH TIEFENBACH

Description of the main characteristics of the internal control and risk management system with regard to the Group's accounting and financial reporting process pursuant to Section 289 subsection 5 and Section 315 subsection 2 (5) of the German Commercial Code (HGB) and the explanatory report of the Executive Board

The objective of the internal control system (ICS) in the Schaltbau Group is to ensure the proper maintenance of accounting processes and their related administrative fields (personnel, IT) and that the relevant legal requirements are complied with. The system ascertains that business transactions are fully, promptly and correctly recorded, processed and documented in accordance with legal requirements, the Articles of Incorporation and in-house policies. Accounting documents must be correct and complete, inventory counts properly conducted, and assets and liabilities appropriately recognised, presented and measured in the financial statements, so that timely, reliable and complete information for financial reporting in the financial statements can be provided at all times.

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

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

Various corporate policies and guidelines are in place, both at Group level and for each of the subsidiaries, setting out the exact framework for action. The areas of responsibility within the accounting and financial reporting functions are clearly designated 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 policies, bank powers of attorney, etc.).

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

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

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

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

Munich, 18 March 2014

The Executive Board

Door systems by Gebr. Bode in the Tango Stuttgart tram

The Schaltbau share

Significant price increase

The value of the Schaltbau share rose quite considerably in the course of 2013, finishing the year 48.2 per cent up for the 12-month period. During the first few months of 2013 the share performed somewhat sluggishly, recording its lowest point for the year at € 30.71 on 9 April 2013. However, after the announcement of preliminary first-quarter figures on 10 April and the upward adjustment of Schaltbau's forecast for the full year, the share price rose sharply and then proceeded to move sideways until early September. Driven upwards by the good results achieved in the course of the year and the favourable stock market environment, in the fourth quarter the share gained in value more quickly than the market, reaching its high point for the year of € 46.96 on 20 December.

Subsequent to the Annual General Meeting, which was held on 6 June 2013, Schaltbau paid out a dividend of € 0.77 per share. Including the dividend, shareholders achieved a total return of 50.7 per cent (2012: 34.9 per cent). With this total shareholder return, Schaltbau considerably outperformed both the SDAX (29.3 per cent) and the DAX Industrial Performance Index (37.2 per cent).

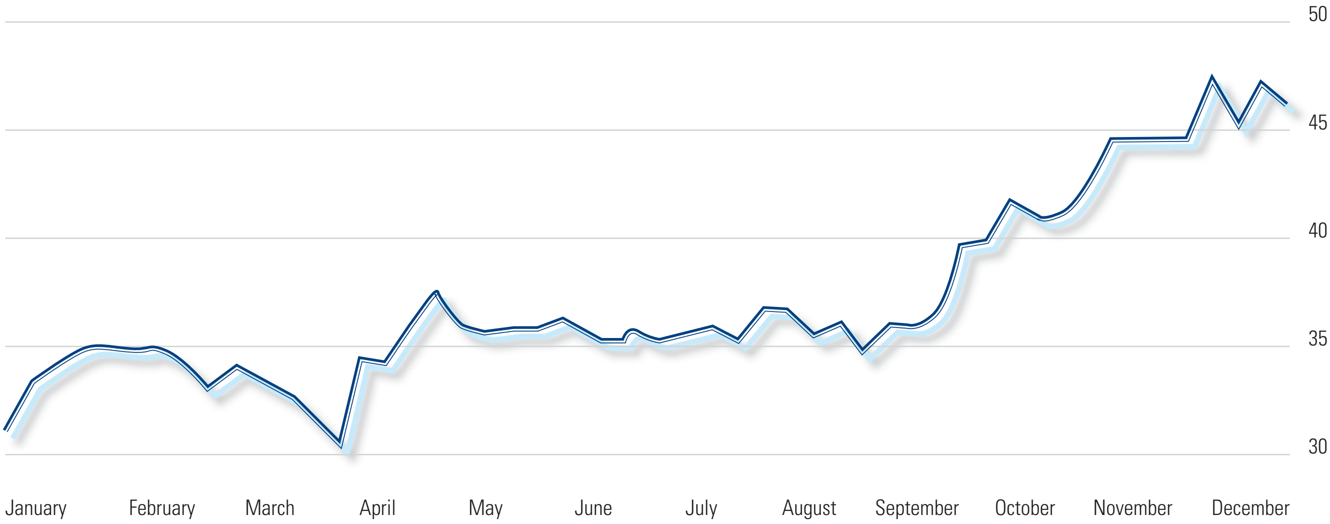
Higher trading volume

The share capital of Schaltbau Holding AG remained unchanged at € 7,505,671.80 at 31 December 2013. Since the share split on 20 August 2012, the total number of shares has stood at 6,152,190. The Company holds 15,000 of these shares.

The volume of shares traded increased during the year under report. A total of 3,452,007 Schaltbau shares were traded across all German stock exchanges, i.e. 11.5 per cent or 355,217 more than in the previous year. Trading activities in Schaltbau shares were therefore far more vigorous than the market as a whole. The total volume of shares traded on spot markets of the German stock exchange only rose by 1.6 per cent to € 1.00 trillion.

Xetra, closing prices		**2013**	2012	2011
High	€	**46.96**	31.28	27.96*
Low	€	**30.71**	22.77*	18.40*
End-of-year price	€	**46.01**	31.05	23.47*
Earnings per share (undiluted)	€	**3.48**	3.09	3.13*
Earnings per share (diluted)	€	**3.48**	3.09	3.13*
Number of shares		**6,152,190**	6,152,190	6,152,190*
Share capital	€ m.	**7.51**	7.51	7.51
Market capitalisation as at 31 December	€ m.	**282.3**	190.6	144.4
Trading volume all exchanges/Xetra	€ m.	**128.4**	81.8	91.7
Shares traded		**3,452,007**	3,096,790*	4,035,846*

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



Measured by the SDAX criterion of trading volume, at the end of December 2013 the Schaltbau share occupied rank 89 (end of December 2012: rank 87) and rank 85 in terms of market capitalisation (end of December 2012: rank 87).

Cammann and Zimmermann families remain principal shareholders

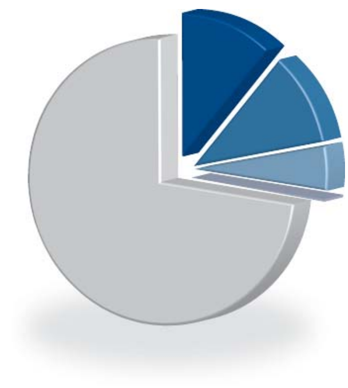
Family shareholdings continue to be the mainstay of Schaltbau's shareholder structure. At 31 December 2013, the Cammann family, i.e. SATORA Beteiligungs GmbH, held a total of 11.24 per cent of Schaltbau Holding AG shares. The Zimmermann family held 10.42 per cent. The Amsterdam-based company Monolith N.V. held 5.01 per cent of Schaltbau Holding AG shares. The Company itself holds an additional 15,000 of its own shares, which represent 0.24 per cent of the entire share capital. Thus the "free float", a primary criterion for calculating market capitalisation and therefore the index ranking, stood at 73.09 per cent at the end of 2013.

Investor relations

Both the Executive Board and the Schaltbau Group's investor relations team maintained an active dialogue with investors and analysts throughout 2013. Among other opportunities, the Group attended the German Equity Forum in Frankfurt to present corporate performance and answer any questions that arose, particularly in one-on-one meetings. Furthermore, Schaltbau participated in the Berenberg and Goldman Sachs German Corporate Conference in Munich, the dbAccess Pan European Small & Mid Cap Conference in London and also the South German Capital Market Conference in Stuttgart, as well as additional road shows in Frankfurt am Main, Paris, Zurich and London. Moreover, our team regularly holds conference calls and numerous personal talks with investors and analysts. The Schaltbau share is currently evaluated by six different research institutes.

Around 150 shareholders attended the Annual General Meeting, which was held in Munich in June 2013. The shareholders approved the proposals made by the Executive Board by a large majority.

We also use the internet as an additional platform for distributing information. We promptly publish any relevant documents on www.schaltbau.de, where 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 is available. Furthermore, annual and interim reports, analysts' recommendations, ad hoc announcements and press releases, key facts regarding the Annual General Meeting, the Statement on Corporate Governance and other important documents in both German and English are available to download from the website.



Shareholder structure*

11.24%
Cammann family
(SATORA/private)

10.42%
Zimmermann family

5.01%
Monolith N.V.

0.24%
Own shares

73.09%
Free float*

* As defined by Deutsche Börse AG, as at 31 December 2013

Consolidated Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2013

In € 000	Notes	2013	2012
1. Sales	(1)	390,713	362,809
2. Change in inventories of finished goods and work in progress	(2)	-3,919	3,945
3. Own work capitalised	(2)	3,071	1,111
4. Total output		**389,865**	**367,865**
5. Other operating income	(3)	5,031	4,378
6. Cost of materials	(4)	192,044	184,812
7. Personnel expense	(5)	119,384	112,089
8. Amortisation and depreciation		9,056	7,486
9. Other operating expenses	(6)	38,404	38,352
Profit before financial result and taxes (EBIT)		**36,008**	**29,504**
a) Result from at-equity accounted investments		2,737	1,954
b) Sundry other result from investments		-289	-340
10. Results from investments	(7)	2,448	1,614
a) Interest income		143	134
b) Interest expense		4,865	5,236
11. Financial result	(8)	-4,722	-5,102
12. Profit before tax		33,734	26,016
13. Income taxes	(9)	8,985	3,792
14. Group net profit for the year		**24,749**	**22,224**
Analysis of the Group net profit for the year			
attributable to minority shareholders		3,378	3,244
attributable to the shareholders of Schaltbau Holding AG		21,371	18,980
Group net profit for the year		**24,749**	**22,224**
Earnings per share - undiluted	(10)	**€ 3.48**	**€ 3.09**
Earnings per share - diluted		**€ 3.48**	**€ 3.09**

Consolidated Statement of Comprehensive Income of Schaltbau Holding AG, Munich
1 January - 31 December 2013

In € 000	2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the year			**24,749**			**22,224**
Items which will not subsequently be reclassified to profit or loss						
Actuarial gains / losses relating to pensions	780	-234	546	-5,190	1,557	-3,633*1)
Acquisition of minority interests			-1			0
Items which may subsequently be reclassified to profit or loss						
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			-487			-403
- from at-equity accounted companies			-555			267
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	123	-37	86	-670	201	-469
- Realised gains (-) / losses (+)	334	-100	234	907	-272	635
	457	**-137**	**-722**	**237**	**-71**	**30**
Other comprehensive income			**-177**			**-3,603*1)**
Group comprehensive income			**24,572**			**18,621**
attributable to minority shareholders			3,313			3,089
attributable to the shareholders of Schaltbau Holding AG			21,259			15,532

*1) 2012 amounts adjusted in accordance with IAS 19 (revised)

Consolidated Cash Flow Statement of Schaltbau Holding AG, Munich

1 January – 31 December 2013

In € 000	Notes	2013	2012
Profit before financial result and taxes (EBIT)		**36,008**	**29,504**
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		9,056	7,474
Gains/losses on the disposal of intangible assets and property, plant and equipment		115	5
Change in current assets		4,749	-17,062
Change in provisions		-2,963	-2,089
Change in current liabilities		-6,093	-3,659
Dividends received		901	130
Income taxes paid		-5,276	-7,215
Other non-cash income / expenses		4	-45
Cash flows from operating activities	(a)	**36,501**	**7,043**
Payments for investments in:			
- Intangible assets and property, plant and equipment		-16,971	-9,349
- Financial investments		-2,304	-457
- Acquisitions of fully consolidated entities less cash acquired		-850	-2,789
Proceeds from disposal of:			
- Financial investments		24	34
Cash flows from investing activities	(b)	**-20,101**	**-12,561**
Dividend payment by Schaltbau Holding AG		-4,726	-3,682
Distribution to minority interests		-1,643	-1,552
Loan repayments		-9,096	-6,360
New loans raised		13,600	8,000
Interest paid		-3,580	-3,678
Interest received		144	134
Change in current financial liabilities		-5,478	8,147
Cash flows from financing activities	(c)	**-10,779**	**1,009**
Change in cash funds due to exchange rate fluctuations		-152	-46
Change in liquid funds due to changes in the group reporting entity		25	0
Change in cash funds	(d)	**5,494**	**-4,555**
Cash funds at the end of the year		13,157	7,663
Cash funds at the beginning of the year		7,663	12,218
		5,494	**-4,555**

Consolidated Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2013

ASSETS

In € 000	Notes	31.12.13	31.12.12	01.01.12
A. NON-CURRENT ASSETS				
I. Intangible assets	(11)	24,217	22,943	20,020
II. Property, plant and equipment	(11)	52,941	46,654	43,975
III. At-equity accounted investments	(11)	10,442	7,459	6,347
IV. Other investments	(11)	4,763	3,660	3,655
V. Deferred tax assets *1)	(9)	13,043	15,637	11,110
		105,406	**96,353**	**85,107**
B. CURRENT ASSETS				
I. Inventories	(12)	68,514	75,008	60,833
II. Trade accounts receivable	(13)	66,187	66,440	47,830
III. Income tax receivables	(13)	274	453	242
IV. Other receivables and assets	(13)	12,612	11,413	7,603
V. Cash and cash equivalents	(14)	14,392	8,510	12,727
		161,979	**161,824**	**129,235**
		267,385	**258,177**	**214,342**

*1) 2012 amounts adjusted in accordance with IAS 19 (revised)

EQUITY AND LIABILITIES

In € 000	Notes	31.12.13	31.12.12	01.01.12
A. EQUITY	(15)			
I. Subscribed capital	(16)	7,506	7,506	7,506
II. Capital reserves	(17)	15,805	15,805	15,805
III. Statutory reserves	(17)	231	231	231
IV. Revenue reserves *1)	(17)	31,833	16,678	5,120
V. Reserve for income/expenses recognised directly in equity	(17)	-686	292	273
VI. Revaluation reserve	(17)	3,041	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		21,371	18,980	18,707
VIII. Equity attributable to shareholders of Schaltbau Holding AG		79,101	62,533	50,683
IX. Minority interests	(18)	10,317	8,599	7,150
		89,418	**71,132**	**57,833**
B. NON-CURRENT LIABILITIES				
I. Participation rights capital	(19)	0	7,104	7,077
II. Pension provisions *1)	(20)	33,113	34,248	20,931
III. Personnel - related accruals	(21)	3,410	3,481	3,578
IV. Other provisions	(21)	78	66	334
V. Financial liabilities	(22)	49,790	49,866	36,700
VI. Other liabilities	(22)	15	178	10
VII. Deferred tax liabilities	(9)	7,138	6,845	6,602
		93,544	**101,788**	**75,232**
C. CURRENT LIABILITIES				
I. Participation rights capital	(19)	7,132	0	0
II. Personnel - related accruals	(21)	6,207	6,332	5,676
III. Other provisions	(21)	19,048	19,469	16,117
IV. Income taxes payable	(22)	317	160	561
V. Financial liabilities	(22)	6,350	7,199	7,120
VI. Trade accounts payable	(22)	20,961	21,137	20,023
VII. Advance payments received	(22)	7,826	14,699	16,823
VIII. Other liabilities	(22)	16,582	16,261	14,957
		84,423	**85,257**	**81,277**
		267,385	**258,177**	**214,342**

*1) 2012 amounts adjusted in accordance with IAS 19 (revised)

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 31.12.2011	**7,506**	**15,805**	**231**	**8,416**	**-1,597**	**3,041**
Effect of change in accounting policy for pension provisions	0	0	0	-1,699	0	0
Balance at 01.01.2012	**7,506**	**15,805**	**231**	**6,717**	**-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 year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-3,633	166	0
Group comprehensive income	0	0	0	-3,633	166	0
Balance at 31.12.2012	**7,506**	**15,805**	**231**	**18,109**	**-1,431**	**3,041**
Balance at 01.01.2013	**7,506**	**15,805**	**231**	**18,109**	**-1,431**	**3,041**
Profit brought forward	0	0	0	18,980	0	0
Dividends	0	0	0	-4.726	0	0
Other changes	0	0	0	35	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	546	320	0
Group comprehensive income	0	0	0	546	320	0
Balance at 31.12.2013	**7,506**	**15,805**	**231**	**32,944**	**-1,111**	**3,041**

Reserve for income/expenses recognised directly in equity: relating to fully consolidated entities	Reserve for income/expenses recognised directly in equity: relating to at-equity accounted entities	Net profit for the year	Total	Minority interests: in capital and reserves	Minority interests: in net profit for the year	Minority interests: Total	Group equity
568	**-295**	**18,707**	**52,382**	**4,204**	**2,946**	**7,150**	**59,532**
0	0	0	**-1,699**	0	0	0	**-1,699**
568	**-295**	**18,707**	**50,683**	**4,204**	**2,946**	**7,150**	**57,833**
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	-3,448	-155	0	-155	-3,603
-248	267	18,980	15,532	-155	3,244	3,089	18,621
320	**-28**	**18,980**	**62,533**	**5,355**	**3,244**	**8,599**	**71,132**
320	**-28**	**18,980**	**62,533**	**5,355**	**3,244**	**8,599**	**71,132**
0	0	-18,980	0	3,244	-3,244	0	0
0	0	0	-4,726	-1,619	0	-1,619	-6,345
0	0	0	35	24	0	24	59
0	0	21,371	21,371	0	3,378	3,378	24,749
-423	-555	0	-112	-64	-1	-65	-177
-423	-555	21,371	21,259	-64	3,377	3,313	24,572
-103	**-583**	**21,371**	**79,101**	**6,940**	**3,377**	**10,317**	**89,418**

Notes to the Consolidated Financial Statements of Schaltbau Holding AG, Munich
for the Fiscal Year 2013

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

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

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2013 were approved for publication by the Executive Board on 18 March 2014. 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 8 (2012: 10) German and 8 (2012: 7) foreign companies are included in the consolidated financial statements of **Schaltbau Holding AG**:

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

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

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 2013 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. [1)]	Rawicz (Poland)	37%
Rail Door Solutions Ltd.	Milton Keynes (UK)	50%

1) The entity holds 12.78% of its own shares since May 2013, so that the shareholding increases for arithmetical purposes to 42.57 %.

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%
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (BR)	75%
Shenyang Bode Transportation Equipment Co. Ltd.	Shenyang (P.R.CH.)	100%
Bode Korea Co. Ltd.	Seoul (KOR)	100%
Bode North America Inc.	Spartanburg (USA)	100%
GEZ Unterstützungsgesellschaft mbH	Munich	100%

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

On 31 March 2013 Gebr. Bode & Co. Beteiligungs GmbH, Kassel, acquired a further 25% of the shares of Rail Door Solutions Ltd., Milton Keynes, (UK) for a consideration of GBP 629,000 (€ 741,000). This entity continues to be consolidated using the equity method. In addition, a put / call option has been agreed for the period from 1 April 2017 to 30 March 2022 with respect to further shares which would give Bode the opportunity to take over a majority interest in the British company.

On 11 April 2013 and with effect for the fiscal year 2013, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Dinslaken, concluded a Profit and Loss Transfer Agreement with its subsidiary Pintsch Tiefenbach GmbH, Sprockhövel, which it had acquired in 2012.

With effect from 10 May 2013, Gebr. Bode & Co. Beteiligungs GmbH, Kassel, acquired the remaining 20% of the shares of Bode Korea Co. Ltd., Seoul, South Korea, for a consideration of € 64,000 and has been sole shareholder since that date. The company is not fully consolidated due to its size.

At the end of May 2013, the Shareholders' Meeting of Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Rawicz (Poland), resolved to buy back 12.78% of its own shares. The percentage used to calculate the Group's share of earnings and the entity's at-equity valuation increased as a result from 37.13% to 42.57%. The Group's shareholding in the entity for corporate-law and arithmetical purposes is therefore no longer the same.

With effect from 10 July 2013 Schaltbau Holding AG, Munich, acquired the remaining 5.0 % of the limited partner shares of Alud Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden (Alud KG) and, since that date, has been the sole limited partner. Simultaneously, it also acquired of the shares of the KG's general partner entity, Alud Grundstücksverwaltungsgesellschaft mbH, Wiesbaden (Alud GmbH). Both entities subsequently transferred their registered office to Munich. The total purchase price was € 351,000. With effect from 1 July 2013, no minority interests are reported for Alud KG. The two entities were merged with Schaltbau GmbH on 24 October 2013 with retrospective effect from 1 July 2013. As a result, Schaltbau GmbH is the sole owner of their business premises in Velden and Aldersbach.

Schaltbau Entwicklung GmbH, Vienna, Austria, which had previously been founded by Schaltbau GmbH, Munich, changed its name on 12 March 2014 to Schaltbau Austria GmbH. The business object of the entity, which was entered into the commercial register on 10 August 2013 and is wholly owned by Schaltbau GmbH, is to build up development capacities. Schaltbau Austria GmbH is fully consolidated.

On 9 September 2013 Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Dinslaken, founded Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA, based in Sao Paulo, Brazil, with Bode holding 75.0 % of the shares. The Brazilian subsidiary, whose business object is the sale, assembly and maintenance of platform screen doors on the South American market, is not fully consolidated due to its size.

The merger of Bode Zustiegssysteme GmbH with its parent company, Gebr. Bode GmbH & Co. KG, was registered on 29 August 2013 and took retrospective effect from 1 January 2013.

As a result of the mergers of the previously fully consolidated Bode Zustiegssysteme GmbH and Alud KG within the Group, these two entities are no longer fully consolidated. Overall, taking account of the newly founded Schaltbau Austria GmbH, the group reporting entity comprises one fully-consolidated entity fewer than at 31 December 2012.

Despite these changes in the group reporting entity, the figures reported in the consolidated financial statements are comparable with the previous year. The changes did not have a significant impact on the consolidated balance sheet as of 31 December 2013. The elimination of minority interests at the level of Alud KG only had an impact within Group equity. The purchase consideration paid for Alud GmbH corresponded to its equity and is covered almost entirely by cash at bank. For this reason, the impact on the consolidated balance sheet and on the consolidated income statement is not shown.

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 date and the amounts of income and expense recognised in the period under report. Actual results can differ from estimates as a result of changes in the economic situation and due to other circumstances.

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

Goodwill is reported in the consolidated balance sheet as a result of business acquisitions. On the first consolidation of 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	
	31.12.2013	31.12.2012	**2013**	2012
Chinese renminbi yuan	8.3491	8.3378	8.2167	8.1160
US dollar	1.3791	1.3217	1.3281	1.2859
British pound	0.8337	0.8179	0.8491	0.8113
New Turkish lire	2.9605	2.3660	2.5313	2.3151
Polish zloty	4.1543	4.0762	4.1947	4.1831

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 test is carried out at the level of the cash-generating unit to which the goodwill was allocated. If the carrying amount of the cash-generating unit exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a cash-generating unit is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal reporting purposes. It is assumed for the purposes of the calculation that growth of one percent will be achieved after the third year. A post-tax interest rate of 7.4 % (2012: 7.5 %) is currently applied. The discount rate is based on a risk-free interest rate of 2.75 % (2012: 2.25 %) and a market risk premium of 5.75 % (2012: 6.75 %). In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and a capital structure derived for a comparable peer group of entities are taken into account when measuring the recoverable amount of a cash-generating unit.

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

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

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as **investments** are stated at cost or, if there is no active market, at their lower fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 7.3 % and 8.5 % for each individual investment. Specific country risks include rates of between 10.6 % and 15.3 % for China, Poland and Turkey. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment. Impairment losses on equity instruments recognised through profit or loss are not reversed even if the reason for the impairment loss no longer exists. Non-current loans 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 carry-forward. Deferred taxes are not recognised on goodwill unless such goodwill is also deductible for tax purposes. Deferred tax assets are only recognised if future tax reductions are probable. Tax losses available for carryforward are only taken into consideration to the extent that sufficient taxable income is expected in the future to enable the deferred tax asset to be realised.

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

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

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

Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts), to hedge interest rate risks (interest rate swaps) and, in one case, to hedge an interest rate / currency risk (cross-currency swap). The interest rate swaps and the cross currency swap are structured as cash flow hedges. In addition, the Group uses commodity option contracts to hedge against price fluctuations relating to the silver content of intermediate products. The Group applies hedge accounting where appropriate for interest rate risks and significant currency exposures. All other derivative financial instruments qualify as "held for trading". Derivative financial instruments are measured at their fair value which corresponds to the market value. The market value reflects the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. Due to the volatility of market data relevant for measuring the value of an instrument, the market value of a derivative financial instrument measured at the balance sheet date can differ from the amounts that will actually be realised. The market value of forward exchange contracts is calculated on the basis of the foreign exchange spot rates prevailing at the end of the reporting period and on the basis of the amount of forward premiums and discounts payable in comparison with the contracted forward rate. Fair value gains and losses are recognised as other operating income or expenses. Forward exchange contracts are presented in the balance sheet under the headings "Other receivables and assets" or "Other liabilities".

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

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

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

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

Pension provisions are measured in accordance with IAS 19 (Employee Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. In accordance with IAS 19 (revised 2011), actuarial gains and losses are now recognised as remeasurements directly in equity (and no longer through profit or loss or through the amortisation process). Past service cost/income is recognised immediately through profit or loss. Further information regarding the impact of the change in accounting policy and the removal of the corridor method pursuant to IAS 19 (revised 2011) is provided in Note (20) Pension provisions.

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 an 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 the 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 2013
In June 2011 the IASB published amendments to **IAS 1** Presentation of Financial Statements under the title "Presentation of Items of Other Comprehensive Income". This amendment changes the presentation of other comprehensive income (OCI) in the statement of total comprehensive income. Items reported in OCI which will subsequently be reclassified to the income statement ("recycling") are now reported separately from those that will never be recycled. If items are presented gross (i.e. without offset of the deferred tax impact), deferred taxes are also allocated to the two groups of items (and not shown as a single amount).

The Schaltbau Group has complied with the amended disclosure requirements (see Consolidated Statement of Comprehensive Income) and amended comparative figures accordingly.

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:

Previously, entities had an option how actuarial gains and losses were reported in the financial statements: they could be recognised (a) through profit and loss, (b) through OCI or (c) using the so-called "corridor method". The revised version of IAS 19 removed this choice and replaced it with a more transparent and comparable treatment, such that all amounts must now be recognised through OCI. Past service costs are now recognised in profit or loss in the period in which they arise.

Previously, the expected return on plan assets was required to be determined at the beginning of the accounting period on the basis of management's expectations with regard to the future changes in the value of plan assets. Following the adoption of IAS 19 (revised 2011) the return on plan assets is now required to be determined at the beginning of the period using the same interest rate that is applied to discount pension obligations.

In addition to the change in accounting policy, disclosure requirements have changed, including the requirement to provide information based on sensitivity analyses.

Since the Group had previously applied the corridor method to recognise actuarial gains and losses, the main impact of retrospective application was a € 7.6 million increase in the pension provision as of 31 December 2012. Moreover, under the new method, the Group's operating result is no longer influenced by the amortisation of the amount exceeding the corridor. Instead, the entire impact is recognised through OCI.

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 in future be carried out in accordance with the uniform rules contained in IFRS 13; the only Standards for which specific rules apply are IAS 17 and IFRS 2.

The Standard also replaces and supplements disclosures about fair value measurement in other IFRS.

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 existing 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 differing fair value measurements from those arising under the previous rules.

In accordance with the transition requirements of IFRS 13, the Group has applied the new rules for fair value measurement prospectively and has not disclosed comparative figures for the previous year. Regardless of this, the amendment has not had any significant impact on the measurements of assets and liabilities within the Group.

Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities: The amendments to IFRS 7 expand the disclosure requirements for the offsetting of financial assets and financial liabilities.

The amendments did not have any impact on the consolidated financial statements of Schaltbau Holding AG.

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 did not have any impact on the consolidated financial statements of Schaltbau Holding AG.

Standards, Interpretations and Amendments issued but not yet applied

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

Already endorsed by the EU:

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

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 are 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 – 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.

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

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

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

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

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

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

Not yet endorsed by the EU:
During 2013 the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

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

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

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

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

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

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

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

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

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 recognised 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 recognised through profit or loss.

The date of first-time mandatory application of IFRS 9 has not yet been decided, but is not expected to be before 1 January 2017.

IFRS 9 - Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39:
The objective of the new hedge accounting model pursuant to IFRS 9 is to align accounting more closely with risk management activities. Cash flow hedge accounting, fair value hedge accounting and the hedge of a net investment in a foreign operation continue to apply as permitted hedging relationships.

A greater range of types of qualifying item – both for the hedged-item side and for the hedging-instrument side – will be permitted. In particular, groups of hedged items are permitted, as long as they qualify individually for designation, and net positions and net zero positions can also be designated. As a general rule, any financial instrument which is suitable for measurement at fair value can be designated as a hedging instrument. The exceptions to this are liabilities for which the fair value option (FVO) has been exercised and equity instruments accounted for using the fair value through other comprehensive income option (FVOCI option) in accordance with the requirements for the first phase of IFRS 9.

IFRS 9 no longer requires the ranges of 80% to 125% to be applied for the purposes of measuring effectiveness previously required by IAS 39, with the consequence that a retrospective effectiveness test is no longer required. The prospective effectiveness test as well as the recognition of any ineffectiveness must still be complied with.

It is only possible to end a hedging relationship if specified criteria are met, in other words designated hedging relationships must be continued unless there is a change in risk management objectives.

Expanded disclosures in the Notes are required with respect to an entity's risk management strategy, the impact of risk management on future cash flows and the impact of hedge accounting on the financial statements.

It will also permit entities to account for the effects of changes in its own credit risk on financial liabilities, for which the FVO is applied in future in OCI (and therefore directly through equity). This treatment will be possible in isolation i.e. without having to apply all the other requirements stipulated in IFRS 9.

The first-time application of the new requirements for hedge accounting is based on the requirements for the first-time application of IFRS 9. Hedge accounting need not be terminated as a result of the transition from IAS 39 to IFRS 9, if the criteria and qualitative characteristics continue to be fulfilled. An entity can also elect to continue to apply the existing requirements contained in IAS 39 when it adopts IFRS 9.

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.

Similarly to the requirements in IFRS 9, the date of first-time mandatory application of these amendments – subject to EU endorsement – has not yet been decided, but is not expected to be before 1 January 2017.

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 2013, the Group had 13 forward exchange contracts in place with banks (2012: 11) for a total amount of US$ 7,317,000 (2012: US$ 7,764,000), 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 2014. An unrealised loss of € 0 (2012: € 72,000) has been recognised for contracts with a negative fair value and an unrealised gain of € 112,000 (2012: € 8,000) has been recognised for contracts with a positive fair value.

There were two open positions (2012: none) at the end of the reporting period in conjunction with two silver contracts, both of which mature on a monthly basis through to 31 December 2014 as a hedge against price fluctuations relating to the silver content of intermediate products. A total volume of 130,800 ounces is hedged, based on an option strike price of € 19.00 per ounce. As of 31 December 2013 the options had a positive market value of € 15,000.

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 € 525,000 (31 December 2012: € 775,000) had a positive market value of € 26,000 at the end of the reporting period (31 December 2012: € 24,000).

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		KRW	
	2013	2012	**2013**	2012	**2013**	2012
Trade accounts receivable	-122	-137	-	-	-	-
Receivables from affiliated companies	-150	-123	-	-	-14	-
Receivables from associated companies	-	-	-39	-77	-	-
Trade accounts payable	-1	17	-	-	-	-
Payables to affiliated companies	-	-	-	-	-	-
Other liabilities	-1	-	-	-	-	-
Gross risk exposure	**-270**	**-243**	**-39**	**-77**	**-14**	**-**
Currency hedging	200	143	-	-	-	-
Net risk exposure	**-70**	**-100**	**-39**	**-77**	**-14**	**-**

In addition, the following seven (2012: 7) interest rate swaps were in place at the end of 2013:

Nr.	Nominal amount in € 000	**Fair value in € 000 31.12.2013**	Fair value in € 000 31.12.2012	Maturity date
1	6,000	-669	-927	30.12.2016
2	6,000	-909	-976	28.06.2019
3	450 [1)]	-10	-61	30.06.2014
4	1,800	-15	-31	31.08.2017
5	900	-14	-24	31.08.2017
6	500	-11	-18	31.08.2017
7	500	-4	-8	31.08.2017
Σ	**16,150**	**-1,632**	**-2,045**	

1) Nominal amount of the swap at 31.12.2012: € 1,350,000

As a result of obligations relating to interest-rate swaps, an amount of € 229,000 (2012: € 282,000) was reclassified from revenue reserves to interest expense in the income statement, whereby the reduction was attributable to payments and a more favourable assessment of market developments.

As a result of the termination of hedging relationships (hedge accounting), € 234,000 (2012: € 635,000) 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	**2013**	2012
Mobile Transportation Technology	144,317	123,486
Stationary Transportation Technology	143,128	142,055
Components	103,171	97,168
Holding	97	100
	390,713	**362,809**

Sales include an amount of € 3,013,000 (2012: € 1,205,000) recognised using the percentage-of-completion method. The corresponding expenses recognised in 2013 amounted to € 2,528,000 (2012: € 955,000). The income statement impact of using the percentage-of-completion method in 2013 was a profit of € 485,000 (2012: € 250,000). Advance payments received from customers at the end of the reporting period amounted to € 0 (2012: € 338,000).

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 € 0; 2012: € 4,000 (positive) and € 0; 2012: € 0 respectively.

Sales by market

In € 000	**2013**	2012
Germany	167,145	160,306
Other EU countries	97,526	90,117
Other European countries	35,037	29,735
China / Hong Kong	52,117	48,532
North America	20,824	19,976
Other countries	18,064	14,143
	390,713	**362,809**

87.4 % (2012: 85.9 %) of sales were billed in euro, 7.3 % (2012: 6.8 %) in Chinese renminbi yuan and 4.9 % in US dollar (2012: 7.0 %); other currencies accounted for 0.4 % (2012: 0.3 %). On the expense side, 94.4 % (2012: 91.7 %) of personnel, material and other non-personnel expenditure were settled in euro, 1.4 % in US dollar (2012: 3.7 %) and 3.3 % (2012: 3.5 %) in renminbi yuan; 0.9 % (2012: 1.1 %) of expenditure was settled in other currencies. Sales generated with the five largest customers amounted to € 120,327,000 or 30.8 % (2012: € 126,999,000 or 35.0 %).

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

In € 000	2013	2012
Change in inventories	-3,919	3,945
Own work capitalised	3,071	1,111
	-848	**5,056**

(3) OTHER OPERATING INCOME

In € 000	2013	2012
Reversal of allowances	386	132
Reversal of provisions	2,618	2,209
Public-sector grants	239	276
Exchange gains	431	493
Gains on derivatives	140	144
Sundry other operating income	1,217	1,124
	5,031	**4,378**

Other operating income includes income of € 3,329,000 (2012: € 2,754,000) 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	2013	2012
Cost of raw materials, supplies and purchased goods	164,953	161,538
Cost of purchased services	27,091	23,274
	192,044	**184,812**

Cost of materials was increased in 2013 by € 642,000 (2012: € 332,000) as a result of forward commodity contracts on silver.

Information regarding the Schaltbau Group's procurement markets and purchasing strategy is provided in the Combined Company and Group Management Report.

(5) PERSONNEL EXPENSE / EMPLOYEES

In € 000	2013	2012
Wages and salaries	100,196	93,786
Social security, pension and welfare expenses	19,188	18,303
	119,384	**112,089**
Number of employees		
Development	259	247
Purchasing and logistics	187	179
Production	931	876
Sales and marketing	258	255
Administration including Executive Board members and group company directors	182	166
Trainees	22	19
	1,839	**1,742**

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

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

(6) OTHER OPERATING EXPENSES

In € 000	2013	2012
Operating costs	4,291	4,856
Administrative costs	14,542	13,771
Selling costs	14,736	14,367
Employee-related costs	1,533	1,494
Losses on the disposal of non-current assets	87	21
Allowances on receivables	813	638
Exchange losses	626	702
Losses incurred on derivative instruments	31	19
Other taxes	859	777
Sundry other expenses	886	1,707
	38,404	**38,352**

Expenses relating to prior periods totalled € 418,000 (2012: € 198,000).

Research and development expenditure in 2013 amounted to € 23,980,000 (2012: € 21,763,000), and the corresponding expense was € 21,905,000 (2012: € 21,386,000). Accordingly, a total of € 2,075,000 (2012: € 377,000) 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 2013 and 2012 was € 3,949,000 and € 3,746,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 2,849,000 (2012: € 3,372,000) payable in up to one year, € 5,176,000 (2012: € 5,884,000) in up to five years and € 324,000 (2012: € 1,187,000) later than five years.

Purchases from the five largest suppliers accounted for 6.8 % (2012: 8.1 %) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

In € 000	**2013**	2012
Result from equity accounted investments	2,737	1,954
Sundry other result from investments	-289	-340
	2,448	**1,614**

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 2013 relates to an impairment loss (€ 289,000; 2012: € 340,000) recognised on the cost of investment of a non-consolidated foreign subsidiary.

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 € 3,004,000 / € 2,518,000 (2012: € 2,173,000 / € 1,775,000).

(8) FINANCIAL RESULT

In € 000	2013	2012
Other interest and similar income (of which from affiliated companies)	143 (21)	134 (25)
Interest and similar expenses (of which to affiliated companies)	-4,865 (-42)	- 5,236 (-13)
	-4,722	**- 5,102**

Interest expenses include the interest portion amounting to € 1,237,000 (2012: € 1,492,000) arising on the allocation to personnel-related provisions and an interest expense of € 20,000 (2012: EUR 0) in conjunction with writing down receivables to their net present value. Also included is an interest expense of € 1,116,000 (2012: € 1,117,000) for participation rights capital. The interest expense for the year was increased by € 327,000 (2012: € 403,000) as a result of the deployment of interest rate swaps.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1 % in the interest rate), would have the following impact on the balance sheet as at 31 December 2013 and on cash flows in the following year (assuming for cash flow purposes that there would be no other changes to balances of cash at bank/ liabilities to banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In € 000	**Balance at 31.12.2013**		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	- 1,632	3,17 %	589	75	412	-560	- 75	-392
Bank interest				- 203			203	
Sundry other interest				- 8			8	
Total cash flow sensitivity				**- 136**			**136**	

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**	

(9) INCOME TAXES

In € 000	2013	2012
Income tax expense	6,471	5,923
Deferred tax expense (2012: income)	2,514	- 2,131
	8,985	**3,792**

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

Deferred taxes related to the following balance sheet items:

	31.12.2013			31.12.2012		
In € 000	Deferred tax assets	Deferred tax liabilities	Result	Deferred tax assets	Deferred tax liabilities	Result
Fixed assets	1.729	6.048	-319	1.651	5.652	3
Inventories	888	-	-6	959	64	311
Other current assets	484	65	243	403	214	37
Pension provisions	3.451	-	-102	3.787	-	3
Other provisions	586	37	-26	578	3	-224
Liabilities	542	988	-184	775	912	128
Tax losses available for carryforward	5.363	-	-2.120	7.484	-	1.873
	13.043	**7.138**	**-2.514**	**15.637**	**6.845**	**2.131**

Deferred tax assets were recognised in 2013 on all German corporation tax and municipal trade tax loss carryforwards. At the end of the previous year, no deferred tax assets were recognised on municipal trade tax loss carryforwards amounting to € 5,820,000. No deferred tax assets were recognised on foreign tax loss carryforwards at the end of the reporting period amounting to € 4,136,000 (2012: € 3,435,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 22,397,000 (2012: € 16,908,000) 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	2013	2012
Profit before tax	**33,734**	**26,016**
Expected tax expense (30 %)	10,120	7,805
- different computation of taxes outside Germany	-891	-781
- tax-exempt income	-45	-55
- non-deductible expenses	486	446
- associated companies and interests accounted for using the equity method	-681	-450
- tax expense and reimbursements for prior years	72	-19
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	-610	-3,664
- foreign withholding taxes	290	382
- other differences	244	128
Income tax expense	**8,985**	**3,792**
Effective tax rate	26.6%	14.6 %

(10) EARNINGS PER SHARE

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

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

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

	2013	2012
Shares in circulation at beginning of year	6,152,190	2,050,730
1:3 share split	-	6,152,190
Share buy-back	-15,000	-15,000
Calculated weighted number of shares at end of fiscal year	6,137,190	6,137,190
Further potential shares from share options (diluted)	192 (186)	192 (183)
Actual and potential shares at end of year (diluted)	6,137,376	6,137,373
Weighted shares - undiluted	6,137,190	6,137,190
Weighted shares - diluted	6,137,376	6,137,373

Earnings per share	**2013**	2012
Group net profit for year (€000)	24,749	22,224
Profit attributable to minority shareholders (€000)	3,378	3,244
Profit attributable to shareholders of Schaltbau Holding AG (€000)	21,371	18,980
Earnings per share - undiluted	**3.48 €**	**3.09 €**
Earnings per share - diluted	**3.48 €**	**3.09 €**

	2013	2012
Weighted shares - undiluted	6,137,190	6,137,190
Weighted shares - diluted	6,137,376	6,137,373
Earnings per share - undiluted	3.48 €	3.09 €
Earnings per share - diluted	3.48 €	3.09 €

Reconciliation of undiluted and diluted weighted shares	**2013**	2012
Weighted shares - undiluted	6,137,190	6,137,190
192 (2012: 192) share options not exercised by 31.12.2013; weighted	186	183
Weighted shares - diluted	6,137,376	6,137,373

Notes to the consolidated balance sheet

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

Goodwill totalling € 11,348,000 (2012: € 11,552,000) comprises € 5,970,000 (2012: € 5,970,000) allocated to the Stationary Transportation Technology segment, € 4,997,000 (2012: € 5,201,000) allocated to the Components segment and € 381,000 (2012: € 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 forecast free cash flows by 10 % for sensitivity analysis purposes, no impairment losses were necessary.

Intangible assets include **capitalised development costs** with a carrying amount of € 8,411,000 (2012: € 6,953,000).

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	**31.12.2013**	31.12.2012
Carrying amount including fair value adjustments	10,294	10,179
less revaluation reserve	3,041	3,041
less acquired minority interest in revaluation reserve	7	7
less deferred taxes	1,307	1,307
Carrying amount before revaluation	**5,939**	**5,824**

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 2013 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	**31.12.2013**			31.12.2012		
	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,401	354	50.0%	3,590	354
BORA	42.6%	5,962	0	37.1%	3,163	0
BOUK	50.0%	1,079	1,243	25.0%	706	563
		10,442	**1,597**		**7,459**	**917**

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

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

In € 000	31.12.2013		31.12.2012	
	100 %	Group's share	100 %	Group's share
Assets	33,392	15,092	31,013	12,843
Liabilities	13,037	5,955	14,604	5,878
Sales	54,107	24,266	44,609	17,448
Net profit for the year	6,464	2,737	4,780	1,954

Mortgages totalling € 26,765,000 (2012: € 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 (2012: € 0).

(12) INVENTORIES

In € 000	31.12.2013	31.12.2012
Raw materials and supplies	29,899	34,524
Work in progress	27,877	27,206
Finished products, goods for resale	10,309	12,794
Advance payments to suppliers	429	484
	68,514	**75,008**

None of the Group's inventories are pledged as collateral. Write-downs totalling € 1,660,000 (2012: € 1,577,000) were recognised on inventories in 2013. Sell-offs and changes in customer ordering patterns resulted in reversals of write-downs on inventories amounting to € 82,000 (2012: € 693,000). Write-downs on inventories at the end of the reporting period totalled € 14,692,000 (2012: € 14,243,000).

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

In € 000	31.12.2013	31.12.2012
Trade accounts receivable	66,187	66,440
Receivables from affiliated companies	5,445	3,769
Receivables from associated companies	761	2,207
Income tax receivables	274	453
Positive fair values of derivative instruments	164	54
Sundry other assets	6,242	5,383
	79,073	**78,306**

Receivables from affiliated and associated companies comprise trade accounts receivable and loan receivables totalling € 619,000 (2012: € 630,000).

Analysis of Changes in Intangible Assets, Property, Plant and Equipment and Investments
Consolidated Financial Statements as at 31 December 2013

in € 000

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

		Acquisition/manufacturing cost					
		01.01.13	Translation differences	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.13
I.	**Intangible assets**						
1.	Concessions and similar rights	6,007	1	377	0	0	6,385
2.	Software	6,616	-2	1,178	-82	538	8,248
3.	Goodwill	39,706	-204	0	0	0	39,502
4.	Capitalised development costs	0	0	223	0	6,710	6,933
5.	Ongoing development projects	6,953	0	1,852	0	-6,710	2,095
6.	Payments in advance	497	0	216	0	-497	216
		59,779	**-205**	**3,846**	**-82**	**41**	**63,379**
II.	**Property, plant and equipment**						
1.	Land and buildings	38,611	-2	2,160	-157	84	40,696
2.	Plant and machinery	31,900	-18	2,741	-784	592	34,431
3.	Other plant and equipment	41,709	-10	3,700	-878	676	45,197
4.	Assets under construction	1,788	0	4,525	0	-1,393	4,920
		114,008	**-30**	**13,126**	**-1,819**	**-41**	**125,244**
III.	**Investments**						
1.	Investments in subsidiaries	6,518	0	1,264	0	0	7,782
2.	At-equity accounted investments	3,191	0	890	0	0	4,081
3.	Investments in other companies	0	0	149	0	0	149
4.	Other loans	20	0	0	0	0	20
		9,729	**0**	**2,303**	**0**	**0**	**12,032**
		183,516	**-235**	**19,275**	**-1,901**	**0**	**200,655**

Accumulated amortisation, depreciation and impairment losses						Carrying amounts	
01.01.13	Translation differences	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.13	31.12.13	31.12.12
3,705	1	875	0	0	4,581	1,804	2,302
4,977	0	884	-82	31	5,810	2,438	1,639
28,154	0	0	0	0	28,154	11,348	11,552
0	0	615	0	0	615	6,318	0
0	0	2	0	0	2	2,093	6,953
0	0	0	0	0	0	216	497
36,836	**1**	**2,376**	**-82**	**31**	**39,162**	**24,217**	**22,943**
15,990	0	948	-89	0	16,849	28,201	26,975
22,777	-10	1,869	-777	-270	23,589	10,842	9,123
32,941	-9	3,863	-815	239	36,219	8,978	8,768
0	0	0	0	0	0	4,920	1,788
71,708	**-19**	**6,680**	**-1,681**	**-31**	**76,657**	**52,941**	**46,654**
2,878	0	289	0	0	3,167	4,615	3,640
-4,268	0	0	0	-2,093	-6,361	10,442	7,459
0	0	21	0	0	21	128	0
0	0	0	0	0	0	20	20
-1,390	**0**	**310**	**0**	**-2,093**	**-3,173**	**15,205**	**11,119**
107,154	**-18**	**9,366**	**-1,763**	**-2,093**	**112,646**	**92,363**	**80,716**

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

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
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. 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	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	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

Allowances comprised the following:

In € 000	**1.1.13**	Utilised	Reversed	Allocated	Currency / other	**31.12.13**
Trade accounts receivable:						
Specific allowances	874	272	205	465	0	862
Additional risk allowance	1.890	314	112	323	-3	1,784
	2.764	**586**	**317**	**788**	**-3**	**2,646**
Other allowances	16	1	11	0	0	4
Total	**2.780**	**587**	**328**	**788**	**-3**	**2,650**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 15,642,000 (2012: € 18,505,000).

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

In € 000	**31.12.2013**			31.12.2012		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	7,481	-98	7,383	10,026	-226	9,800
31 to 60 days	4,472	-147	4,325	2,976	-113	2,863
61 to 90 days	2,638	-113	2,525	3,142	-124	3,018
91 to 180 days	4,135	-215	3,920	6,157	-345	5,812
181 to 365 days	3,955	-646	3,309	3,751	-389	3,362
more than one year	1,936	-1,216	720	2,538	-1,332	1,206
	24,617	**-2,435**	**22,182**	**28,590**	**-2,529**	**26,061**
Not yet due	44,216	-211	44,005	40,615	-236	40,379
	68,833	**-2,646**	**66,187**	**69,205**	**-2,765**	**66,440**

Of the trade accounts receivable total reported at 31 December 2013, 22.3 % (2012: 28.4 %) relate to the five largest debtors.

69.6% (2012: 71.3%) of receivables and non-current loans are denominated in EUR, 22.4% (2012: 20.0%) in CNY and 6.6% (2012: 7.1%) 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	31.12.2013	31.12.2012
Cheques and cash on hand	25	44
Cash at bank	14,367	8,466
	14,392	**8,510**

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

(15) CHANGES IN GROUP EQUITY

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

(16) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 6,152,190 (2012: 6,152,190) 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 (2012: € 234.24) remained in place at 31 December 2013; 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 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 2013 following the conditional issue of up to 2,700,000 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue up to 8 June 2016 bearer convertible bonds and bonds with warrants as well as participation rights capital with conversion or option rights.

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

(17) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 13,701,000 (2012: € 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 the year under report, the change in accounting policy due to the adoption of IAS 19 (revised 2011) also had an impact on revenue reserves, which is explained in detail in Note (20) Pension provisions. In addition, there was a positive impact (net of deferred tax) of € 320,000 (€ 166,000) in connection with the fair value measurement of interest rate and currency swaps.

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 2012 was approved at the Annual General Meeting of Schaltbau Holding AG. Accordingly an amount of € 1,900,000 was transferred to revenue reserves and a dividend of € 4,726,000 (€ 0.77 per share) paid.

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

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

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

(18) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd.

(19) PARTICIPATION RIGHTS CAPITAL

In € 000	**31.12.2013**	31.12.2012
Participation options: 362,730 (number)	**7,132**	**7,104**

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 2013 amounted to € 8,198,000 (2012: € 8,706,000).

The profit participation rights are scheduled for redemption on the day after the (ordinary) Annual General Meeting, at which the Company's financial statements for the year ended 31 December 2013 are presented. For this reason, the profit participation rights have been reclassified to current liabilities. A total of € 7,255,000 will be repaid.

(20) PENSION PROVISIONS

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

The accounting policy for the recognition of actuarial gains and losses has been changed with effect from the beginning of 2013 in accordance with IAS 19. Actuarial gains and losses are now recorded in the year in which they arise by recognition directly in equity (revenue reserves). These amounts will not be recognised in profit or loss in subsequent accounting periods. Previously, they were only recognised – in profit or loss – when their net cumulative amount exceeded 10 % of the defined benefit obligation at the beginning of the period. IAS 8.19 (b) requires that the accounting policy change is applied retrospectively, which would normally result in an adjustment to comparative figures for the previous year. However, given the impact on profit or loss in 2012 is less than € 10,000, no adjustment has been made to the previous year's income statement on the grounds of immateriality. The following table shows the impact on items in the previous year's balance sheet and statement of comprehensive income.

In € 000	Balance sheet			Total comprehensive income
	Deferred tax assets	Revenue reserves	Pension provisions	
1.1.2012	**728**	**-1,699**	**2,427**	**0**
Adjustment in 2012	1,557	-3,633	5,190	-3,633
31.12.2012	**2,285**	**-5,332**	**7,617**	**-3,633**

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

In € 000	31.12.2013	31.12.2012
Claims under reinsurance policies relating to pension commitments	**104**	**111**

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	2013	2012
Employer contributions to state pension insurance schemes	**7,541**	**7,220**

Pension provisions developed as follows:

In € 000	2013	2012
Balance at 1.1.	34,248	20,931
Service cost	380	339
Interest expense	1,098	1,308
Benefit payments	-1,833	-2,278
Remeasurements	-780	5,190
Change in group reporting entity	-	8,758
Carrying amount of provision at 31.12.	**33,113**	**34,248**

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

The main actuarial assumptions applied were as follows:

	31.12.2013	31.12.2012
Interest rate	3.5 %	3.3 %
Salary trend	2.5 %	2.5 %
Pension trend	2.0 %	2.0 %
Fluctuation rate	1.5 %	1.3 %

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

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

In € 000	Change	Increase	Decrease
Discount rate	0.50 %	-2,019	2,257
Salary trend	0.25 %	26	-164
Pension trend	0.25 %	863	-829
Fluctuation trend	0.50 %	-20	13

As of 31 December 2013 the weighted average period of defined benefit plan pension obligations is 12.9 years.

Pension expense comprised the following:

In € 000	**2013**	2012
Current service cost	380	329
Past service cost/income	0	10
Total service cost (personnel expense)	380	339
Interest expense	1.098	1.308
Pension expense recognised in the Consolidated Income Statement	1.478	1.647
Effect of changes in financial assumptions	-863	5.190
Effect of experience adjustments	83	0
Remeasurements recognised in the Consolidated Statement of Comprehensive Income	-780	5.190
Total pension expense	**698**	**6.837**

Future cash flows
Contributions for pension obligations in the fiscal year 2014 are expected to amount to € 1,498,000 and benefit payments to € 1,441,000.

(21) OTHER PROVISIONS

Other provisions developed as follows:

In € 000	01.01.13	Utilised	Reversed	Allocated	Interest impact	Currency / other	31.12.13
Non-current provisions							
Personnel	3,481	-786	0	561	154	0	3,410
Warranties	66	-66	0	78	0	0	78
	3,547	**-852**	**0**	**639**	**154**	**0**	**3,488**
Current provisions							
Personnel	6,332	-5,649	-351	5,881	0	-6	6,207
Taxes	2,075	-640	-51	1,475	0	-8	2,851
Warranties	7,884	-2,645	-1,522	3,620	0	-1	7,336
Outstanding supplier invoices	6,249	-5,508	-170	5,310	0	-4	5,877
Sundry other provisions	3,261	-2,380	-576	2,681	0	-2	2,984
	25,801	**-16,822**	**-2,670**	**18,967**	**0**	**-21**	**25,255**
Total	**29,348**	**-17,674**	**-2,670**	**19,606**	**154**	**-21**	**28,743**

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 2014. 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 € 819,000 (2012: € 845,000) 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	31.12.2013	31.12.2012
Non-current liabilities		
Liabilities to banks	49,790	46,470
Other financial liabilities	0	3,396
Financial liabilities	49,790	49,866
Other liabilities	15	178
	49,805	**50,044**
Current liabilities		
Current income tax liabilities	317	160
Liabilities to banks	6,350	7,039
Other financial liabilities	0	160
Financial liabilities	6,350	7,199
Trade accounts payable	20,961	21,137
Advance payments received	7,826	14,699
Liabilities to affiliated companies	1,543	1,027
Liabilities to other group companies	720	570
Liabilities relating to derivative instruments	1,643	2,140
Sundry other liabilities	12,676	12,524
(of which for taxes)	(2,018)	(1,521)
(of which to employees)	(5,927)	(5,899)
(of which for social security)	(208)	(279)
Other liabilities	16,582	16,261
	52,036	59,456
Total liabilities	**101,841**	**109,500**

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	56,140	56,140	6,350	39,541	10,249
Trade accounts payable	20,961	20,961	20,717	239	5
Derivate instruments	1,643	1,643	330	1,214	99
Other liabilities	15,247	15,247	14,426	821	0
	93,991	**93,991**	**41,823**	**41,815**	**10,353**

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

In € 000	**31.12.2013**	31.12.2012
Overdue		
up to 30 days	4,842	3,884
31 to 60 days	1,532	1,777
61 to 90 days	362	624
91 to 180 days	1,154	1,766
181 to 365 days	481	753
more than 1 year	177	224
	8,548	**9,028**
Not yet due	12,413	12,109
Carrying amount	**20,961**	**21,137**

Collateral of € 27,290,000 (2012: € 17,290,000) has been given to cover **liabilities to banks**; of this amount, € 525,000 (2012: € 525,000) relates to pledges and pledge-like collateral and € 26,765,000 (2012: € 16,765,000) to mortgages.

Credit lines totalling € 125,758,000 (2012: € 117,704,000) are available. The weighted average interest rate as at 31 December 2013 for liabilities to banks during the past year was 2.3 % (2012: 2.3 %). The Group's main external financing revolves around a syndicated credit agreement (originally with a volume of € 65 million), which was raised on 20 December 2013 by a further € 15 million to € 110 million. The formal conditions precedent for the increase were fulfilled on 31 January 2014. The term of 5 years (to December 2017) remains unchanged, as do the remainder of the conditions. 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 2013.

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	
2014	6,349
2015	6,301
2016	8,922
2017	21,365
2018	2,954
danach	10,249
	56,140

Liabilities to banks due for repayment in the year 2014 include current account liabilities amounting to € 791,000 (2012: € 1,499,000) which are extended from year to year.

Other **financial liabilities** at the end of the previous fiscal year are related to loans payable to parties other than banks (at an average interest rate of 6.4 %), which were repaid during the fiscal year under report.

Of the **trade accounts payable** total reported at 31 December 2013, 10.2 % (2012: 9.8%) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 91.2 % (2012: 89.4 %) in euro, 7.6 % (2012: 8.4 %) in CNY and 0.8 % (2012: 1.9 %) 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 6 May 2013
Monolith N.V., Amsterdam, Netherlands notified us on 2 May 2013 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 5% on 30 April 2013 and amounted to 5.01% at that date (corresponding to 307,993 voting rights).

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

Deutsche Bank AG advised us the following:
Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 04 January 2011
Pursuant to sections 21 (1) WpHG ('German Securities Trading Act') we hereby notify in the name and on behalf of FPM Funds SICAV, Luxembourg, Luxembourg, that the percentage of voting rights of FPM Funds SICAV in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany, went over the threshold of 3% on 27th December 2010 and amounted to 3.20% (60,000 voting rights) as per this date.

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

Announcement on 16 August 2011

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

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

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

Announcement on 10 January 2011
On 04 January 2011 Deutsche Bank AG advised us the following:
Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 30.12.2010

Pursuant to sections 21 (1), 24 WpHG ('German Securities Trading Act'), in conjunction with section 32 (2) InvG ('German Investment Act'), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment S.A., Luxembourg, Luxembourg, in Schaltbau Holding AG, Hollerithstraße 5, D-81829 Munich, Germany, went over 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
Mr Hans Jakob Zimmermann, Essen, gave notice on 6 February 2006 pursuant to § 21 WpHG that his share of voting rights in the Company on 4 May 2005 had gone below the 10% threshold and that it amounted to 7.77% on that date (corresponding to 132,003 votes).

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors in 2013 for the audit of financial statements amounted to € 576,000 (2012: € 609,000). Of this amount, € 442,000 (2012: € 498,000) are related to audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. In addition, KPMG AG was paid € 0 (2012: € 3,000) for tax advisory services, € 0 (2012: € 18,000) for other attestation services and € 47,000 (2012: € 36,000) for other services.

Contingent liabilities and other financial commitments

In € 000	**31.12.2013**	31.12.2012
Other financial commitments		
Rental and lease expenses	8,350	10,442
Sundry commitments	4,309	3,470

Contingent liabilities amounted to € 959,000 (2012: € 681,000). The risk of incurring costs in connection with these 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 and other sundry commitments are spread over the following future years as follows: up to one year € 6,163,000 (2012: € 5,182,000), between one and five years € 6,172,000 (2012: € 7,543,000) and later than five years € 324,000 (2012: € 1,187,000).

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

Disclosures on financial instruments in accordance with IFRS 7
The balance sheet contains non-derivative financial instruments such as financial assets, financial liabilities and investments in other entities as well as derivative financial instruments such as forward currency contracts and swap transactions whose value is derived from the base value of the contract. Financial instruments are measured in accordance with IAS 39 on the basis of the allocation of items to various measurement categories. In the following table, balance sheet lines and financial instruments are allocated to measurement categories. The resulting values are also shown.

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

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

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

Carrying amounts based on IAS 39						
Available-for-sale		Held for trading	Derivatives in hedging relationships			
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
-	4,763	-	-	-	**4,763**	4,763
-	-	-	-	-	**66,187**	66,187
-	-	-	-	-	**-**	-
-	-	-	120	44	**11,605**	11,605
-	-	-	-	-	**-**	-
-	**4,763**	**-**	**120**	**44**	**82,555**	**82,555**
-	-	-	-	-	**7,132**	7,132
-	-	-	-	-	**49,790**	49,790
-	-	-	-	-	**15**	15
-	-	-	-	-	**-**	-
-	-	-	-	-	**6,350**	6,350
-	-	-	-	-	**20,961**	20,961
-	-	-	-	-	**7,826**	7,826
-	-	-	11	1,632	**16,558**	16,558
-	**-**	**-**	**11**	**1,632**	**108,632**	**108,632**

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	7,104	-	7,104	-
Non-current financial liabilities	49,866	-	49,866	-
Non-current other liabilities	178	-	178	-
Current income tax payables	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
-	-	-	89	2,050	**16,220**	16,220
-	**-**	**-**	**89**	**2,050**	**116,403**	**116,403**

Fair value hierarchy:

At 31 December 2013 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	**31.12.2013**
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	120	-	120
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	44	-	44
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	11	-	11
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	1,632	-	1,632

There were no reclassifications during the fiscal year 2013 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	31.12.2012
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 liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	89	-	89
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	2,050	-	2,050

Net gains and loss by measurement category

	2013	2011
Measured at fair value through profit and loss	120	159
Loans and receivables	-634	-796
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 gains of € 86,000 (2012: net losses of € 469,000) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

Capital management disclosures
Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity improved again due to positive group net profit for the year and amounted to € 89.4 million at the end reporting period, € 18.3 million higher than one year earlier (including the impact of adjustments to pension provisions in conjunction with IAS 19 (revised). The aim is to achieve a further moderate improvement in the group equity ratio over the coming years from its current level of 33.4%. The Group's debt coefficient decreased during the year under report, and now stands at 0.9 (2012: 1.2). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

Corporate Governance
The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code were issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 13 December 2013 at http://www.schaltbau.de/investor-relations/corporate-governace/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	
	2013	2012	**2013**	2012
Associated companies				
Goods and services	6,355	4,878	6,933	6,038
Other relationships	15	-	14	-
Non-consolidated companies				
Goods and services	10,418	6,745	3,155	2,318
Other relationships	324	32	1,376	788

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	
	2013	2012	**2013**	2012
Associated companies	761	2,176	720	570
Non-consolidated companies	5,445	3,769	1,543	1,027

For disclosures relating to key management personnel, please see the section “Remuneration of persons in key positions” 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 “Structure and business model”.

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

The column “Holding company, other consolidations” 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	
	31.12.2013	31.12.2012	**2013**	2012	**2013**	2012
Germany	197,481	191,614	16,847	8,770	167,145	160,306
Other EU countries	18,091	16,288	1,073	465	97,526	90,117
Other European countries	3,402	3,590	-	-	35,037	29,735
China / Hong Kong	35,994	32,766	1,135	451	52,117	48,532
North America	11,706	13,404	62	121	20,824	19,976
Other countries	711	515	158	-	18,064	14,143
	267,385	**258,177**	**19,275**	**9,807**	**390,713**	**362,809**

Reconciliations

In € 000	Sales	
	2013	2012
Total sales of segments	392,867	364,764
Other sales	2,222	2,253
Consolidation	-4,376	-4,208
Sales as per income statement	**390,713**	**362,809**

In € 000	EBIT	
	2013	2012
Total EBIT of segments	41,684	35,194
Other EBIT	-5,811	-5,510
Consolidation	135	-180
EBIT as per income statement	**36,008**	**29,504**

In € 000	Assets	
	2013	2012
Total segment assets	289,013	270,354
Other assets excluding deferred tax assets	55,265	48,863
Deferred taxes	5,292	7,466
Consolidation	-82,185	-68,506
Group assets as per balance sheet	**267,385**	**258,177**

In € 000	Liabilities	
	2013	2012
Total segment liabilities	180,399	179,347
Other liabilities excluding deferred tax liabilities	66,942	63,279
Deferred taxes	813	791
Consolidation	-70,186	-56,372
Group liabilities as per balance sheet	**177,968**	**187,045**

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flows from operating activities (indirect method)

Based on the Group's profit from operating activities (EBIT) of € 36.0 million, the cash flow from operating activities in 2013, amounting to € 36.5 million, was approximately € 29.5 million higher than in the previous year. Despite a further sharp rise in total output for the year, the € 4.7 million decrease in current assets gave rise to a net cash inflow (compared to a net cash outflow in the previous year) thanks to the reduction in inventories; receivables were kept at the previous year's level by applying rigorous receivables management procedures. This net cash inflow compares with a cash outflow of € 6.1 million for current payables, mostly in connection with a further fall in advance payments received from customers. Taxes paid were lower than in 2012, reflecting the fact in the previous year retrospective advance payments for 2011 and increased advance payments for 2012 had – due to the utilisation of municipal trade tax losses available for carryforward – resulted in above-average tax-related cash outflows. Overall, cash flows from operating activities came in higher than Group EBIT, representing a significant improvement compared with the previous year.

b) Cash flows from investing activities

The cash outflow from investing activities totalled € 20.1 million in 2013 and was therefore well up on the previous year. Payments for investments in intangible assets and property, plant and equipment and for capital funds made available to foreign group entities to finance expanding operations increased substantially compared to the previous year. Expansion investments at the plants of both Schaltbau GmbH and Bode KG (already initiated in the previous year), the purchase of a further production building by Pintsch Bubenzer as well as the recognition of capitalised development costs at the level of Pintsch Bamag and Pintsch Bubenzer resulted in outflows, which were only partly offset by the lower volume of investments in fully consolidated companies compared to the previous year.

c) Cash flows from financing activities

The net cash outflow for financing activities amounted to € 10.8 million, a deterioration of € 11.8 million compared to the previous year. A loan payable amounting to € 3.6 million was repaid in conjunction with the acquisition of the ALUD companies, thus increasing the total outflow for loan repayments compared to the previous year. A new loan of € 10.0 million was raised by Schaltbau GmbH for financing purposes. This loan is also being used to finance specific construction projects. Funds drawn down in connection with these construction projects, but which had yet not been fully utilised for these purposes, were used temporarily (until completion of the construction projects) to repay sundry other financial liabilities. Additional loans were also raised at the level of Bode KG and Pintsch Bubenzer in order to finance construction projects and acquisitions.

d) Composition of cash funds

Cash funds comprise:

In € 000	**31.12.2013**	31.12.2012
Cash and cash equivalents	14,392	8,510
Balance on cash management accounts	-1,235	-847
	13,157	**7,663**

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Segment Information

In € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2013	2012	**2013**	2012
Order intake (external)	141,391	127,712	145,519	147,109
Sales	145,273	124,713	143,773	142,328
- of which external	144,317	123,486	143,128	142,055
- of which with other segments	956	1,227	645	273
Order book (external)	103,046	105,952	76,210	75,087
EBITDA	13,730	8,756	16,048	14,441
Result from operating activities (EBIT)	11,579	7,037	12,664	12,080
Result from at-equity accounted companies	2,737	1,954	0	0
Sundry other result from investments	0	0	-289	-340
Interest income	186	106	84	204
Interest expense	-674	-638	-2,344	-2,344
Income taxes	-980	177	-795	-696
Segment result / Group result *1)	12,848	8,636	9,320	8,904
Change in Group reporting entity	0	1,995	0	2,287
Capital expenditure on investments	1,966	345	243	113
Impairment losses on investments	0	0	-289	-340
Capital expenditure *2)	3,364	1,395	7,503	3,862
Amortisation and depreciation *2)	-2,151	-1,719	-3,384	-2,361
Impairment losses (without investments)	-696	-463	-1,195	-1,038
Reversal of impairment losses (without investments)	52	396	221	68
Other significant non-cash expenses	-5,615	-3,462	-2,625	-4,966
Segment assets *3)	86,080	73,296	108,862	106,760
Investments accounted for at-equity	10,442	7,459	0	0
Capital employed *4)	61,308	54,277	79,904	74,931
Segment liabilities *5)	36,227	33,718	87,803	88,111
Employees (average)	575	522	652	631
EBIT margin *6)	8.0%	5.7%	8.8%	8.5%
Return on capital employed (ROCE) *7)	18.9%	13.0%	15.8%	16.1%

*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; 2012 amounts adjusted in accordance with IAS 19 (revised)
*4) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets
*5) Liabilities; 2012 amounts adjusted in accordance with IAS 19 (revised)
*6) EBIT / external sales
*7) EBIT / capital employed

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
103,727	97,415	390,637	372,236	98	98	390,735	372,334
103,821	97,723	392,867	364,764	-2,154	-1,955		
103,171	97,168	390,616	362,709	97	100	390,713	362,809
650	555	2,251	2,055	-2,251	-2,055		
48,799	48,782	228,055	229,821			228,055	229,821
20,435	18,929	50,213	42,126	-5,149	-5,136	45,064	36,990
17,441	16,077	41,684	35,194	-5,676	-5,690	36,008	29,504
0	0	2,737	1,954	0	0	2,737	1,954
0	0	-289	-340	0	0	-289	-340
70	108	340	418	-197	-284	143	134
-1,541	-1,792	-4,559	-4,774	-306	-462	-4,865	-5,236
-2,593	-3,088	-4,368	-3,607	-4,617	-185	-8,985	-3,792
13,377	11,305	35,545	28,845	-10,796	-6,621	24,749	22,224
0	0	0	4,282	401	0	401	4,282
94	0	2,303	458	0	0	2,303	458
0	0	-289	-340	0	0	-289	-340
5,714	3,900	16,581	9,157	391	192	16,972	9,349
-2,994	-2,839	-8,529	-6,919	-527	-555	-9,056	-7,474
-556	-672	-2,447	-2,173	-1	-1	-2,448	-2,174
137	362	410	826	0	-1	410	825
-5,819	-5,274	-14,059	-13,702	-6,046	-1,138	-20,105	-14,840
94,071	90,298	289,013	270,354	-21,628	-12,177	267,385	258,177
0	0	10,442	7,459	0	0	10,442	7,459
68,932	68,895	210,144	198,103	-11,867	-11,775	198,277	186,328
56,369	57,518	180,399	179,347	-2.431	7,698	177,968	187,045
593	570	1,819	1,723	20	19	1,839	1,742
16.9%	16.5%					9.2%	8.1%
25.3%	23.3%					18.2%	15.8%

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

No mandates

Dirk Christian Löchner
Member of the Executive Board,
Corporate Development

Director:
Gebr. Bode & Co. Beteiligungs GmbH

Chairman of the Board:
Bode North America Inc. USA
Bode Dogrusan Otomotiv Yan San ve TIC A.S., Turkey

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

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

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

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

Members of the Supervisory Board

Hans Jakob Zimmermann
Chairman

Supervisory Board

Chairman of the Supervisory Board:
Paragon AG, Delbrück
ANWR-GARANT International AG, Düsseldorf (to 26.04.2013)

Member of the Supervisory Board:
MERKUR BANK KGaA, Munich (to 19.06.2013),
Scholz AG, Essingen

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

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

Members of the Supervisory Board

Peter Jahrmarkt
Deputy Chairman

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

Deputy Chairman of the Supervisory Board:
heristo aktiengesellschaft, Bad Rothenfelde (since 20.06.2013)

Member of the Supervisory Board:
heristo aktiengesellschaft, Bad Rothenfelde (to 20.06.2013)
fine food alliance SE, Bad Rothenfelde (since 01.06.2013)

Member of the Advisory Board:
heristo holding GmbH, Bad Rothenfelde

Marianne Reindl
Secretary

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

Deputy Chairwoman:
Works Council of Schaltbau GmbH, Aldersbach plant

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

Chairman of the Supervisory Board:
Hypothekenbank Frankfurt AG, Frankfurt/Main (since 21.11.2013)

Deputy Chairman of the Supervisory Board:
Commerz Real AG, Düsseldorf/Wiesbaden (to 24.05.2013)

Member of the Supervisory Board:
Verlagsgruppe Weltbild GmbH, Augsburg (to 21.06.2013)
Hypothekenbank Frankfurt AG, Frankfurt/Main (to 21.11.2013)
Commerzbank Auslandsbanken Holding AG, Frankfurt/Main (to 20.11.2013)

Friedrich Smaxwil
President CEN, President Comittee for Standardization, Brüssel

No mandates

Horst Wolf
Employee

Chairman:
Works Council of Pintsch Bamag GmbH, Dinslaken

Member:
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 2013 amounted to € 2,012,000 (2012: € 1,334,000).

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 € 301,000 (2012: € 242,000). In addition, a remuneration of € 14,000 (2012: € 36,000) was paid to one member of the Supervisory Board (2012: two members) in accordance with the Articles of Incorporation (§ 13 para. 1 of the Articles of Incorporation of Schaltbau Holding AG). In accordance with the resolution passed at the Annual General Meeting on 6 June 2013, with effect from 1 July 2013 the Chairman of the Supervisory Board receives a monthly expense allowance of € 2,500 (in total for 2013: € 15,000) to cover the cost of office rental, secretarial services and general administrative expenses.

A pension provision of € 627,000 (2012; € 445,000) was recognised at the end of the reporting period for obligations to former members of the Executive Board and their surviving dependants; the increase compared to the previous year resulted mainly from adjustments in connection with the removal of the previously used corridor method pursuant to IAS 19 (revised). Disbursements for the total remuneration of former members of the Executive Board and their surviving dependents amounted to € 83,000 (2012: € 229,000).

As at 31 December 2013, a total of 691,347 shares of the Company were held, all directly, by Dr Cammann.

Members of the Supervisory Board hold in total 646,670 of the Company's shares, comprising 641,230 held directly or indirectly by Mr Zimmermann, 5,000 held directly or indirectly by Mr Jahrmarkt and 440 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 €

Payment of a dividend of € 0.96 per share each representing € 1.22 of the Company's share capital of € 7,505,671.80	5,906,102.40
Transfer to revenue reserves	1,900,000.00
To be carried forward	21,847.26
Unappropriated profit	**7,827,949.66**

Munich, 18 March 2014
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

Horst Wolf *
Employee

* Employee representatives

Report of the Supervisory Board

Supervisory Board activities during the reporting year

The Supervisory Board of Schaltbau Holding AG performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, dedicating its attention to the business matters of the Company. In accordance with German stock corporation requirements, the Supervisory Board regularly advised the Executive Board in its management tasks and supervised the governance of Schaltbau Holding AG. Supervisory and advisory activities were undertaken by the Supervisory Board on the basis of detailed oral and written reports presented by the Executive Board with respect to the business performance of Schaltbau Holding AG and the Group. The Executive Board's reports primarily dealt with corporate policies, key financial and investment policy issues as well as the profitability and risk profile of Schaltbau Holding AG and the Group.

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

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

All relevant topics, particularly transactions requiring the approval of the Supervisory Board, were the subjects of lengthy discussion between the Supervisory Board and the Executive Board. With the aid of reports and information received from the Executive Board, the Supervisory Board assured itself of the proper governance of the Company and ascertained that the requirements of the risk management system were 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, which were all attended by the entire Supervisory Board.

Two resolutions put forward by the Executive Board were approved by the Supervisory Board by way of circulation procedure. On 28 February 2013 the Supervisory Board approved the purchase of Vialis Railway Systems B.V., which was, however, not subsequently implemented. On 18 March 2013 the Supervisory Board approved the investment project planned by the Bode Group to extend buildings at the Kassel site as well as the merger of Bode Zustiegssysteme GmbH with Gebr. Bode GmbH & Co. KG, with retrospective effect from 1 January 2013.

The monthly reports presented by the Executive Board were closely examined at each of the Supervisory Board meetings. These status reports are designed to supply information regarding incoming orders, sales and profitability – both on a monthly basis and cumulatively, including variances between actual and budgeted figures and the current forecast.

The reports also document the liquidity and the financial situation, including the status of current credit lines and the amounts drawn down by entity as well as available liquidity based on actual and forecasted figures. Furthermore, the Supervisory Board reviewed developments in order intake, sales, expenses and earnings for the various segments and subsidiaries of the Schaltbau Group and discussed these at length with the Executive Board. The discussion and assessment of strategic options and necessities were regular items on the agenda.

Moreover, the Supervisory Board addressed the following topics at its various meetings during fiscal year 2013:

At its meeting held on 12 April 2013 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report 2012 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 made with respect to 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 (HGB) as well as the Statement on Corporate Governance. The Supervisory Board also examined the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit from 2012 and concurred with it. In addition, on 12 April the Supervisory Board approved the Corporate Governance Report as well as the agenda for the Annual General Meeting on 6 June 2013 and authorised the report of the Supervisory Board. Further topics discussed at the Supervisory Board meeting on 12 April were the failed takeover of Vialis by Pintsch-Bamag, the foundation of the Schaltbau subsidiary in Austria and the expansion of the Schaltbau GmbH plants in Velden and Aldersbach as well as the mergers of Alud Grundstücksverwaltungsgesellschaft mbH und Co Vermietungs KG and Alud Grundstücksverwaltungsgesellschaft mbH with Schaltbau GmbH.

During its meeting held on 3 June 2013, the Supervisory Board determined the audit plan for internal audit activities in 2013. Furthermore, the Supervisory Board extensively discussed and subsequently approved the capital increase at the level of Bode Shenyang. The Executive Board informed the Supervisory Board regarding the situation of the British subsidiary Rail Door Solutions Ltd. in view of the possible insolvency of its main customer and discussed various strategies for the restructuring and continuation of the business.

At its meeting held on 13 September 2013, the Supervisory Board closely examined the Annual Risk Report and was informed by the Executive Board of the preventive compliance measures undertaken within the Group. In addition, the Supervisory Board carried out its annual efficiency examination. Further topics discussed were specific options available with respect to the ongoing strategic development of the Schaltbau Group. An additional key topic discussed at the meeting was possible steps required to stabilise the British subsidiary Rail Door Solutions Ltd., followed by a resolution via telephone call regarding the financing measures that needed to be taken.

The Supervisory Board meeting held on 13 December 2013 was devoted to the forecast for the Schaltbau Group for the period from 2014 to 2016, including the investment budget for 2014, which was adopted by the

Supervisory Board after extensive discussion. A further topic of discussion was the Syndicated Credit Agreement used to finance operations. Furthermore, the Supervisory Board carefully considered the report submitted by the auditors Deloitte & Touche regarding the effectiveness of the internal control system (ICS) and the examination of internal audit activities within the Schaltbau Group. In addition, the Supervisory Board adopted the amended version of the Declaration of Compliance with the German Corporate Governance Code and approved the resolution put forward by the Executive Board for the intended purchase of 40 per cent of Albatros S.L., Madrid, as well as its subsidiary ALTE Transportation S.L.

Personnel Committee activities

The Personnel Committee (in its capacity as a committee within the Supervisory Board) held two meetings during the year under report. The main topics of discussion included Executive Board matters outside the field of responsibility of the full Supervisory Board.

No other committees exist within the Supervisory Board. An Audit Committee has been provided for under the rules of procedure of the Supervisory Board, but has, however, not been formed in view of the total size of the Supervisory Board. This function is performed by the entire Supervisory Board. As in previous years, no further committees were appointed, particularly in view of the fact that a consistent flow of all corporate and other relevant information to all members of a six-person Supervisory Board is eminently achievable.

Company and Consolidated Financial Statements 2013

In accordance with 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 2013 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 sent 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 11 April 2014. At this meeting, the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2013, 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 2013 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board approved the Combined Management Report, including the statements regarding the further development of the Group and the particulars in accordance with Section 289 subsection 4, 5 and Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB). The Supervisory Board also approved the Statement on Corporate Governance.

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 (AktG) 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 2013 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.

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 their dedication and successful work during the past fiscal year.

Munich, April 2014

Hans J. Zimmermann
Chairman of the Supervisory Board

Balance Sheet of Schaltbau Holding AG, Munich
as at 31 December 2013

ASSETS

In € 000	2013	2012
A. FIXED ASSETS		
I. Intangible assets	630	755
II. Property, plant and equipment	62	73
III. Investments	87,360	86,449
	88,052	**87,277**
B. CURRENT ASSETS		
I. Receivables and other assets	51,942	45,344
II. Cash and cash equivalents	32	74
	51,974	**45,418**
C. PREPAID EXPENSES	**66**	**61**
	140,092	**132,756**

EQUITY AND LIABILITIES

In € 000	2013	2012
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	41,854	39,954
IV. Participation rights capital	0	10,000
V. Unappropriated profit	7,828	6,653
	72,925	**79,850**
B, PROVISIONS		
I. Provisions for pensions and similar obligations	6,171	6,474
II. Other provisions	5,094	3,620
	11,265	**10,094**
C. LIABILITIES	**55,902**	**42,812**
	140,092	**132,756**

Income Statement of Schaltbau Holding AG, Munich
for the Fiscal Year 1 January – 31 December 2013

In € 000	**2013**	2012
1. Sales	2,222	2,253
2. Other operating income	152	91
3. Cost of materials	419	670
4. Personnel expense	3,937	3,550
5. Amortisation and depreciation	527	554
6. Other operating expenses	3,222	3,191
7. Income from investments	2,500	2,000
8. Income from profit transfers	14,212	12,644
9. Net interest expense	-540	-758
10. Profit from ordinary activities	**10,442**	**8,265**
11. Taxes	2,641	1,675
12. Net profit	**7,801**	**6,590**
13. Unappropriated profit brought forward	27	63
14. Change in capital reserves	0	0
15. Unappropriated profit	**7,828**	**6,653**

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, 18 March 2014
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 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 1 January to 31 December 2013. 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, 24 March 2014
KPMG AG
Wirtschaftsprüfungsgesellschaft

Moesta	Querfurth
Wirtschaftsprüfer	Wirtschaftsprüfer

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