Rail and Road

New Energy

New Mobility

New Industry

Annual Report 2019

On the move

SCHALTBAU
HOLDING

Key figures

		2019	2018	2017	2016	2015
Order situation						
Order intake	€m.	545.7	631.3	5 94.0	551.2	512.0
Order book at year-end	€m.	488.9	583.0	508.3	429.8	334.3
Consolidated income statement						
Revenue	€m.	513.7	518.3	516.5	509.1	502.3
Total output	€m.	517.0	523.4	533.2	506.4	506.4
EBITDA	€m.	32.7	22.5	20.1	16.4	46.5
EBIT	€m.	17.2	-7.3	-23.0	-14.5	33.4
EBIT margin	%	3.3	-1.4	-4.4	-2.8	6.7
Group net profit/loss for the year	€m.	7.4	-14.1	-49.6	-12.0	22.5
– attributable to shareholders of Schaltbau Holding AG	€m.	4.1	-16.5	-51.7	-15.8	16.8
Return On Capital Employed	%	6.4	-2.7	-8.3	-4.2	10.0
Conosolidated balance sheet						
Fixed assets	€m.	150.8	133.0	150.6	179.2	184.8
– Investments in property, plant and equipment and rights of use	€m.	20.6	12.9	10.0	11.6	15.0
– Depreciation on property, plant and equipment and rights of use	€m.	11.2	8.7	13.0	9.6	8.6
Working Capital	€m.	122.8	139.4	126.9	161.9	151.1
Capital Employed	€m.	269.7	272.4	277.5	341.1	335.9
Equity	€m.	97.4	93.8	70.6	107.1	124.8
Net financial liabilities (incl. Leasing)	€m.	82.2	100.4	158.4	148.0	129.6
Balance sheet total	€m.	401.2	396.8	452.0	459.1	445.8
Consolidated cash flow statement						
Cash flows from operating activities	€m.	62.9	-6.2	10.5	25.8	29.4
Cash flows from investment activities	€m.	-20.6	28.1	-34.3	-18.2	-49.0
Cash flows from financing activities [1]	€m.	-38.8	-26.3	19.9	-8.7	25.2
Change in cash funds [1]	€m.	3.4	-4.5	-4.8	-1.5	6.2
Personnel						
Employees at year-end		2,863	3,157	3,370	3,370	3,050
Average number of employees		2,723	2,998	3,094	2,925	2,706
Personnel expense	€m.	176.2	177.2	186.9	171.3	159.3
Personnel expense per employee	€k	64.7	59.1	60.4	58.6	58.9
Total output per employee	€k	189.9	174.6	172.3	173.1	187.2
Earnings per share (undiluted)	€	0.46	-1.93	-8.04	-2.61	2.80
Earnings per share (diluted)	€	0.46	-1.93	-8.04	-2.61	2.80
Dividend per share for the year	€	0.00	0.00	0.00	0.00	1.00
Share price at year-end [2]	€	34.00	20.20	26.94	30.76	51.00
Market capitalisation at year-end	€m.	301.0	178.8	178.1	189.2	313.8
Schaltbau Holding AG's equity at year-end						
Subscribed capital	€k	10,780	10,780	8,064	7,506	7,506
Equity	€m.	44.9	56.6	30.6	41.1	58.0
Equity ratio	%	26.1	30.7	14.6	21.6	28.1

[1] The current account balance was added to liquidity until 2016, and from 2017 the change in the current account balance is included in the cash flow from financing activities. The values for 2017 have been adjusted compared to the presentation in the 2017 annual report (= allocation of the current account balance to liquidity).

[2] Xetra closing price at the last trading day of the year.

Content

To our shareholders

Dear Shareholders

The Schaltbau Group took some important steps forward during the past fiscal year, guided by its fundamental commitment to corporate and social responsibility as well as by the need for long-term vision in terms of business management. Not only did we successfully complete the restructuring programme, we also placed our external debt financing on a new, firm basis. The Group's current constellation with its core brands Schaltbau, Bode, Pintsch and SBRS puts it in an ideal position to fully leverage the potential we have identified in our defined growth markets in the medium and long term.

In our core market Rail & Road, we are using our wealth of experience and innovative skills to best advantage in order to ensure that both people and goods can continue to be transported safely in years to come. As a trusted technology partner to the rail sector, Schaltbau offers a wide range of high-quality products and innovative solutions for rolling stock and reliable train-related applications. Our highly efficient solutions also contribute to the safety and convenience of passengers when travelling in buses and commercial vehicles.

In the fast-growing New Mobility market, we are making good progress in promoting sustainable mobility with our proven technologies, including safe, high-voltage disconnect systems for electric vehicles, high-speed recharging for both private and public transport vehicles, and smart boarding systems. As a technology enterprise with international operations, we are able to use our broad sector and market experience to promote our products on the New Energy market and develop efficient solutions for both generating and utilising renewable sources of energy. Moreover, as DC experts, we offer optimised solutions for operating industrial facilities with maximum efficiency. These are particularly widely used wherever the utmost level of safety for man and machine are crucial factors. We have therefore entered a new phase of growth in our eventful 90-year corporate history. On a like-for-like basis, i.e. excluding Alte and the Sepsa Group (both deconsolidated) and Pintsch Bubenzer (sold), and adjusted for restructuring expenses, the level of organic growth was highly evident in 2019. Not only did we manage to increase order intake to EUR 532.7 million, but with revenue growth of 9.5% to EUR 495.9 million and an EBIT margin of 5.9%, we also finished the year at the upper end of our forecast range.

The raft of measures introduced as part of our "Fit for Future 1" restructuring project designed to increase efficiency and optimise processes along the entire value chain played a key role in achieving these figures, not least due to a rigorous focus on production and logistics processes, especially at Bode Group companies.

Furthermore, in the second half of 2019 we launched the "Fit for Future 2" project, which is primarily aimed at relocating certain stages of production processes and combining them at specific sites. As from the fiscal year 2020, we will cease to use adjusted key performance indicators for the purpose of managing the Group. At the same time, with immediate effect, we have renamed our existing operating segments to coincide with the core brands of our subsidiaries and created a new independent segment for SBRS to reflect its growing strategic importance. We will continue to implement the measures already initiated, with the aim of focusing the Schaltbau Group on its strategic core competencies and boosting profitability throughout the fiscal year 2020.

The currently proliferating COVID-19 crisis exposes the enterprise to risks that are bound to have a negative impact on operations during the fiscal year 2020. At this point in time, however, we are unable to sufficiently quantify the extent of this impact on our net assets, financial position and results of operations. Furthermore, the COVID-19 pandemic could also have an indirect impact by causing short-term, macro-economically related decreases in demand. From the current perspective, we expect these risks to be of a temporary nature and that some of the resulting delivery delays can be compensated for by the end of the year. In the field of door and boarding systems for buses and commercial vehicles, we currently anticipate lengthy closures at our customers' manufacturing plants. However, based on the in-house capacities presently available, we will not be able to make up for this temporary volume decline by the end of the year.

For this reason, in light of the current risk situation we have adjusted our revenue and earnings forecast for the fiscal year 2020 and now predict Group revenue to be in the region of EUR 460 to 500 million and the EBIT margin to come in at around 4%. Our foremost priority remains the health and wellbeing of our employees, who we sincerely wish to thank for their dedication throughout the twelve-month period under report and their spirit of responsibility in dealing with the ongoing COVID-19 crisis.

We will continue moving forward step by step and actively spearheading technological developments in the various markets in which we operate. We hope you will continue to accompany us on this journey.

Kind regards
Dr Albrecht Köhler

Interview with the Executive Board

Dr. Albrecht Köhler
CEO

Thomas Dippold
CFO

Volker Kregelin
CO Mobile and Stationary Transportation Technology

In 2019, Schaltbau Holding AG completed its restructuring as planned, fully refinanced its debt capital and achieved its forecast at the upper end of the range. How are you now positioning the Schaltbau Group for the future?

Dr. Albrecht Köhler After having successfully restructured the Group, we are now back on track for growth. As a well-established, medium-sized supplier to the rail sector, we will continue to consolidate and spread our roots. However, as one of the few market experts for DC technology, we increasingly see ourselves as a specialised provider of smart solutions for energy and mobility concepts. Our Group is a combination of internationally well-established brands that manufacture components and systems for rolling stock, rail infrastructure, road vehicles and commercial vehicles as well as industrial applications.

Our four subsidiaries Schaltbau, Bode, Pintsch and SBRS are leading experts in the fields of Rail & Road, New Mobility, New Energy and New Industry. For instance, Schaltbau GmbH is a global market leader with its electromechanical components, while Bode is number two in Europe in the field of boarding systems for rolling stock as well as playing an innovative, pioneering role with its door systems for buses. As a technology group, our diverse areas of expertise enable us to take a holistic view of market-specific and future-oriented issues as well as customer requirements in the mobility and energy sectors. We continue to emphasise the importance of safety, sustainability and efficiency more than ever.

Which future-oriented topics are you specifically concentrating on?

Dr. Albrecht Köhler First and foremost, we are contributing towards the modernisation of the rail sector with our technological innovations and customised solutions. The digitisation of both rolling stock and rail infrastructure is also a major factor in this regard. Consequently, our future role will no longer be merely that of a supplier within our core market, but increasingly a technology partner and innovation driver as we move forward. We intend to continue growing our market share in the rail sector.

Secondly, the markets of the future are also becoming increasingly key for us in the context of new mobility and new energy. Particularly in the electric mobility market, we are more than ever playing the role of trailblazer and safety expert for new technologies, based on our high-performance contactors and high-speed charging stations for electric vehicles. Given the growing significance of direct current for generating renewable energy as well as for the energy-intensive markets of the future, we will also be applying our technology to smart, safe energy concepts in modern industrial environments going forward.

That sounds like a highly forward-thinking strategy. How do you take all these factors into account in terms of product development?

Volker Kregelin The Group responded to the vast market potential at an early stage by conducting intensive development work in the areas of safety, reliability and digital connectivity. Last year, one of the main focal points of Schaltbau's research and development work was, of course, the digitisation of its core products. At Pintsch, for example, the emphasis was on launching a new generation of signalling technology for shunting areas as well as a new, digitised axle counting system. The other subsidiaries have also been involved in numerous developments that have enabled us to anticipate the technological requirements of tomorrow's mobility. For example, in close collaboration with the automotive supplier Brose, Bode is developing innovative, smart door systems for people movers based on electric drive technology that will provide a host of new digital features such as access control, ticketing and monitoring.

To move on to electrification, how important will the automotive market be going forward, when manufacturers will have to offer a steadily increasing number of electrified vehicle models in their fleets to achieve the average fleet emission threshold of 95 grams of CO_2 per kilometre, which came into force in the European Union in 2020?

Dr. Albrecht Köhler We are already catering to the trend towards electric mobility with some success, both with the high-speed charging stations for e-buses manufactured by SBRS and with our patented technology for high-performance contactors. The Battery Disconnect Unit reliably disconnects DC batteries with a nominal voltage of up to 1,000 volts from the vehicle's power supply system, along with all the electrical consumers in the vehicle. Our product range includes highly efficient main contactors specially designed for this purpose. As you can see, electric mobility is a major growth market for Schaltbau.

What plans do you have for the current year?

Thomas Dippold We intend to systematically continue implementing our growth strategy. At the same time, the measures we have put in place to optimise our production processes are making good progress. We originally expected consolidated sales of EUR 520 to 540 million with an EBIT margin of between 6 and 7%. However, our course of business will also be affected by the COVID-19 pandemic in the current year. We cannot yet estimate the extent. Our current forecast for 2020 is therefore 460 to 500 million euros in consolidated sales and an EBIT margin of around 4%. In the medium term, however, we are very positive about the future.

We wish you and your employees every success in achieving these aims.

Schaltbau share

Why invest?

Diversified asset portfolio
Leading market positions with strong brands in established and fast growing future markets

SCHALTBAU
Connect Contact Control

BODE
Die Tür

PINTSCH
Safety for Rail

SBRS
Efficiency First

Value creation strategy
Vertical integration with high value added depth and diversified service portfolio

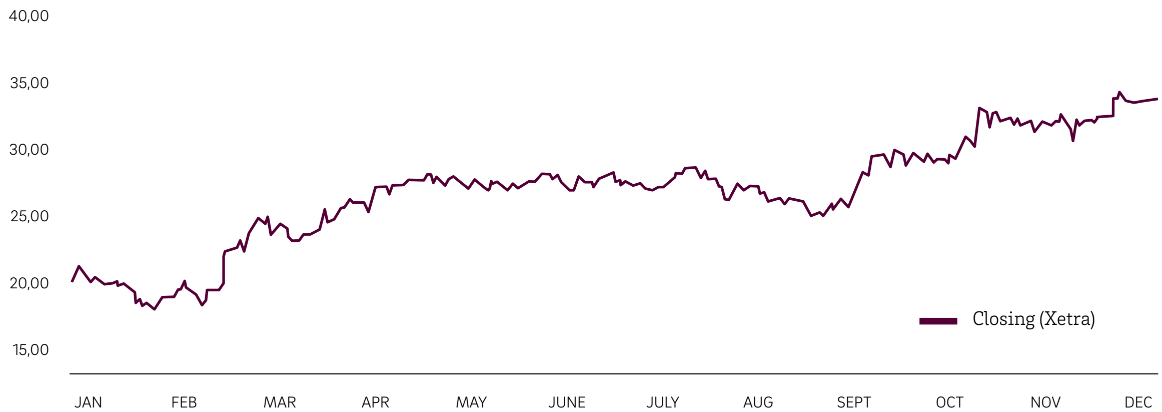
Experienced leadership team
Experienced industry experts as team players with a strong track record

Strong corporate citizenship
Clear commitment to social responsibility as the basis for economic success

Proven access to capital
Consistent use of the capital market's financing function for equity and debt capital

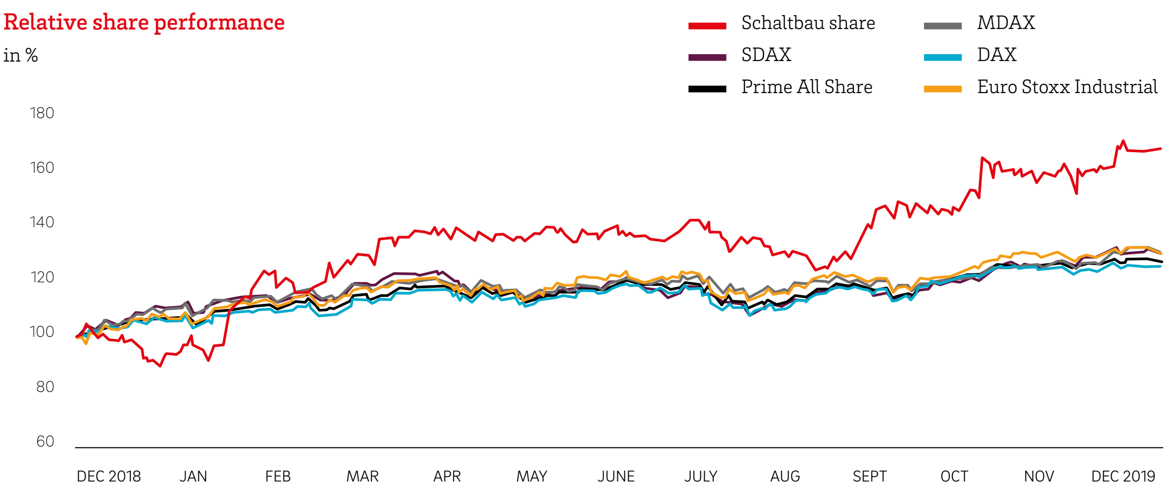
Development of the Schaltbau share price

2019



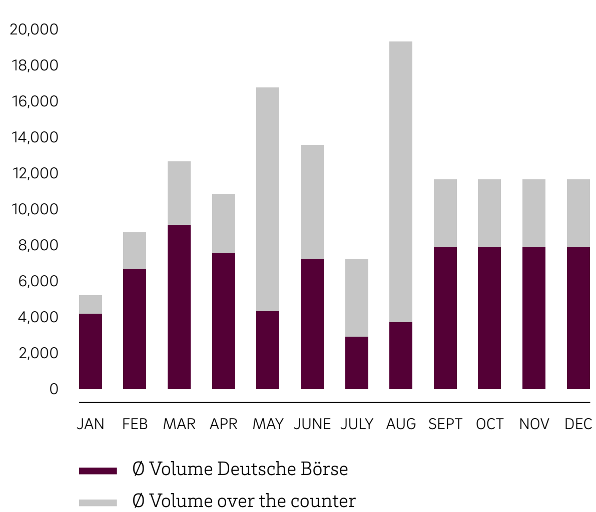
Relative share performance

in %



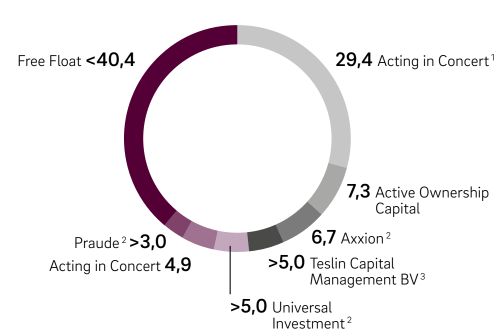
Average trading volume

2019

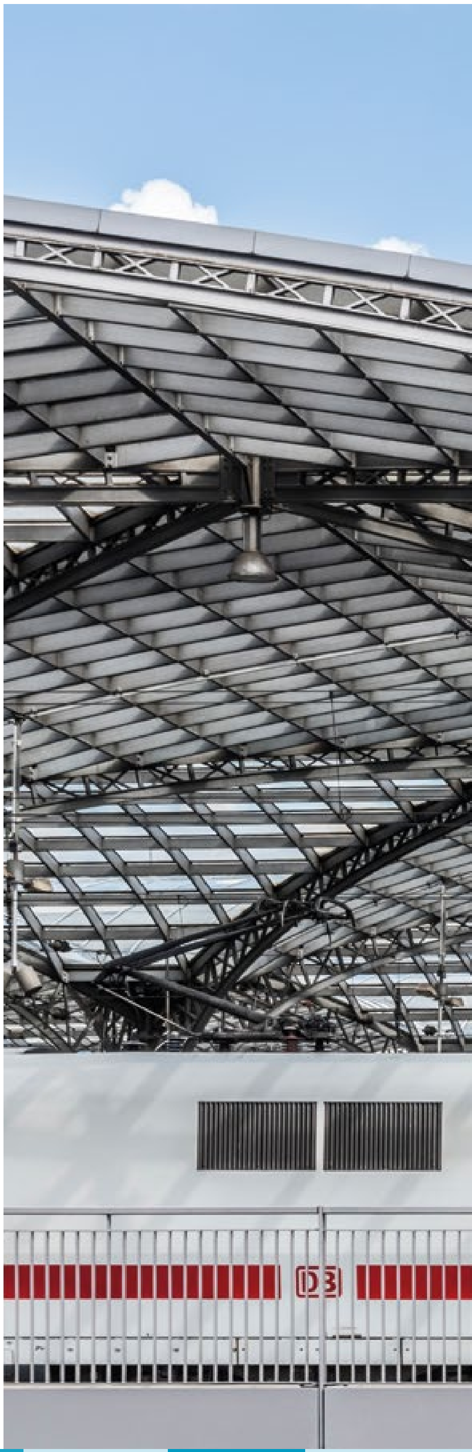


Shareholder structure

acc. to voting rights disclosures, in %



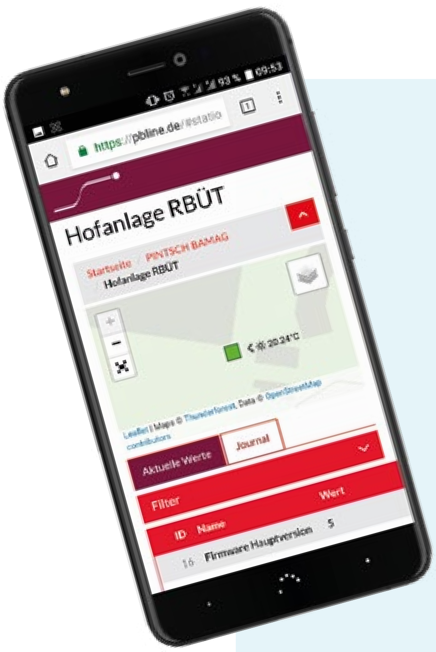
[1] Luxempart S.A., Monolith N.V., Hans-Jakob Zimmermann, Elrena GmbH
[2] Adjusted to capital increase
[3] Gerlin NV and Midlin NV, adjusted to capital increase



Travelling **safely**

Our extensive experience and innovative strength enable us to enter the public transport market of the future. Our range of high-quality products and innovative solutions for rolling stock make us a trusted technology partner to the railway industry. In this context, we ensure reliable rail services with premium quality and optimum availability. Our efficient solutions also provide safety and comfort in both buses and commercial vehicles.

Customizing is our standard



Digitisation and diagnosis: The Diagon system

An eye on **everything**. Everything under **control**.

Today we have already reached a high degree of maturity in terms of digitisation, by rigorously pursuing a corresponding strategy. High-performance control units are used to control systems in the field, such as level crossings, point heating systems, track field lighting or tunnel safety lighting systems, and simultaneously regulate communication with visualisation and diagnostics systems. I/O modules enable PINTSCH's own systems and those of other manufacturers, such as technical equipment (pump controls, air conditioning, burglar alarms, etc.), to be actively controlled or even monitored without interaction. Our digitisation system is known as DIAGON. The name consciously reminds one of "diagnosis", but also "diagonal", which is the shortest way to a destination.

PINTSCH
Safety for Rail

Boarding systems for different platforms

Controlling doors of rolling stock

Door systems installed in rolling stock need to meet stringent safety requirements and always function dependably in order to protect people from danger. Bode is one of the leading manufacturers in Europe and worldwide.

Snap-action switches made by Schaltbau play a key role in controlling the sequences of these systems. They are used for a variety of control functions in the doors:

No train is allowed to leave the station as long as any of its doors are still open. Snap-action switches act as locking control switches that signalise either "Door open" or "Door closed". In case of failure, the function is additionally secured via mechanical positive opening.

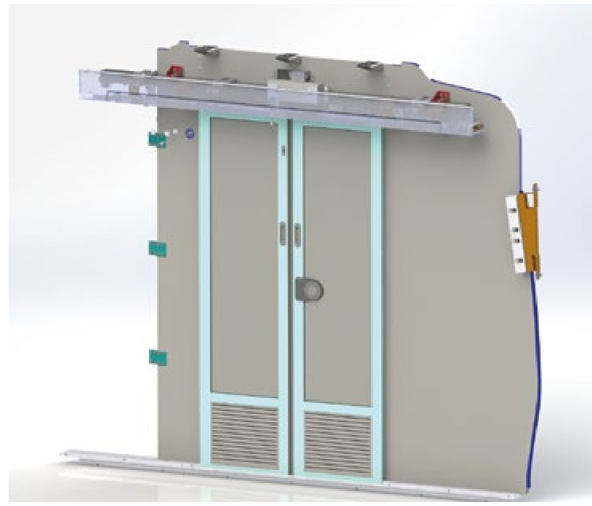
BODE
Die Tür

SCHALTBAU
Connect Contact Control

Modular interior door system

Separating areas safely.
The interior door systems.

SBRS has developed the "I-Door-Scape" system module, a solution suitable for all types of interior doors used in rolling stock. Its modularly constructed components make the functional design highly variable. Its possible applications range from single-leaf door systems to double-leaf end doors with locking systems. SBRS thus always offers the right solution for the resource-saving modernization of trains.



SBRS
Efficiency First

Contactor as closer, opener, disconnector, changeover switch (CP)

A variety of applications, but the same level of safety

With the CP contactor series Schaltbau has an extremely innovative switchgear concept in its range. The patented and exclusively permanent magnetic arc control ensures full bidirectionality and enables an even more compact design, which saves valuable space and reduces weight. For the first time, these universal devices can be configured as NO/NC contactors, as disconnectors or changeover switches, making it possible to flexibly implement a range of different requirements.

Their high switching functionality and reliability make them both practical and economical to use. The combination of innovative technology, compactness and versatility makes CP power contactors particularly suitable for railway and industrial applications. Their unique modularity means the new product family comprises a large number of different design variants, tailored to suit a wide range of applications.

Their special features do not only include an innovative design, they are also particularly easy to maintain. The main contact points can be checked and the arc chambers can be replaced completely without tools.

In the rail sector, these contactors are used as changeover switches between different energy sources, with a rated insulation voltage of up to 4,800 V and a thermal continuous current of up to 2,000 A.

SCHALTBAU
Connect Contact Control

The full load of **mobility**

We are driving new mobility forward by safely disconnecting high voltages in electric vehicles, fast charging for both private and public transport and smart boarding systems. As experienced specialists, we are paving the way for sustainable, safe mobility concepts, both now and in the future.

For the mobility of **the future**

Autonomous, intelligently navigating e-shuttle buses for up to 15 passengers, so-called people movers, will characterise the public transport systems of the future. In order to actively help shape this development, in close collaboration with the automotive supplier Brose, Bode is developing innovative boarding systems that digitally control access to the vehicle, while simultaneously detecting obstacles in the door area and responding accordingly.

Electric boarding systems for buses

Door systems for **people movers**

The progressive digitisation of transportation systems provides outstanding opportunities for society. Experts see autonomous driving as one of the megatrends shaping the automotive industry in the years to come. Bode is paving the way for autonomous shuttle buses with innovative door systems.

More and more people are choosing to travel by bus and train. According to the Federal Statistical Office, the number of trips undertaken by regular transport services in Germany in 2018 rose by 0.6% year-on-year to a record level of around 11.6 billion. On average, almost 32 million urban and long-distance trips were taken per day throughout Germany. The changing need for mobility in public transport, freight transport and private transport calls for innovative, interconnected concepts, especially in the context of growing urbanisation and digitisation.

Young "generation Z" urban dwellers no longer see it as important to personally own a car, a fact borne out through numerous studies. Against this background, the potential for connected, convenient mobility concepts is growing rapidly. In particular, autonomous, intelligently navigating e-shuttle buses for up to 15 passengers, so-called people movers, will characterise the public transport systems of the future.

BODE
Die Tür

Safe, efficient charging in urban public transport

High-speed charging infrastructure for e-buses

Discussions about pollution levels in metropolitan areas are causing the concept of electric mobility to become increasingly popular. A wide range of funding programmes is also contributing to the growing number of electric buses being used in local public transport. To ensure that these vehicles all run smoothly, smart charging solutions are called for. SBRS has equipped numerous cities across Europe with high-performance charging stations. Each charging solution is tailored precisely to individual needs. Depending on the concept, the vehicles can be recharged either via mast charging stations or cable-based solutions within only a few minutes. Schaltbau's C310-series DC contactors are successfully being used in this charging technology solution.

The e-mobility solutions from SBRS combine the expertise of the Schaltbau Group in the field of energy systems with the skills in the development of individual applications. The high-performance quick-charging stations from SBRS are suitable for local public transport as well as for new mobility applications.

SCHALTBAU
Connect Contact Control

SBRS
Efficiency First

Safety in electric vehicles

High-voltage contactors in the Battery Disconnect Unit (HV BDU)

Current climate and environmental protection targets can only be achieved if road transport systems also make a major contribution. In the smart cities of tomorrow, lower emission levels will mean greater quality of life. An important milestone on the way to achieving this aim is the growing trend towards electric drivetrains in all vehicle categories. These new types of vehicle are powered by high-performance battery systems of up to 1,000 VDC.

Here, the so-called BDU (Battery Disconnect Unit) is the connection between the various components in the vehicle, which need energy from the battery. In an emergency, the unit has an important safety function, i.e. it disconnects the high-voltage battery from the high-voltage network along with all the electrical components in the vehicle. The compact Schaltbau C310-series contactors can be deployed for this purpose. They can be used as main contactors in the plus and minus leads of the drive battery.

SCHALTBAU
Connect Contact Control

More power for electricity

Climate change and the limited availability of fossil-based sources of energy make the transition to renewables inevitable worldwide. As an international technology group, we use our broad industry and market experience to develop efficient solutions for the generation and use of renewable energies, including fuel cells and mobile and stationary energy storage solutions as well as photovoltaic power plants and wind farms.

DC contactors for a **successful climate change**

Peak shaving saves resources

Safety for industrial storage systems

In Trostberg, the company Smart Power is building a medium-sized battery storage system with an output of 1.2 MW. In this project, the primary control power (PCP) does not play the main role, as is so often the case, but rather the peak shaving (smoothing of load peaks in industrial power consumers). Industrial companies are all too familiar with the problem: among other factors, the electricity procurement costs are based on the load peaks purchased and their provision. However, these increased provisioning fees must be paid for the entire billing period, although the load peaks are not constantly required. For this reason, a battery storage buffer for peak shaving purposes is a highly worthwhile investment that enables energy consumers to cut their costs. Secondarily, the storage facility can be used as primary control power, i.e. for when short-term load changes need to be compensated to prevent a power failure.

Schaltbau has the right DC contactors in its range for such industrial storage devices, which separate the battery from the system in an emergency.

SCHALTBAU
Connect Contact Control

Controlling solar trackers

Improved energy generation

The sun moves from east to west across the solar field, reaching its highest point in the south at midday. To ensure that the solar array achieves its maximum yield, the solar modules need to follow the sun, just like the buds of a sunflower. Solar tracking systems therefore continuously adjust the horizontal and elevation angle of the modules. In stormy weather they also take the modules out of the wind. The controls of the tracking systems work either astronomically or via sensors, while the module tables are powered by electric drivetrains.

Snap-action switches made by Schaltbau function as limit switches and reference switches for this tracking management.

SCHALTBAU
Connect Contact Control

Small switches – big impact

Braking systems of wind power turbines

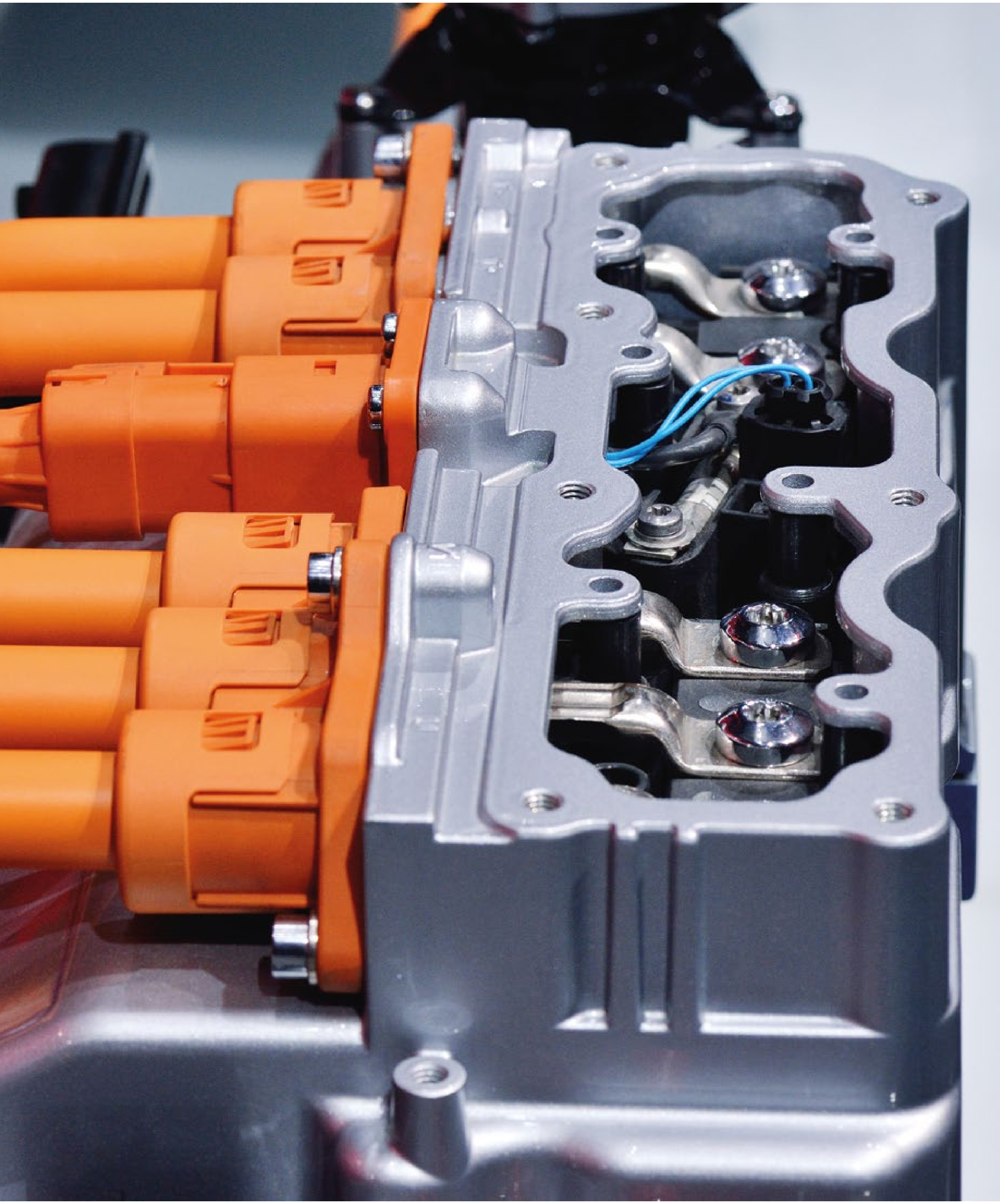
Wind farms need to be able to withstand extreme temperatures and high levels of humidity. In addition, the systems are mostly unmanned. Snap-action switches from Schaltbau are used on the brakes of the rotor in the wind turbine at the German polar research station Neumayer III of the Alfred Wegener Institute in Antarctica.

The microswitches reliably support the end position detection of the brakes under these harsh weather conditions and thus contribute to optimum wind energy generation.

SCHALTBAU
Connect Contact Control

Efficiency in production

As direct current experts, we offer optimal solutions for the efficient operation of industrial plants. They are mainly used where the greatest possible safety for man and machine is required.



More safety for Industry 4.0

Connectors, contactors and snap-action switches made by Schaltbau are ideally suitable when machines, equipment and systems need to function reliably and safely in rugged industrial environments.

Frequent switching under load

Compact DC contactor up to 1,500 V

An automotive manufacturer needed a pre-charging contactor for its electric motor test benches that could withstand the electrical arc when switching on. The contacts of the previously used high-voltage relays had often become stuck together. Schaltbau examined the clearance and creepage distances of the high-voltage relay and compared the parameters with its own DC contactors before selecting a specific two-pole DC contactor. This contactor not only has better insulation parameters than the high-voltage relay, above all, it could better resist the electric arc.

SCHALTBAU
Connect Contact Control

Supervisory Board

Members of the Supervisory Board

Dr Hans Fechner
Chairman of the Supervisory Board since 7 June 2018
Management consultant

Prof. Thorsten Grenz
Deputy Chairman of the Supervisory Board since 7 June 2018
Management consultant

Andreas Knitter
Member of the Supervisory Board since 8 June 2017
Management consultant

Jeannine Pilloud
Member of the Supervisory Board since 7 June 2018
Delegate for the development of the public transport sector in Switzerland, Swiss Federal Railways (SBB)

Achim Stey
Member of the Supervisory Board since 26 June 2018
Employee representative

Herbert Treutinger
Member of the Supervisory Board since 13 September 2017
Employee representative

Report of the Supervisory Board

Dear Shareholders

Here I would like to reflect on a very special year in the 90-year history of our company. In a fiscal year marked by major structural and strategic changes, Schaltbau Holding AG continued to enhance its image as an innovative, trendsetting company. With its core brands Schaltbau, Bode, Pintsch and SBRS very well established on the market, the Schaltbau Group has now successfully positioned itself to move forward into its next growth phase and completed the required restructuring measures according to plan. In the year under report, the Schaltbau Group profited above all from volume growth in both the Mobile Transportation Technology and the Components segments as well as from a positive development in operating profitability across all three segments on a like-for-like basis. In close collaboration with the Executive Board, we will continue to pursue this path of strategic growth by leveraging existing market potential in our defined core markets.

During the fiscal year 2019, the Supervisory Board focused its attention on the following key issues:
– The divestment of Sepsa and Alte during the first half of the year
– The refinancing of around 150 million euros of debt capital
– Finding a qualified successor for the Chairman of the Executive Board
– Clarification of the circumstances that led to the share capital increase in May 2017

Monitoring and consultation in continual dialogue with the Executive Board

The Supervisory Board of Schaltbau Holding AG performed the duties incumbent upon it in accordance with the law, the Articles of Association and the rules of procedure with great diligence throughout the fiscal year 2019. We regularly monitored the Executive Board in its management of the Group and provided expert advice on strategic development in general as well as on a raft of key individual measures.

The Supervisory Board was directly involved in all decisions of fundamental importance to the Schaltbau Group at an early stage. The Executive Board reported regularly to the Supervisory Board in a prompt and comprehensive manner. The written and oral reports provided by the Executive Board dealt primarily with corporate planning, the course of business, the economic situation in our most important sales and procurement markets, strategic development and the current performance of the Group, particularly regarding its progress in terms of restructuring.

Based on the Executive Board's reports, we extensively discussed current business performance as well as decisions and events of importance to the Schaltbau Group. Any variances in business performance to budget were explained to us in detail and were the subject of lengthy debate at

Supervisory Board meetings. The Executive Board coordinated the strategy of the Group in collaboration with the Supervisory Board. Both the Supervisory Board and its responsible committees thoroughly examined and deliberated upon each of the Executive Board's proposed resolutions. Moreover, as Chairman of the Supervisory Board I was in regular contact with the Executive Board, particularly with its Spokesman, and was directly informed of current business developments as well as any transactions of significance.

The Supervisory Board was involved in any decisions of major significance in a timely manner. If the approval of the Supervisory Board was required by law, the Articles of Association or the rules of procedure for individual measures initiated by the Executive Board, the Supervisory Board passed a resolution to that effect. In the fiscal year 2019, this included the approval of:

- The divestment of ALTE TECHNOLGIES S.L.U. by selling its entire shareholding to the France-based Barat Group by circular resolution 01/2019 dated April 2019
- A loan granted through BODO Turkey in order to stabilise the company's situation in that country by circular resolution 04/2019 dated May 2019
- The refinancing of Schaltbau Holding AG with around EUR 150 million of debt capital via a Syndicated Credit Agreement, an asset-backed securities programme, and promissory notes by circular resolution 05/2019 dated June 2019
- The approval of the budget in terms of order intake, revenue, EBIT and net cash as well as the investment budget for the fiscal year 2020 at the Supervisory Board meeting held on 12 December 2019

Supervisory Board meetings

The Supervisory Board held four ordinary meetings in the 2019 fiscal year, each of which were attended by all of its members without exception. All Supervisory Board meetings were held in the presence of the Executive Board. In some cases, however, the Supervisory Board met without the Executive Board either before or after the ordinary meetings. An essential feature of all Supervisory Board meetings were the Executive Board's reports on the business situation, including detailed information on revenue and earnings performance, the opportunities and risks entailed through current business developments, the status of the ongoing restructuring measures, the refinancing of debt capital, the most important current and planned investment projects, operational excellence, sustainability, capital market developments, key management measures taken by the Executive Board and projects designed to drive innovation.

At all its meetings, the Supervisory Board discussed the further development of the Schaltbau Group's business activities in line with the existing market potential for the existing technology. The resulting deliberations dealt primarily with:

- The future strategy of the Schaltbau Group, involving a lean holding company and the three strong lead companies Bode, Pintsch and Schaltbau in the segments Mobile Transportation Technology, Stationary Transportation Technology and Components with far less complexity going forward
- The potential of the Bode Group in the fields of door systems for railway vehicles, door systems for buses, automotive, and the aftersales business

– The potential of Pintsch in the fields of signal technology and axle counting systems
– Schaltbau's potential in the fields of Traction & Drives, Refurbishment and New Energy due to the current penetration of the e-mobility market

The main topics dealt with at the first ordinary meeting of the Supervisory Board held in Munich on 29 March 2019 were the examination and adoption of the annual financial statements for the fiscal year 2018 and the examination and approval of the consolidated financial statements for the fiscal year 2018. In this context, the Supervisory Board also discussed the Executive Board's report on the status of Sepsa and Alte, the refinancing of the Group as a whole and the progress made in implementing its restructuring plan in the three years from 2016 to 2018 as well as the agenda of the Annual General Meeting, and approved the invitation proposed by the Executive Board. Furthermore, the Executive Board reported to the Supervisory Board on the Group's current business performance.

The Supervisory Board also met on 29 March 2019 without the Executive Board, in order to discuss the compensation of the two boards.

At its second ordinary meeting held in Munich on 17 June 2019, the Supervisory Board again discussed at length the current business performance, the status of refinancing, the status of Sepsa and the progress made in the ongoing restructuring plan. The Supervisory Board also considered the Executive Board's proposal to standardise bonus arrangements for the managing directors of Group companies. Lastly, the Supervisory Board discussed the final preparations for the Annual General Meeting.

The Supervisory Board also convened on 17 June 2019 as well as after the Annual General Meeting on 18 June 2019, again without the Executive Board. In addition to reviewing the Annual General Meeting that had just taken place, it dealt with specific amendments to the existing Executive Board contracts of service regarding bonus arrangements and with the status of the special investigation that the law firm Hogan Lovells had been commissioned with since the beginning of 2019 on the basis of the Supervisory Board resolution of 3 December 2018 to clarify the circumstances of the share capital increase carried out in May 2017. At its meeting on 18 June 2019, the Supervisory Board also discussed the status of attempts to find a successor to Dr Köhler, the Chairman of the Executive Board, whose contract expires at the end of the year 2020 for age reasons, and with the involvement of the Personnel Committee in selection decisions concerning the management of affiliated companies. The wording of the existing Articles of Association for the Executive Board was amended accordingly. Finally, the Supervisory Board determined that the Technology and Strategy Committee should discuss intensifying the business activities of Schaltbau Refurbishment. At its third ordinary meeting held in Munich on 17 September 2019, apart from the current business situation, the Supervisory Board deliberated at length on the current situation and prospects of Schaltbau as a whole, fundamental strategy on topics that included research and development as well as the markets and technologies being pursued by the lead companies of the Schaltbau GmbH Group, the Bode Group, Schaltbau Refurbishment and the Pintsch Group. Moreover, with regard to Bode and Pintsch, operational topics relating to markets in Asia, the USA and Europe as well as the Schaltbau subsidiaries operating in those markets were discussed at great length.

At its fourth ordinary meeting held in Munich on 12 December 2019, the Supervisory Board dealt in particular with the topic of Strategy 2025, including the planning and adoption of the 2020 budget for the Group as a whole. Among other topics, the Supervisory Board elaborated on the building investments under consideration for Schaltbau GmbH at its Velden and Aldersbach sites as well as individual strategy issues relating to Bode, Pintsch and Refurbishment.

The Supervisory Board also met on 13 December 2019 without the Executive Board for further discussions on progress in finding a successor for Dr Köhler.

Composition of the Executive Board and compensation topics

In the fiscal year 2019, the Supervisory Board held three meetings to discuss and resolve personnel matters relating to the Executive Board and its compensation. At its meeting held on 29 March 2019, the Supervisory Board adopted the 2019 targets for the Executive Board on the basis of preparations made by the Personnel Committee.

At its meeting on 29 March 2019, the Supervisory Board also assessed the Executive Board's performance in the fiscal year 2018 based on the Personnel Committee's deliberations.

At its meeting on 18 June 2019, the Supervisory Board discussed the status of activities to find a successor to Dr Köhler, the Chairman of the Executive Board, whose contract expires at the end of 2020 for age reasons. The same topic was discussed again in great depth at the Supervisory Board meeting held on 13 December 2019.

Committees

On 29 March 2019, the Supervisory Board of Schaltbau Holding AG adopted new rules of procedure in which a Strategy and Technology Committee, a Personnel Committee, an Audit Committee and an ad hoc Committee for Personnel Development and Organisational Structure were established as permanent committees. The Supervisory Board did not form a Nomination Committee, consisting entirely of shareholder representatives, to make proposals to the Annual General Meeting for the election of Supervisory Board members. A Nomination Committee was not appointed, particularly in view of the fact that a consistent flow of all company and other relevant information to all members of a six-person Supervisory Board is eminently achievable. Furthermore, the current practice of preparing personnel decisions to be taken by the Supervisory Board concerning the Executive Board in the Personnel Committee has proven to be efficient.

The Personnel Committee prepares personnel decisions to be taken by the Supervisory Board regarding the Executive Board.

Furthermore, the Personnel Committee resolves and decides upon the following instead of the Supervisory Board:

- The conclusion of other legal transactions with Executive Board members in accordance with section 112 of the German Stock Corporation Act (AktG)

- The consent to allow members of the Executive Board to exercise other activities in accordance with section 88 of the German Stock Corporation Act (AktG)
- The granting of loans to the group of persons named in sections 89 and 115 of the German Stock Corporation Act (AktG)
- The approval of contracts entered into with Supervisory Board members in accordance with section 114 of the German Stock Corporation Act (AktG)

The Audit Committee prepares the decisions to be taken by the Supervisory Board in connection with the audit of the Company. Furthermore, the Audit Committee resolves and decides the following instead of the Supervisory Board:

- Financial accounting issues, in particular on fundamental questions such as the application of new accounting standards and changes in accounting policies and auditing methods
- Monitoring
  - the financial accounting process
  - the efficiency of the internal control system, the risk management system and the internal auditing system
  - the audit of the financial statements, in particular the selection and required independence of the auditor, the additional services provided by the auditor and the agreement of the auditor's fee
- The monitoring of the half-yearly financial reports and, if applicable, the Group quarterly reports as well as deliberating with the auditors regarding the report on their review of the half-yearly financial report prior to publication
- The issuing of the audit mandate for the annual financial statements and consolidated financial statements to the auditor following their appointment by the Annual General Meeting
- Compliance issues, the effectiveness of the compliance system and, if necessary, the examination of relevant incidents, if they (also) concern members of the Executive Board.

The committee chairmen reported in great detail on the activities of the committees and the committee meetings at the subsequent Supervisory Board meeting.

The Strategy and Technology Committee convened three times during the period under report, primarily to deal with questions regarding Pintsch and Bode. One meeting was held on 16 May 2019 at the company RAWAG in Rawicz, Poland, which is affiliated with Bode. In addition to the Executive Board, the local management and technical management teams also participated in the committee's meetings during the year under report. The members of the Strategy and Technology Committee were present at all the meetings without exception.

The Personnel Committee held seven meetings during the period under report. Its main activities were to prepare decisions regarding the succession of Dr Köhler, the Chairman of the Executive Board, whose contract expires at the end of 2020 for age reasons. All of the committee members were present at six of these meetings; one member was excused for one of the meetings.

The Audit Committee also held seven meetings during the period under report. Its activities comprised mainly topics relating to financial accounting and the annual financial statements, including determining the main audit focus for the (group) auditor and coordinating the main focus of the internal audit as well as dealing with the current FREP audit. All of the committee members were also present at six of these meetings; one member was excused for one of the meetings.

The ad hoc Committee for Personnel Development and Organisational Structure met twice during the reporting period. Its main topics included the personnel strategy for Schaltbau GmbH, competence models and personnel development (applicable for all subsidiaries of Schaltbau Holding AG). The members of the Committee were present at all the meetings without exception.

Corporate Governance and Declaration of Compliance

The Supervisory Board places great emphasis on good corporate governance. For this reason, in the past fiscal year it again examined in great detail the corporate governance standards practiced within the Group and the implementation of the recommendations and suggestions of the German Corporate Governance Code.

In accordance with the recommendation of the German Corporate Governance Code and the principles for dialogue between investors and the Supervisory Board, the Chairman of the Supervisory Board continued to engage in dialogue with investors in 2019 to the extent appropriate. Prior to the 2019 Annual General Meeting, the main topics of discussion were the refinancing of the Schaltbau Group and the final elimination of Sepsa and Alte. A further topic of focus during the second half of the year was the Group's medium-term corporate strategy.

At its meeting held on 12 December 2019, the Supervisory Board deliberated at great length on the recommendations of the German Corporate Governance Code in the version dated 7 February 2017, which was published in the electronic Federal Gazette on 24 April 2017 and 19 May 2017 (corrected version), and resolved a joint declaration of compliance by the Supervisory Board and the Executive Board in accordance with section 161 of the German Stock Corporation Act (AktG), which is permanently available on the Company's website at: https://schaltbaugroup.com/de/investor-relations/corporate-governance/.

Independence and efficiency audit

An important aspect of good corporate governance is the independence of the members of the Supervisory Board and the absence of any conflicts of interest. In accordance with the currently applicable rules of procedure, with regard to its composition, the Supervisory Board ensures that its members as a whole have the requisite knowledge, skills and professional experience to perform their duties in a proper manner. Despite the Supervisory Board having refrained from setting specific targets for its composition to date, it fundamentally aims to increase the percentage of female members on a sustained basis.

Furthermore, in accordance with the German Corporate Governance Code, the Supervisory Board examines the efficiency of its work on a regular basis, at least every two years. An examination of the Supervisory Board was not performed during the past fiscal year, as the body was only formed since the constituent Supervisory Board meeting held on 7 June 2018. However, an examination is scheduled to take place in the course of the fiscal year 2020.

Annual and consolidated financial statements, sustainability report

At its meeting to adopt the financial statements held on 29 March 2019, the Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for the fiscal year 2019 for Schaltbau Holding AG and the Schaltbau Group. The external auditors were present and answered all of the Supervisory Board's questions. On this basis, the annual financial statements were adopted and the consolidated financial statements were approved. The Supervisory Board approved the statements regarding the further development of the Company and the disclosures pursuant to section 289 subsection 4 and section 315 subsection 4 of the German Commercial Code (HGB) as well as the corporate governance statement. Furthermore, on 29 March 2019, the Supervisory Board adopted the Corporate Governance Report and the agenda for the Annual General Meeting held on 18 June 2019 and approved the report of the Supervisory Board.

At the proposal of the Supervisory Board, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements of the Company for fiscal year 2019 and to review the condensed consolidated financial statements and interim report for the first six months of 2019. Following the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Before the Supervisory Board proposed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as the external auditor of the annual and consolidated financial statements, the accountancy firm confirmed to the Chairman of the Supervisory Board in writing that there are no circumstances which could impair its independence as external auditor.

The external auditor audited the annual and the consolidated financial statements of Schaltbau Holding AG, the consolidated financial statements of the Schaltbau Group as at 31 December 2019 and the combined management report, together with the accounting systems, and issued an unqualified auditor's opinion in each case. The annual financial statements of Schaltbau Holding AG and the combined management report for Schaltbau Holding AG and the Group were drawn up in accordance with German commercial law. Schaltbau's consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and the supplementary provisions of German law pursuant to section 315e (1) of the German Commercial Code (HGB). The consolidated financial statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit to determine whether the consolidated financial statements comply with section 317 HGB and the EU Financial Statements Auditor Regulation in accordance with generally accepted standards in Germany for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and additionally in compliance with the International Standards on Auditing (ISA).

The documents for the financial statements, including the long-form audit reports prepared by the external auditor, were sent to all members of the Supervisory Board in a timely manner to ensure that the Supervisory Board could examine them with due care and thoroughness. The Supervisory Board held the meeting to adopt the financial statements on 30 March 2020 in the presence of the Company's external auditors. At this meeting, the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group as at 31 December 2019, the combined management report, and the long-form audit reports were discussed in detail with the external auditor, who also reported on the course of the audit and its main findings as well as the key audit matters.

The Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for fiscal year 2019 for both Schaltbau Holding AG and the Schaltbau Group. After concluding its examination, the Supervisory Board did not raise any objections and concurred with the results of the audits of the annual financial statements and the consolidated financial statements reached by the external auditor. The Supervisory Board subsequently approved the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group for the fiscal year 2019 as drawn up by the Executive Board. The annual financial statements have thus been adopted. The Supervisory Board approved the combined management report for Schaltbau Holding AG and the Group as a whole, in particular the statements regarding the further development of the Company and the disclosures pursuant to section 289 subsection 4 and section 315 subsection 4 of the German Commercial Code (HGB). The Supervisory Board also approved the corporate governance statement.

The audit of the risk management system was conducted by the external auditor. The external auditor confirmed that the Executive Board has implemented the measures required under section 91 subsection 2 of the German Stock Corporation Act (AktG) and established a monitoring system that identifies at an early stage any developments which pose a threat to the Company or individual Group companies as a going concern. No significant weaknesses in the internal control system or the risk management system were reported.

The internal audit department examined the Sustainability Report (CSR Report) for accuracy and completeness on behalf of the Supervisory Board. At several of its meetings, the Audit Committee deliberated on the audit procedures of the internal audit department. The Supervisory Board then discussed and examined the Sustainability Report at great length at its meeting held on 20 March 2020.

Thanks

On behalf of the entire Supervisory Board, I would like to express my sincere thanks to all employees of the Schaltbau Group worldwide as well as the members of the Executive Board for their personal commitment and contribution in the fiscal year 2019.

Munich, 30 March 2020

Dr Hans Fechner
Chairman of the Supervisory Board

Combined company and Group management report

Schaltbau Group profile

Structure and business model

The Schaltbau Group is a supplier of components and systems for the railway, automotive and capital goods industries. With Schaltbau, Bode, Pintsch and SBRS as their established core brands, Schaltbau Group companies develop a broad portfolio of high-quality technologies and customer-specific solutions for rolling stock, rail infrastructure, road vehicles and a host of other industrial applications. Moreover, as a specialist for smart DC-based energy concepts, the Schaltbau Group has successfully positioned itself as a driver of innovation for future-oriented markets such as new energy, new mobility and innovative industrial solutions. Partnering prestigious customers in the rail infrastructure, mobility and logistics markets, Schaltbau Group companies supply a wide range of products, including:

- Door and boarding systems for trains, buses and commercial vehicles
- Interior fittings, master controllers and driver's desk equipment for rolling stock
- High- and low-voltage electrical components for rolling stock and other applications
- Complete level crossing systems, shunting and signal technology
- High-performance charging infrastructure systems for electric vehicles such as e-buses

The Schaltbau Group is among the world's leading suppliers of smart boarding systems, driver's cab and passenger equipment, and electromechanical components to rolling stock systems manufacturers.

Organisational structure

The operating activities of the Schaltbau Group are divided into three segments:

The **Mobile Transportation Technology segment** mainly comprises the Bode Group (Gebr. Bode GmbH & Co. KG and subsidiaries) and SBRS GmbH (formerly Schaltbau Refurbishment GmbH). Alte Technologies S.L.U. ("Alte") and the Sepsa Group (Albatros S.L.U. and its subsidiaries), which were part of the segment during the previous fiscal year, were either sold during the fiscal year 2019 or are in liquidation.

The **Stationary Transportation Technology segment** comprises the activities of the Pintsch Group (Pintsch GmbH, Pintsch B.V. and their subsidiaries) in the Rail Infrastructure business field.

The **Components segment** comprises the Schaltbau GmbH Group (i.e. Schaltbau GmbH and its subsidiaries).

Schaltbau Holding AG is based in Munich and, as lead company of the Schaltbau Group, is responsible for strategy and the higher-level management of the Group. It is also responsible for functions that concern the entire Group, such as the provision of IT systems, the appointing of staff to management positions in the Group's subsidiaries, investor relations and corporate communications. Schaltbau Holding AG is also responsible for the Group's financial accounting, controlling, compliance, cash management and risk management, including internal auditing. Schaltbau Holding AG is listed in the Prime Standard segment of the Frankfurt Stock Exchange and admitted to the regulated market of the Munich Stock Exchange.

Management and control

The Schaltbau Group is managed by the Executive Board of Schaltbau Holding AG, which comprised three members at 31 December 2019. The following changes were made to the Executive Board during the year under report:

With effect from 31 March 2019, Dr Martin Kleinschmitt resigned from his position as Executive Board member in mutual agreement with the Supervisory Board. Prior to his resignation, he was responsible for implementing the restructuring plan and providing the Schaltbau Group's companies with support in applying the appropriate measures. Since 1 April 2019, Dr Martin Kleinschmitt has continued to work for Schaltbau Holding AG under the terms of a mandate agreement entered into between the Company and Noerr Consulting AG on 25 February 2019. His consulting activities include support for M&A projects and the refinancing of the Schaltbau Group in 2019.

The Supervisory Board collaborates closely with the Executive Board and, in accordance with the Articles of Association, consisted of six members at the end of 2019. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management. No changes were made to the composition of the Supervisory Board of Schaltbau Holding AG during the year under report.

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

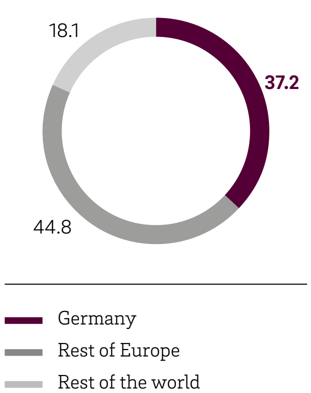
Corporate governance and control within the Schaltbau Group are based on generally accepted standards, which are summarised in the Corporate Governance Statement in accordance with section 289f of the German Commercial Code (HGB). The Statement includes the Declaration of Compliance in accordance with section 161 of the Stock Corporation Act (AktG) issued on 12 December 2019 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 at: https://ir.schaltbaugroup.com/websites/schaltbau/English/5200/corporate-governance-statement.html

In accordance with the requirements of the Act on the Strengthening of Non-Financial Reporting of Companies, which came into force in 2017, the Schaltbau Group is also required to publish non-financial information on environmental, social and employee issues, among other things, in its Company and Group Management Reports (CSR Directive Implementation Act). The non-financial report is part of the Sustainability Report 2019, which will be published simultaneously with the Annual Report 2019 and made available on the Schaltbau website (https://ir.schaltbaugroup.com/websites/schaltbau/English/5500/responsibility.html).

Business model, markets and influencing factors

Revenues by sales market
2019, in %



The Schaltbau Group's revenue is primarily generated through the sale of subsystems and components in the field of rolling stock as well as in the automotive sector (particularly buses), where tried-and-tested rail technologies and products such as boarding systems, sliding door systems and electromechanical components are installed in commercial vehicles. Moreover, the Schaltbau Group supplied customers with sanitary systems for rolling stock until its sale or liquiditation of the subsidiaries Alte Technologies S.L.U. („Alte") and Albatros ("Sepsa") in the second quarter 2019. The remaining business comprises subsystems and products manufactured by the Stationary Transportation Technology segment. During the year under report, the Group generated the majority of its revenue within Germany (2019: 37.0%, 2018: 36.3%) and the rest of Europe (2019: 45.0%, 2018: 46.6%).

The Schaltbau Group features a high degree of added-value depth across its business, whether in research and development, production or sales. Schaltbau Group companies conduct intensive development work as a response to increasingly stringent market requirements in terms of quality, safety, availability and digitisation. These tasks accounted for 6.3% (2018: 6.1%) of the Group's total output during the reporting year. A high percentage of the Schaltbau Group's systems and components are developed and manufactured at sites within Germany. Schaltbau's international production and sales locations enable it to react quickly and flexibly to changing market requirements in order to achieve the most efficient use of its available resources. Schaltbau Group companies operate 27 (2018: 30) sales and production locations in 14 countries worldwide. Group companies maintain their own sales offices in regions of strategic importance and further areas are covered by external sales partners.

Revenue in 2019 by market

€k	2019		2018	
Germany	190,096	37.2%	188,198	36.3%
Rest of Europe	228,901	44.8%	241,475	46.6%
Rest of the world	92,367	18.1%	88,670	17.1%
Total	**511,364**	**100.0%**	**518,343**	**100.0%**

In general, the majority of the Schaltbau Group's markets are characterised by the long-term investment decisions of customers and their end customers. In the rail sector, the most important market for the Schaltbau Group, revenue depends indirectly on contracts that railway companies award to the manufacturers of rolling stock and directly from investments in rail infrastructure. The demand for door systems for commercial vehicles and charging stations for e-buses is strongly influenced by the ordering behaviour of communal transport authorities with regard to new buses and therefore by the financial situation of cities, towns and municipalities. In the industrial sector, economic trends in commerce, logistics and the energy industry are of particular importance. Technological developments also have a significant impact on the dynamics of individual market sectors. For instance, young markets such as the DC industry and "New Energy" are driven by the growing number of direct current applications and "New Mobility" by the proliferation of e-mobility and hybrid drivetrain technology (including fuel cells) as well as the development of new mobility concepts such as autonomously driven people movers. Despite the high percentage of revenue related to the rail sector as a whole, our presence in various customer industries and regions and the expansion of our service and spare parts business limit our dependence on the order situation in individual regions and customer segments to a certain extent.

The Schaltbau Group sees the rail sector as an attractive growth market in the medium to long term. Urbanisation and increasing mobility are leading to a greater need for infrastructure for mass public transportation facilities. The growing ecological awareness within society, the limited availability of fossil fuels and increasingly strict climate protection measures favour a shift in transportation trends from road to rail. The international distribution of labour and the above-average growth rates of emerging markets are also leading to a growing requirement for transport infrastructure. At the same time, passengers have an increasing need for greater safety, reliability and convenience when they travel, such as state-of-the-art boarding systems for trains and road vehicles. Furthermore, advances in the digitisation and connectivity of rail infrastructure are leading to the development of new, fast-growing technologies and systems within the rail supplier market. The structural changes driven by these developments, however, also entail risks, such as the substitution of previously used electromechanical components, which Schaltbau is responding to with the systematic digitisation of its range of products and services and by increasingly supplying to customers outside the rail and automotive industries (see Strategy).

The strong pressure on market prices is being further intensified by increasing deregulation and liberalisation at the level of rail operators and passed on to rail suppliers via the systems manufacturers. Greater competition from China is also likely to have a negative impact on the margins of systems and components manufacturers.

Components segment with "Schaltbau" as the main brand

The Components segment with "Schaltbau" as the main brand comprises the activities of Schaltbau GmbH and its subsidiaries. The Schaltbau GmbH Group mainly develops, produces, and sells connectors, snap-action switches, contactors and driver's cab equipment that meet the highest safety standards. Connectors, for example, are vital components in the fast-growing market for communications solutions for rolling stock as well as for industrial trucks and a variety of other industrial applications. Snap-action switches are primarily installed in the door systems and master controllers of rolling stock. Contactors are electrically actuated switches for handling high-voltage currents and are installed, for example, in locomotives and multiple units. They are also used for generating renewable energy in wind farms or photovoltaic power plants as well as in electric mobility applications, mainly for switching direct current. The driver's cab equipment ranges from individual master controllers to fully integrated driver's desks that are centrally connected to the railway vehicle's control system.

In addition to its German sites in Munich, Velden and Aldersbach, the Schaltbau GmbH Group is represented internationally by the Italian company SPII S.p.A. as well as nine further subsidiaries, two representative offices and over 60 sales partners. Large-scale production plants are also located in Xi'an (China), where Xi'an Schaltbau Electric Corporation Ltd. manufactures and distributes railway components for the Chinese market.

Mobile transportation technology segment with "Bode" as the main brand

The Mobile Transportation Technology segment with "Bode. The Door." as the main brand is a key supplier to systems manufacturers of rolling stock, buses and commercial vehicles.

The Bode Group, which generates the majority of the segment's revenue, is a leading supplier of door and boarding systems for trains, buses and commercial vehicles as well as interior fittings for rolling stock. Its range of products and services includes development, production, installation, commissioning and maintenance as well as aftersales service.

The "Systems for Railway Vehicles" product group comprises complete systems fitted with innovative safety technology and boarding systems for trams, metros, suburban and regional trains as well as high-speed intercity trains. Its range of products makes the Schaltbau Bode Group one of the leading manufacturers in its field in Europe and it is positioning itself as a key partner for train manufacturers and railway systems suppliers worldwide.

Moreover, with its door systems for urban buses, coaches and commercial vehicles, the Schaltbau Bode Group is a leading supplier in Europe and integrated in many of the platforms of major manufacturers. The "Systems for Road Vehicles" product group comprises sliding doors with guide systems for box bodies as fitted, for example, in the all-electric StreetScooter as well as guide systems for the sliding side doors of commercial vans and passenger cars.

The Bode Group covers the entire value chain in the field of door and boarding systems. Group entities with their own production facilities in Poland, Turkey, the USA, China and the UK as well as sales activities in South Korea ensure direct market access in each of these regions, including Group subsidiary Rawicka Fabryka Wyposazenia Wagonow ("Rawag") in Poland, which works in close partnership with the Bode Group manufacturing interior systems for rolling stock, primarily for the European market. Rawag's production range includes windows for rolling stock, a wide variety of interior fittings and aluminium components for railway carriages.

SBRS GmbH (formerly Schaltbau Refurbishment GmbH), which pools the activities of the entire Schaltbau Group for modernising rolling stock in its project line of business, also belongs to the Mobile Transportation Technology segment. Moreover, SBRS GmbH develops and supplies turn-key, high-performance fast-charging infrastructure solutions for electric vehicles based on DC technology.

In the second quarter, Schaltbau Holding AG divested the Spain-based subsidiaries Sepsa and Alte, which were previously part of the Mobile Transportation Technology segment.

Stationary transportation technology segment with the "Pintsch" brand

The Stationary Transportation Technology segment pools the activities of the Pintsch Group, which supplies Deutsche Bahn AG as well as several German and international infrastructure operators, including private, company and port railway systems. Its most important product fields are computer-controlled railway crossing safety technologies, axle counting systems and signal technology. The Pintsch Bubenzer Group, a supplier of brake systems for container terminals and other applications, was sold and deconsolidated with effect from 1 March 2018.

Strategy

Strategic aims

The Schaltbau Group's strategy is aimed at achieving a sustained improvement in both the growth prospects and the profitability of its strategic core activities and further strengthening its financial position.

In the third quarter 2019, the refinancing of debt capital totalling EUR 151.5 million for a term of three years was concluded.

In addition to stabilising and further improving its financial position, the Schaltbau Group's strategic objective is to make contracts with its customers even more market-oriented and to further improve its competitiveness in core markets by cutting costs, boosting efficiency and reducing complexity. This approach is designed to bolster resilience to cyclical market developments and at the same time free up funds to generate additional organic growth.

By focusing on the strategic development of its high-growth, profitable core business, the Schaltbau Group is pursuing its primary objective of consolidating and expanding its position as a key supplier of subsystems, components and services for the rail sector and other industrial applications. Together with its customers, the Schaltbau Group is facing up to the major challenges, particularly digitisation and the increased use of DC technology outside of the railway sector in other fast-growing market segments such as new energy and new mobility.

Strategic measures

In the fiscal year 2019, Schaltbau made considerable progress in implementing the restructuring plan drawn up in 2017 and succeeded in strategically realigning itself in the process.

The main reason for this positive development was the separation of the strategically non-relevant subsidiaries Albatros S.L.U., Madrid, Spain ("Sepsa") and Alte Technologies S.L.U. ("Alte") from the Group.

Sepsa, which was put up for sale in November 2017, filed an application for liquidation with the relevant liquidation court on 8 April 2019. At the same time, the Indian rail supplier Medha Servo Drives Pvt. Ltd. ("Medha") made an offer to the liquidation court for the acquisition of the major assets in order to continue the Sepsa business. On 7 May 2019, the Spanish liquidation court accepted the liquidation application made by the liquidator. On 16 July 2019, the liquidation court accepted the offer submitted by Medha.

After Schaltbau put its subsidiary Alte up for sale in February 2019, Alte was sold to the French railway supplier Barat S.A. ("Barat") on 29 May 2019 for the price of EUR 1.

The separation of Sepsa and Alte reduces the complexity of the Schaltbau Group as a whole. The two transactions, coupled with process optimisation along the entire value chain throughout the Group, signalise the implementation of the last major outstanding components in the restructuring plan.

Apart from the deconsolidation of Alte and Sepsa in the first half of 2019, the newly concluded refinancing of debt capital has contributed significantly to the financial stabilisation of the Schaltbau Group.

Based on the measures implemented in the course of 2019, final confirmation regarding the completion of the restructuring plan by a management consultancy firm was given in July 2019.

Measures to stabilise the financial position

A new Syndicated Credit Agreement amounting to EUR 103.0 million was signed on 17 June 2019. Schaltbau and a syndicate of six banks under the joint lead management of Commerzbank AG and UniCredit Bank AG were signatories to an agreement to that effect, which runs for a term of three years with two extension options of one year in each case. In a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109.0 million. Including a receivables securitisation programme with a volume of up to EUR 29.0 million and promissory notes amounting to EUR 13.5 million (which have been extended for at least another three years), the total amount of new debt financing is in the region of EUR 151.5 million.

The credit line available since August 2019 made it possible to repay promissory notes totalling EUR 56.5 million during the year under report. The remaining debt owed to the promissory note creditors amounted to a nominal EUR 13.5 million as at 31 December 2019 and continues to comprise two tranches of EUR 8.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025). Together with the newly concluded Syndicated Credit Agreement, the extended promissory notes and the funds from the share capital increase implemented in the previous year, Schaltbau is now also financially well positioned to meet the challenges of the future.

Other liquidity measures included active working capital management, aimed at reducing the volume of both receivables and inventories, extending the due dates of borrowings and the measures described below to boost earnings.

Measures to improve competitiveness

As part of the “Fit for Future 1” restructuring project, the Executive Board again defined and implemented extensive measures designed to boost efficiency and optimise processes along the entire value chain in 2019, focusing particularly on production and logistics processes. The main focus, however, is on Bode Group companies.

Furthermore, the second half of 2019 saw the launch of the “Fit for Future 2” project, which is primarily aimed at relocating certain stages of production processes and combining them at specific locations. Here, too, the focus is on operating units within the Bode Group.

Measures to strengthen the Group’s market and competitive position in its core business

Following a detailed analysis of the entire range of products and services provided by the Group’s operating companies in terms of sales regions, market potential, competitive position and unique selling points, the Executive Board has redefined the Schaltbau Group’s strategic focus. Going forward, investments aimed at driving growth will be directed primarily towards further developing the Group’s range of rolling stock and other mobility and logistics applications in the Components and Mobile Transportation Technology segments. Apart from digitisation, the dynamic expansion of DC applications in new, fast-growing markets such as “New Energy” and “New Mobility” are particularly important criteria for decision-making. The Group will only invest in the Stationary Transportation Technology segment if substantial additional and profitable business volume can be expected as a result. With this point in mind, the Executive Board is keeping a close eye on developments regarding the multi-year investment programme for rail infrastructure announced by the federal government and Deutsche Bahn.

The Schaltbau Group's commitment to delivering tomorrow's mobility will be underpinned in particular by the following initiatives:

Product development in the Mobile Transportation Technology segment will focus even more strongly on the future requirements of the manufacturers of rolling stock and commercial vehicles, which are currently undergoing a transformation process driven by digitisation. The key emphasis will be on integrating software and interfaces in various bus systems. In view of the growing trend towards automating and digitising rolling stock in general, the Schaltbau Group intends to increasingly connect its various subsystems to form larger system units. The range of combined systems solutions includes, for example, the increased use of sensor technology in door and boarding systems and expanding the Group's range of interior fittings as well as electrical and electronic on-board systems for rolling stock. Another main focus of Schaltbau's research and development efforts is lightweight linear sliding doors for use in delivery vehicles, including all-electric models (see Research and development). SBRS will continue to focus on developing turnkey DC charging stations with a charging capacity of 350 kW and more that have only been used in public transport scenarios to date.

The Components segment is focusing on developing contactors for use in electrical DC energy storage systems, such as those installed in electric buses and hybrid vehicles, including the highly efficient charging stations that will be required. In the Rail Infrastructure business field, Schaltbau intends to offer railway systems providers an additionally improved range of products, focusing on level crossing and track-related technologies that meet customer requirements in terms of safety, availability and energy efficiency.

Moreover, the Schaltbau Group's business model will be systematically supplemented to include services for rolling stock and commercial vehicles, including the aftermarket. The range of products and services provided by SBRS GmbH (formerly Schaltbau Refurbishment GmbH) for modernising used rolling stock includes, for instance, door systems and other product groups such as interior fittings as well as charging infrastructure systems for electric vehicles to an increasing degree. Digital features will also be deployed to help optimise the total cost of ownership (TCO) for operators. Expanding the range of services it offers has enabled the Schaltbau Group to supplement its original products and services for the OEM market to include activities required by railway operators. Schaltbau sees high potential for growth in the fact that the longer service life of rolling stock means an increased need for services, whereas the demand for refurbishment is simultaneously growing, due to the shorter innovation cycles of digital solutions.

The internationalisation of the Schaltbau Group is also on the strategic agenda, based on reduced complexity across the organisation. Carefully weighing up the related opportunities and risks, the plan is to expand regional production, sales and development units that are capable of responding quickly to new market opportunities and exploiting country-specific advantages, such as in the area of procurement. These measures are also part of the Schaltbau Group's response to growing regulatory local content requirements and the ongoing trend towards consolidation in the rail sector.

Key performance indicators

The Schaltbau Group has defined order intake (as an early warning indicator), revenue, and profit/loss before financial result and taxes (EBIT) (before exceptional items) as its key financial performance indicators for the Group and its segments.

The definition of exceptional items did not change in 2019 compared with that used at the end of the previous year. For clarification purposes, however, the line item "Earnings impact of disposal of subsidiaries" was changed to include "Changes to the Group reporting entity":

Profit/loss before financial result and taxes (EBIT)

	Title
+/-	Significant non-operating impairment losses in accordance with IAS 36
+/-	Impairment losses due to classifications in accordance with IFRS 5
+/-	Earnings impact of disposal of subsidiaries / Changes to the Group reporting entity
+/-	One-time/significant restructuring measures
+/-	Exceptional earnings impact arising on allocations to and reversal of provisions for onerous contracts, to the extent that these relate to special circumstances, go beyond ordinary business activities and have a significant impact on the net assets, financial position and results of operations
+/-	Exceptional earnings impact of the derecognition of capitalised development costs

The following overview shows the reconciliation of EBIT after and EBIT before exceptional items for the period from 1 January to 31 December 2019 and in a year-on-year comparison.

€k	1.1.-31.12.2019	1.1.-31.12.2018
Profit/loss before financial result and taxes (EBIT) and after exceptional items	**17,185**	**-7,292**
Significant non-operating impairment losses in accordance with IAS 36	0	13,942
Impairment losses due to classifications in accordance with IFRS 5	-716	3,786
Earnings impact of disposal of subsidiaries / Changes to the Group reporting entity	-502	564
One-time/significant restructuring measures	12,624	5,212
Exceptional earnings impact of allocations to and reversal of provisions for onerous contracts	-440	-3,206
Exceptional earnings impact of the derecognition of own work capitalised	0	2,990
Profit before financial result and taxes (EBIT) and before exceptional items	**28,151**	**15,996**

The adjusted amounts shown in the line item "Impairment losses due to classifications in accordance with IFRS 5" result from the classification of Alte Technologies S.L.U., Barcelona, Spain ("Alte") in accordance with IFRS 5 and are recognised in 2019 in the line item "Other operating income".

The Company reported the earnings impact of the disposal of Alte (EUR 0.4 million) and the deconsolidation of Albatros S.L.U., Madrid, Spain ("Sepsa") and its subsidiaries due to loss of control (EUR 0.1 million) in the line item "Earnings impact of disposal of subsidiaries/Changes to the Group reporting entity". The deconsolidation gain was recorded in other operating income.

The line item "One-time/significant restructuring measures" comprises expenses relating to the implementation of the restructuring plan (legal and consulting costs), restructuring measures taken to reduce the number of employees in all three segments, changes to management structures at loss-making subsidiaries as well as the cost of CROs (Chief Restructuring Officers) at the level of the parent company and the Sepsa Group, which has been sold. Furthermore, expenses relating to potential calls on Group guarantees are also recognised in 2019. Reversals of provisions for restructuring measures relating to staff cuts within the Bode Group recorded one year earlier had an offsetting effect.

The line item "Exceptional earnings impact of allocations to and reversals of provisions for onerous contracts" includes reversals of provisions for onerous contracts in the Mobile Transportation Technology segment on the basis of a revised assessment of a loss-making customer order amounting to EUR 0.4 million. In the previous year, income of EUR 7.1 million arising on the reversal of provisions for the onerous Platform Screen Doors (PSD) project in Brazil was included. The previous year also included additions to provisions in the Mobile Transportation Technology segment due to a loss-making customer order in the amount of EUR 2.5 million (discounted at EUR 2.4 million) and additions of EUR 1.5 million in the Stationary Transportation Technology segment for the "Level Crossing Technology in Denmark" project.

The line item "Exceptional earnings impact of the derecognition of own work capitalised" includes impairment losses on previously recognised own work capitalised. In the previous year, these impairment losses related to development projects in the Stationary Transportation Technology segment that are no longer being pursued in light of negative profitability analyses based on the example contained in IAS 36.107.

In general, the Company defines one-off/significant restructuring expenses as one-off or longer-term measures that may extend beyond a one-year period and have a material impact on earnings. This includes expenses incurred in conjunction with implementing the restructuring plan, relating in particular to restructuring measures for staff cutbacks, reorganisation and changes to the management structure. It also includes expenses incurred to support underperforming companies, both in operational and financial terms, through appropriate measures, including amounts relating to a significant change in operations or underlying business.

The Company defines "exceptional earnings impact" as exceptional expenses and income that are not of minor significance for the shareholders from the Group's point of view or for assessing the earnings situation.

Further explanations and a breakdown of exceptional items by segment are provided in the segment report in the notes to the consolidated financial statements.
The following key performance indicators are also used at Group level:

– Earnings per share after deduction of minority interests
– Free cash flow (total of cash flows from operating and investing activities)
– The net debt ratio (current and non-current bank liabilities plus other financial liabilities less cash and cash equivalents in relation to EBITDA)

Within the Schaltbau Group, order intake, revenue and EBIT are reported on each month by segment and individual entity.

The key financial performance indicator for Schaltbau Holding AG (Company financial statements in accordance with the German Commercial Code, HGB) is profit before tax.

Report on economic position

General economic and sector-specific environment

General economic environment

Global economic development continued to deteriorate during the 2019 fiscal year. After a significant slowdown in the second half of 2018, the growth rate of the world economy was 2.9% in 2019 according to the assessment of the International Monetary Fund ("IMF")[1] published in January 2020. The IMF had originally forecast economic growth of 3.2%. Accordingly, the momentum of global production activity has dropped to its lowest level since the global financial crisis. Increasing political tensions in the global trading system alongside geopolitical risks have led to growing uncertainty among companies regarding the future of the global trading system and international cooperation in general.

According to the IMF, the weaker pace of growth in the developed economies is reflected in a broadly based slowdown in industrial growth. Production is experiencing a drop in demand from overseas markets, particularly China. Furthermore, global car sales are becoming increasingly sluggish, which is having a particularly strong impact on the German automotive industry and its related economic sectors.

The Federal Statistical Office DESTATIS[2] predicts slight growth of 0.6% of price-adjusted GDP in Germany in 2019, which, if subsequently confirmed, means the German economy will have grown for the tenth year in succession, marking the longest phase of growth since German reunification. DESTATIS also points out that growth momentum weakened in Germany in 2019. Accordingly, price-adjusted GDP was considerably down on the two previous years (2017: 2.5%; 2018: 1.5%). According to DESTATIS, the German economy was weaker in comparison to the average growth rate of 1.3% over the last ten years. Whereas economic growth was primarily driven by private consumption in 2019, capital expenditure – mainly plant and machinery, equipment and vehicles – developed less dynamically, rising by only 0.4%.

Sector-specific environment

Sales markets

Rail sector

According to experts, the global market for railway transportation technology grew again in 2019 and will continue to do so by an average of 2.7% per year up to 2023 (source: UNIFE World Rail Market Study 2018–2023, September 2018, p. 5). Sales of digital control and safety technology, tracks, points, railway line electrification systems, signals and level crossing systems, however, are likely to remain roughly at the previous year's levels. According to the VDB (German rail industry association), although Germany's railway industry recorded a high level of revenue (EUR 5.2 billion) in the first six months of 2019, the figure was 3.7% down year-on-year, due to growing international competition and an uneven playing field on the world market[3]. Accordingly, revenue from exports fell by 5% to EUR 1.9 billion, which had a negative impact on total output. On the domestic market, too, at EUR 3.3 billion, the rail industry generated around 3% less revenue than in the first half of 2018. The majority of revenue was achieved in the rolling stock sector, which accounted for about 67% of total revenue reported by the railway industry, according to the VDB. Thus only around one third of sector revenue was generated with the sale of rail infrastructure, although it did increase comparatively strongly by 6% and even 10% on the domestic market. With a dynamic increase of around 25%, order volume in the region of EUR 8.1 billion represents robust growth, despite the unfavourable market environment overall, according to VDB sources.

Consolidation among customers has continued unabated. At the same time, the Chinese railway group CRRC has moved increasingly into the world market. Competitive pressure and changes in customer structures are resulting in lower margins and sometimes project delays in several markets. Despite these challenges, the Schaltbau Group's project situation in the global market for rolling stock developed positively overall, benefiting in particular the Components and Mobile Transportation Technology segments, partly due to higher demand in the refurbishment business for end customers. The Schaltbau Group does not expect Brexit to have a significant impact on its business.

Automotive industry

According to the German Association of the Automotive Industry[4] ("VDA"), 2019 was a challenging year for international automotive markets. While the European passenger car market was still able to record growth of around 1% at 15.8 million units, the key sales markets of China, with around 21.0 million units (-10%), and the USA, with some 17.0 million units (-1%), both contracted.

In the automotive market segment, the Schaltbau Group is benefiting from the expansion of vehicle fleets with electric commercial vehicles as well as from other factors. According to the German Federal Motor Transport Authority[5], the total market share of battery-driven electric vehicles in Germany had risen to 2.0% by the end of 2019 (2018: 1.1%).

Capital goods

According to the Deutsche Bundesbank[6], real gross domestic product in the second and third quarters of 2019 together changed only to a small degree, both seasonally and calendar-adjusted, and was therefore slightly below the forecast made in June 2019. The continuation of the very weak underlying economic trend – which has been in evidence since mid-2018 – was primarily due to the ongoing decline in export-dependent industry. According to the Deutsche Bundesbank, economic output in this area has now declined for the fifth successive quarter. Commercial investments decreased noticeably against a backdrop of continued weakness in the export and industry fields.

While the Deutsche Bundesbank expects the generally sluggish economic trend to continue for the time being, it does not expect a slide into recession. On the contrary, the Deutsche Bundesbank predicts that export-dependent industry will stabilise and business and export expectations will improve.

[1] www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020

[2] www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

[3] bahnindustrie.info/de/presse/pressemitteilungen/detail/halbjahresbilanz_der_bahnindustrie_in_deutschland_erfolgreiche_klimaschutzpolitik_braucht_nachhalti/

[4] www.vda.de/de/presse/Pressemeldungen/200116-Europ-Pkw-markt-2019-leicht-im-plus.html

[5] www.goingelectric.de/zulassungszahlen/2019/

[6] www.bundesbank.de/resource/blob/818790/ef577af516a4eeaf621b577936fac7c0/mL/2019-12-prognose-data.pdf

According to calculations made by the management consultancy McKinsey[1] regarding the so-called "Energy Transition Index" (as at September 2019), Germany will fail to meet the majority of its 2020 targets for the energy transition. Since 2012, the Energy Transition Index has been reflecting the status of energy system transformation in Germany every six months, using the three dimensions of the energy industry triangle of climate and environmental protection, supply security and cost-effectiveness. In this context, McKinsey points out that, following the decision to phase out nuclear power and coal, supply security is at risk in the medium term if the capacities shut down are not flexibly replaced in time and the expansion of transport networks progresses more quickly.

According to this analysis, CO2 emissions (measured in millions of tonnes of CO2e equivalents) in 2018 totalled 866 million tonnes, 116 million tonnes above the target of 750 million tonnes of CO2e, despite a reduction of 4.5% compared with the previous year. The calculations show that, to date, the electricity sector, unlike the transport and heating sectors, has almost single-handedly contributed to the reduction of CO2e. In the first half of 2019, the sector reduced its emissions by 15% year-on-year.

At the same time, only six of the 14 indicators and targets recorded by McKinsey in the Energy Transition Index since 2012 have developed either positively or steadily. In particular, at 37.8%, the proportion of gross electricity consumption generated from renewable sources in 2019 already surpassed the target of 35% set for 2020.

Procurement markets

The Schaltbau Group enters into multi-year agreements with many of its suppliers in order to maintain procurement prices at stable levels and guarantee supply security.

Regulatory conditions

In terms of safety and interoperability, all products manufactured for the railway signals technology sector as well as other electronic control equipment for rolling stock applications in Europe are subject to EU regulations and directives. Schaltbau products are certified in accordance with European specifications – such as the European standards set out by the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standards Institute (ETSI) – and therefore comply with the most important EU standards.

In addition, the European rail sector is subject to the Technical Specifications for Interoperability (TSI) for railway transportation within the European Union. The TSI are designed to ensure that all subsystems used in rolling stock and rail infrastructure comply with standards applicable throughout Europe. In Italy, projects subject to the new TSI compliance regulations were put out for tender for the first time in 2016.

On 19 April 2016, the European Parliament and the Council of Europe agreed to a raft of measures under the terms of the "Fourth Railway Package", which is designed to make rail travel in the EU

[1] www.mckinsey.de/branchen/chemie-energie-rohstoffe/energiewende-index

more attractive, innovative and competitive. The package also includes new regulations on railway safety that will tighten approval conditions. In future, only "third parties" will be classified as independent authorities. The new regulation is likely to lead to a further shortage of the already very limited approval capacities.

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

The localisation quotas required by governments have continually risen in recent years. The Schaltbau Group has responded to this development by localising production resources and changing product structures – to the extent economically viable.

Course of business and earnings position

Restructuring and financial stabilisation

The Schaltbau Group completed the implementation of its restructuring plan during the year under report and thereby managed to stabilise its financial and liquidity position according to plan as well as to eliminate strategic and operational problem areas.

In the third quarter, the Schaltbau Group successfully concluded the refinancing process. In addition to a supplementary agreement to the Syndicated Credit Agreement for a new total of EUR 109.0 million, a factoring programme was introduced in September, making additional funds of up to EUR 29.0 million available. Last but not least, promissory notes amounting to EUR 13.5 million were rearranged.

With the aim of sustainably improving the earnings situation of the Bode Group, an extensive program for the optimization of logistics and production processes with the name "Fit for Future 1" was set up. Various measures such as changing the production layout at the Kassel location have already been implemented. This package of measures will result in further significant improvements in cost structures in the future. In addition, the "Fit-for-Future 2" project was launched in the second half of 2019, which essentially aims to relocate production steps and bundle them at individual locations. This will have further sustainable effects for reducing production costs. "Fit-for-Future 2" also focuses on optimizing the overhead structures at the Bode Group's locations.

The measures are intended to further strengthen the Schaltbau Group's earnings position while at the same time improving the overall risk situation.

Significant changes to the Group reporting entity

The following changes took place during the fiscal year 2019 compared with the Group reporting entity at 31 December 2018:

- Alte was deconsolidated within the Schaltbau Group following its sale to the France-based Barat Group on 29 May 2019.
- The wholly owned Group subsidiary Sepsa was put up for sale on 15 November 2017 and, in accordance with IFRS 5, after that date, was reported as a "disposal group" in the consolidated financial statements. On 8 April 2019, the management of Sepsa filed an application for liquidation with the relevant liquidation court. At the same time, a strategic investor made an offer to the liquidation court for the acquisition of Sepsa's major assets and liabilities. The acceptance of the liquidator's application by the Spanish liquidation court on 7 May 2019 led to a loss of control of this company at Group level and consequently to deconsolidation on the same date.
- Pintsch Tiefenbach GmbH was merged with Pintsch Bamag GmbH on the basis of a merger agreement dated 14 February 2019. Furthermore, Pintsch Bamag GmbH was renamed Pintsch GmbH.
- In 2019, all shares in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd., previously included in the consolidated financial statements using the equity method, were (PBTE) sold.
- In May 2019, the Schaltbau Group acquired the remaining 0.2% minority share in Schaltbau Transportation UK Ltd., Milton Keynes, United Kingdom. The minority interests of kEUR 9 in equity were transferred to revenue reserves within Group equity after being offset against the purchase price of kEUR 7.
- In December 2019, the Schaltbau Group acquired the remaining 20% minority share in Schaltbau India Pvt. Ltd., Thane, India.

Overall assessment of financial condition

In the fiscal year 2019, the Schaltbau Group either achieved or exceeded its published targets for revenue and earnings. EBIT before exceptional items amounted to EUR 29.0 million on revenue of EUR 513.7 million and was therefore at the upper end of the target range of 5 to 6%. Excluding Alte and Sepsa, which were deconsolidated during the year under report, the Group generated revenue amounting to EUR 495.9 million.

In the fiscal year 2019, the Schaltbau Group benefited from the conclusion of financial restructuring and from a strong position on growing markets. The positive business performance and the resulting organic growth was attributable in particular to the extremely stable and steadily growing core business in both the Mobile and the Stationary Transportation Technology segments.
At EUR 513.7 million, total revenue for the Schaltbau Group was slightly below the previous year's figure of EUR 518.3 million. However, on a like-for-like basis (excluding the divested entities Alte, Sepsa and Pintsch Bubenzer and before exceptional items), Group revenue rose by 9.5% to EUR 495.9 million. All three of the Schaltbau Group's segments reported organic growth. Adjusted for exceptional items, the Mobile Transportation Technology segment achieved growth of EUR 22.0

million. Despite operations at Gebr. Bode GmbH & Co. KG being interrupted for several days due to flooding in May 2019, the Bode Group reported year-on-year adjusted revenue growth of 8.9%. Particularly in the field of rolling stock, numerous project start-ups enabled Bode to significantly increase its revenue compared with one year earlier.

The earnings performance for the fiscal year under report was in line with expectations. The Mobile and Stationary Transportation Technology segments in particular performed well, exceeding expectations set out in the revised forecast in spring 2019. On the other hand, however, earnings performance in the Components segment remained slightly below expectations. The moderate decline can be explained by the application of structural measures to ensure future growth at the level of Schaltbau GmbH. Without taking these measures into account, segment EBIT would have been higher than the level achieved in the previous year.

For the first time since 2015, Schaltbau was again able to report a Group net profit for the fiscal year 2019, despite it being held down by restructuring-related expenses. The recognition of deferred tax assets had a positive offsetting effect on earnings.

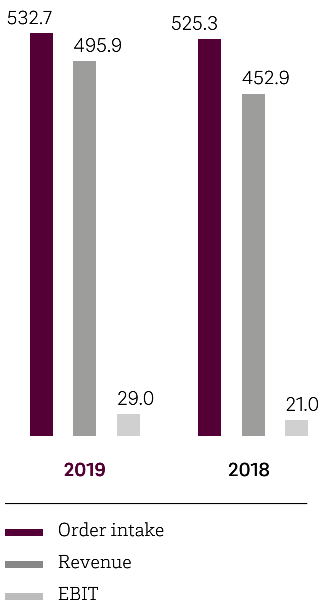
At EUR 545.7 million, the Schaltbau Group registered order intake below the figure recorded one year earlier. Excluding Alte, Sepsa and Pintsch Bubenzer, which were divested in 2018 and 2019, the Schaltbau Group recorded order intake of EUR 532.7 million, a EUR 7.4 million increase year-on-year. The continued stable development of the order book was primarily attributable to the Mobile Transportation Technology and Components segments on the back of strong demand, particularly for the door systems made by the Bode Group and higher order volumes for the connectors and contactors manufactured within the Schaltbau Group, forming a solid basis for future fiscal years.

The EBIT margin before exceptional items and excluding the divested entities amounted to 5.9% and was therefore in line with the forecast for the fiscal year 2019. For a presentation and explanation of EBIT before exceptional items, please see the section on "key performance indicators".

Schaltbau Holding AG reported a loss before tax of EUR 10.2 million for the fiscal year 2019, compared with a forecast break-even result. Earnings in 2019 were held down in particular by expenses incurred in conjunction with the implementation of restructuring measures, which include expenses recognised for risks pertaining to potential calls on guarantees totalling EUR 4.0 million.

Business and earnings position of the Schaltbau Group[1]

€ million



[1] Excluding deconsolidated Alte, Sepsa and Pintsch Bubenzer GmbH, which has been sold. Adjusted for special items.

Outlook / actual comparison for fiscal year 2019

€ million, unless stated otherwise	Outlook 2019	Actual 2019
Order intake	480 – 500[1]	532.7[1]
Revenue	480 – 500[1]	495.9[1]
EBIT	24.0 – 30.0[1] (before exceptional items)	29.0[1] (before exceptional items)
EBIT margin in %	5.0 – 6.0[1] (before exceptional items)	5.9[1] (before exceptional items)
Profit/loss before tax of Schaltbau Holding AG in accordance with HGB	Break-even result before tax	-10.2

[1] Before exceptional items and excluding Alte and the Sepsa Group

Business volume and earnings position of the Schaltbau Group

€ million	2019	2018	Change
Order intake	545.7	631.3	-13.5
Revenue	513.7	518.3	-0.9
EBIT before exceptional items	28.2[1]	16.0	+76.3
EBIT	17.2	-7.3	>100

[1] Before exceptional items and including Alte and Sepsa Group

Order intake and order book

Order intake for the Schaltbau Group, excluding Alte and the Sepsa Group, which were divested in 2019, totalled EUR 532.7 million, i.e. EUR 7.4 million up year-on-year and therefore above the forecast of EUR 480–500 million. At 1.1, the book-to-bill ratio (order intake in relation to revenue) was very close to the level of 1.2 recorded one year earlier. However, at EUR 545.7 million, the reported order intake figure was EUR 85.4 million down on the previous year.

The lower figures recorded for both the Mobile and the Stationary Transportation Technology segments were offset by an adjusted increase in order intake for the Components segment. Year-on-year growth in the Components segment reflects positive developments in the field of driver's desk components and solutions as well as further positive developments for DC contactors. The Mobile Transportation Technology segment came close to reaching the high order volume registered one year earlier, primarily attributable to Bode in Germany and the Poland-based subsidiary RAWAG, which was successful in gaining a considerable number of new orders on the Eastern European market. Despite order intake recorded for the Stationary Transportation Technology segment being 1.9% down on a like-for-like basis, it remained within expectations.

At 31 December 2019, the order book totalled EUR 488.9 million (31 December 2018: EUR 583.0 million). Adjusted for the two companies Alte and Sepsa that were deconsolidated during the year under report, the order book was EUR 41.0 million up on the adjusted figure of EUR 447.9 million recorded one year earlier. The continued stable development of the order book was primarily attributable to the Mobile Transportation Technology and Components segments on the back of strong demand, particularly for the door systems made by the Bode Group and higher order volumes for the connectors, contactors and switches manufactured within the Schaltbau Group as a whole.

Revenue

At EUR 513.7 million, Group revenue was EUR 4.6 million down and therefore slightly below the EUR 518.3 million generated the previous year. However, adjusted for Alte, Sepsa and Pintsch Bubenzer GmbH and before exceptional items, Group revenue for the fiscal year 2019 amounted to EUR 495.9 million compared with EUR 452.9 million one year earlier, equivalent to organic growth of 9.5%.

All three segments contributed to the adjusted higher revenue of EUR 43.0 million. The Mobile Transportation Technology segment recorded revenue growth of EUR 22.0 million, largely on the back of strong performance in the rolling stock sector in Europe and project start-ups in North America. In the Stationary Transportation Technology segment, adjusted revenue rose by EUR 11.6 million, primarily driven by increased sales of platform screen doors and higher demand for axle counting systems. The Components segment achieved organic growth of EUR 9.2 million, due in particular to strong customer demand for contactors and driver's desk components.

In the year under report, 37.0% (2018: 36.3%) of revenue was generated with customers within Germany. A further 45.0% (2018: 46.6%) was attributable to customers in other European countries and 18.0% (2018: 17.1%) to the rest of the world.

Earnings

Reported EBIT for the Schaltbau Group improved by EUR 24.5 million, turning around from a loss of EUR 7.3 million to a profit of EUR 17.2 million. Group EBIT on a like-for-like basis, excluding Alte and Sepsa and before exceptional items amounted to EUR 29.0 million and was therefore at the upper end of the level predicted in spring 2019, resulting in an EBIT margin on a like-for-like basis of 5.9% (2018: 4.7%). The improved result was primarily attributable to better operating profitability in both the Mobile and the Stationary Transportation Technology segments. Gains arising on the deconsolidation of Alte and Sepsa as well as the earnings impact of the classifications pursuant to IFRS 5 also had a positive effect on EBIT. Additional expenses incurred as part of the restructuring plan – including severance payments, consulting services and pending calls on bank and Group guarantees – had an offsetting impact.

The Schaltbau Group's total output decreased by EUR 6.5 million to EUR 517.0 million, mainly due to the deconsolidation of Alte and Sepsa. On a like-for-like basis and before exceptional items, total output of EUR 499.6 million was EUR 40.9 million up on the previous year's figure of EUR 458.6 million, mainly driven by organic growth in all three segments.

The main reason for the lower cost of materials figure was the deconsolidation of Sepsa and Alte in May 2019. Adjusted for the two deconsolidated companies and Pintsch Bubenzer GmbH, which was sold the previous year, adjusted cost of materials rose by EUR 16.9 million to EUR 255.3 million due to higher total output. The cost of materials ratio (cost of materials as a percentage of total output) stood at 51.5% for the fiscal year under report, which was slightly below the previous year's level of 53.6%, partly reflecting savings on material costs, renegotiated customer contracts and exceptionally high costs of material at Alte.

Excluding Sepsa, which was deconsolidated in 2019, as well as Alte and Pintsch Bubenzer GmbH, the adjusted personnel expense rose by 7.2% or EUR 10.8 million, mainly resulting from increases in collectively bargained wage and salary tariffs, growth in sales volume and expenses for staff cutbacks. The personnel expense ratio (expressed as a percentage of total output) for the Group rose from 33.8% to 34.1% year-on-year. Total output per employee (productivity) increased to kEUR 189.2 (2018: kEUR 174.6).

Depreciation, amortisation and impairment losses decreased by EUR 14.4 million to EUR 15.5 million in the year under report. In the previous year, this line item included impairment losses on intangible assets in connection with the investments in Alte and Bode UK amounting to EUR 14.0 million. A EUR 13.9 million reduction in the amortisation and impairment losses on intangible assets was offset by a EUR 2.7 million increase in the depreciation of property, plant and equipment, mainly due to the first-time depreciation of leasing-related right-of-use assets in accordance with IFRS 16 with effect from 1 January 2019.

At EUR 59.6 million, other operating expenses were down by EUR 7.5 million year-on-year (2018: EUR 67.1 million). The decrease in other operating expenses was attributable to the deconsolidation of Alte and Sepsa during the year under report. Adjusted and on a like-for-like basis, other operating expenses rose by EUR 8.2 million, primarily due to increased expenses for allocations to provisions. Other operating expenses compared with other operating income totalling EUR 17.6 million (2018: EUR 24.2 million), which included income from insurance claims amounting to EUR 8.0 million. The year-on-year decrease was mainly attributable to income recorded in the previous fiscal year in the Stationary Transportation Technology segment in conjunction with the reversal of the provision for onerous contracts relating to the PSD (Platform Screen Doors) project in Brazil.

Profit/loss before tax (EBT) improved from a loss of EUR 16.1 million in 2018 to a profit of EUR 10.5 million in the year under report. The fact that EBT improved to a greater extent than EBIT was attributable to the result from investments, which improved by EUR 3.3 million from a negative amount of EUR 3.0 million to a positive amount of EUR 0.3 million year-on-year. The previous year's figure was impacted by one-time impairment losses of EUR 3.6 million recognised on the investments in the Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. joint venture in Zhejiang, China and Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. in Shenyang, China. Due to the first-time application of IFRS 16, the expense arising from the unwinding of discounting of lease liabilities resulted in interest expense of EUR 0.5 million.

Overall, the Group recorded a tax expense of EUR 3.1 million (2018: tax income of EUR 1.9 million). Deferred tax assets on tax loss carryforwards and interest carryforwards in Germany were increased by EUR 0.7 million to EUR 5.2 million (previous year EUR 4.4 million). In addition, value adjustments of EUR 1.8 million (previous year: EUR 4.0 million) were reversed due to the surplus of deferred tax assets in Germany in 2017, with the amount due to the actuarial valuation of pension provisions amounting to EUR 0.8 million (previous year EUR 1.2 million) offset against equity with no effect on income and the remaining amount of EUR 1.0 million (previous year EUR 2.8 Million) was recognized in the income statement. Actual taxes had the opposite effect due to the higher taxable earnings in the reporting year.

Group net profit for the year totalled EUR 7.4 million (2018: net loss of EUR 14.1 million). Profit attributable to the shareholders of Schaltbau Holding AG totalled EUR 4.1 million (2018: loss of EUR 16.5 million), equivalent to earnings per share of EUR 0.46 (diluted and undiluted) (2018: negative earnings per share of EUR 1.93).

Appropriation of results

The unappropriated loss of Schaltbau Holding AG for the fiscal year 2019 will be carried forward.

Business and earnings performance of the segments

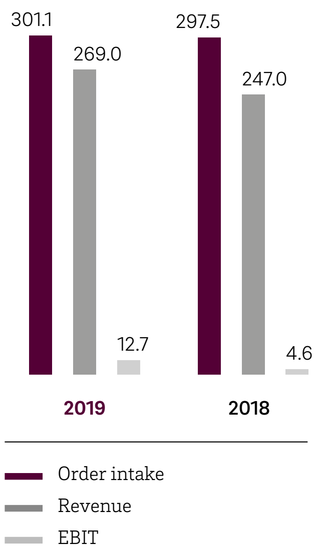
The Mobile Transportation Technology segment

Key performance figures for the Mobile Transportation Technology segment

€ million	2019	2018	Change
Order intake	310.1	393.5	-21.2%
Revenue	286.7	303.8	-5.6%
EBIT	7.4	-22.8	>100%

Order intake for the Mobile Transportation Technology segment (Bode Group, Sepsa Group, Alte and SBRS) was 21.2% below that of the previous year. Excluding the deconsolidated companies Alte and Sepsa, adjusted order intake totalled EUR 301.1 million, slightly above the amount recorded one year earlier (2018: EUR 297.5 million), thus still at a very high level. Business with the door systems and interiors manufactured by the Bode Group at its sites in both Europe and North America continued to perform well and the companies were again awarded a number of new major orders and options during the fiscal year 2019. The adjusted book-to-bill ratio (adjusted order intake in relation to adjusted revenue) stood at a high 1.1 for the period under report.

Business and earnings position
Mobile Transportation Technology[1]
€ million



[1] Excluding deconsolidated Alte, Sepsa. Adjusted for special items.

External revenue for the segment on a like-for-like basis exclunding Alte and Sepsa grew by 8.9% to EUR 269.0 million (2018: EUR 247.0 million), primarily due to good contributions from Bode in Germany, RAWAG in Poland and Bode North America. The Germany-based Bode company managed to grow its revenue by EUR 8.2 million or 4.4% to EUR 193.7 million, despite the considerable disruption of production caused by flood damage in May. Revenue growth was attributable primarily to the Door Systems for Railway Vehicles product group, which offset lower revenue in the Door Systems for Buses and Automotive product groups. Furthermore, the Poland-based company RAWAG increased its revenue significantly year-on-year on the back of strong growth in demand from customers in Eastern Europe for interior fittings and door systems for rolling stock. The good contribution of Bode North America was largely due to the start-up of two major projects in the rail sector in 2019.

Segment EBIT improved to a profit of EUR 7.4 million in 2019 compared to the loss of EUR 22.8 million recorded one year earlier. Adjusted for exceptional items, segment EBIT on a like-for-like basis improved to EUR 12.7 million (2018: EUR 4.6 million), due in particular to higher revenue, an improved project mix, various renegotiations of customer projects and savings on cost of materials. Income from insurance claims of EUR 8.0 million was recorded in connection with flood damage at the Kassel plant. However, this was offset by the corresponding property damage, the loss of revenue and increased expenses of a similar magnitude resulting from the need to outsource production to third parties. Overall, the segment reported an adjusted EBIT margin of 4.7% (2018: 1.9%). Exceptional items in this segment due to the divestment of Sepsa relate to the provision recognised for pending calls on guarantees amounting to EUR 4.0 million and provisions of EUR 1.6 million in conjunction with restructuring measures at the Bode plant in Kassel.

The Stationary Transportation Technology segment

Key performance figures for the Stationary Transportation Technology segment

€ million	2019	2018	Change
Order intake	75.6	87.0	-13.1%
Revenue	72.5	69.1	4.9%
EBIT	2.4	2.6	-7.7%

Adjusted for Pintsch Bubenzer GmbH, which was sold in 2018, the Stationary Transportation Technology segment reported a decrease of EUR 1.5 million in order intake compared with 2018, although it remained within the scope of expectations. The moderate decline resulted primarily from a major order awarded for a train formation system in Munich the previous year (conveyor technology) with a volume of over EUR 9.0 million and order intake from the PSD project amounting to EUR 6.5 million from 2018. The segment was unable to win orders of a similar size in the fiscal year 2019. Nevertheless, order intake in 2019 was at a good level.

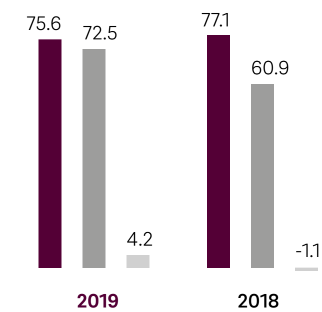
Revenue totalled € 72.5 million for the period under report and was therefore above the previous year's figure after adjustment for revenue relating to Pintsch Bubenzer amounting to € 11.6 million. The main drivers were additional revenue with platform screen doors and high demand for axle counting systems, which more than offset decreased revenue for level crossing systems caused by project delays.

Segment EBIT in the fiscal year 2019 was influenced by revenue relating to the PSD project in Brazil (platform screen doors). Furthermore, in the first quarter 2019, follow-up orders were billed for two major projects for which the corresponding expenses had already been incurred in previous periods. In addition, a raft of cost reduction measures (including the restructuring agreement concluded in 2018) had a positive impact on EBIT. The EBIT margin came in at 3.3% (2018: 3.8%). Adjusted EBIT totaled EUR 4.2 million in the financial year and is due to restructuring measures.

Business and earnings position

Stationary Transportation Technology[1]

€ million



[1] Excluding Pintsch Bubenzer GmbH, which has been sold. Adjusted for special items.

Components segment

Key performance figures for the Components segment

€ million	2019	2018	Change
Order intake	159.9	150.4	6.3%
Revenue	154.4	145.2	6.3%
EBIT	24.2	25.1	-3.6%

Order intake in the Components segment continued to develop well in 2019, increasing by 6.3% to EUR 159.9 million on what was already an excellent result the previous year. The main contributing factors were higher order volumes for contactors, rail applications, alternative energy and storage systems as well as business with driver's desk solutions and related components.

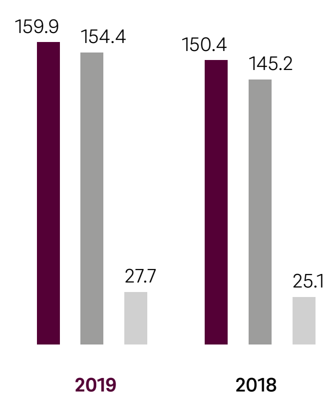
Segment revenue grew by 6.3% to EUR 154.4 million year-on-year (2018: EUR 145.2 million). Growth was primarily recorded for contactors as well as for driver's desk solutions and related components.

EBIT for the Components segment decreased by 3.6% to EUR 24.2 million (2018: EUR 25.1 million). Excluding exceptional items, EBIT amounted to EUR 27.7 million, which was up on the previous year's figure of EUR 25.1 million. The lower operating result was primarily attributable to structural measures taken to ensure future growth in new target markets. The EBIT margin dropped from 17.2% in 2018 to 15.6% in 2019.

Business and earnings position

Components[1]

€ million



[1] Adjusted for special items.

Net assets and financial position

Principles of financial management

Schaltbau Holding AG controls and monitors the financial management of the Schaltbau Group. It provides the Group's entities with a major part of the cash funds they require to conduct and continue developing their operations. In addition to its liquidity management activities, Schaltbau Holding AG handles financial relationships with its business partners and takes measures to restrict exposure to the types of financial risk that emanate from the specific business model applied by the Schaltbau Group.

The main exposures relate to interest rate, currency, raw materials price, counterparty and country-specific risks.

The Schaltbau Group raises the majority of the funds it requires via the Group's ultimate parent company, which is listed on the stock exchange, and allocates them on the basis of intra-group financing arrangements. To this end, the Schaltbau Group uses an integrated, cross-company treasury management system. In order to minimise external financing, the Schaltbau Group makes use of internal sources of financing to the greatest extent possible. Whenever it makes sense, cash flow surpluses from individual entities are used to cover liquidity requirements at the level of other subsidiaries and participations. In this context, working capital management is regularly monitored across the entire Group.

At the end of 2019, external financing was based on a newly concluded Syndicated Credit Agreement for EUR 109.0 million signed in June, an agreement concluded in August 2019 for the securitisation of receivables with a volume of up to EUR 29.0 million and promissory notes with a nominal amount of EUR 13.5 million at 31 December 2019.

On 17 June 2019, a new Syndicated Credit Agreement for EUR 103.0 million was signed for an initial term of three years with two extension options of one year in each case. In a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109.0 million. As of the balance sheet date, the utilized balance totaled EUR 95.0 million and consists of cash of EUR 62.0 million and guarantees of EUR 33.0 million.

The promissory notes with a nominal amount of EUR 70.0 million reported under current financial liabilities at the end of the previous fiscal year comprised two tranches of originally EUR 28.5 million (due 30 June 2022) and EUR 41.5 million (due 30 June 2025). The promissory note holders had a contractually agreed right to terminate the financing agreement early up to the end of 2019. Creditors exercised this termination option for a nominal amount of EUR 56.5 million. The promissory note creditors also have an extraordinary right of termination. In accordance with the agreements entered into with the promissory note creditors, the extraordinary right of termination is linked, among other things, to the extraordinary termination of other financial liabilities, particularly the Syndicated Credit Agreement. The remaining debt owed to the promissory note creditors amounted to a nominal EUR 13.5 million as at 31 December 2019 and still consists of two tranches, one for EUR 8.5 million (due 30 June 2022) and a second tranche for EUR 5.0 million (due 30 June 2025), which are reported under non-current financial liabilities.

With effect from 1 August 2019, a factoring agreement was concluded, on the basis of which various subsidiaries of the Schaltbau Group sell trade receivables directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates the resulting opportunities and risks to the participating Group companies and a bank by means of contractual agreements. The structured entity is financed by a bank credit line.

An equity ratio in a range between 30% and 35% has been set as the target for the Schaltbau Group as a whole. However, at 24.3%, this target ratio was not achieved during the year under report.

Derivative financial instruments are used exclusively to hedge interest rate, foreign currency and raw materials price risks. Internal guidelines prohibit the use of derivative financial instruments for speculative purposes. At 31 December 2019, interest rate hedges were in place with a nominal amount of EUR 33.0 million. Derivative instruments totalling EUR 4.2 million entered into to hedge foreign currency risks had a negative fair value of kEUR 1. Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

Analysis of capital structure

Non-current liabilities stood at EUR 146.5 million at the end of the reporting period (31 December 2018: EUR 63.5 million). The increase was essentially attributable to the reclassification of financial liabilities from current to non-current due to the signing of the new Syndicated Credit Agreement. Based on the new Syndicated Credit Agreement concluded with the banks in summer 2019, liabilities relating to the Syndicated Credit Agreement and to the promissory notes due after 31 December 2019 (EUR 13.5 million) were classified as non-current liabilities. At 31 December 2019, non-current liabilities comprised non-current financial liabilities (EUR 92.7 million), pension provisions (EUR 39.0 million) and personnel provisions and other provisions (EUR 7.7 million). For the first time, non-current financial liabilities include lease liabilities of EUR 9.7 million recognised in accordance with IFRS 16.

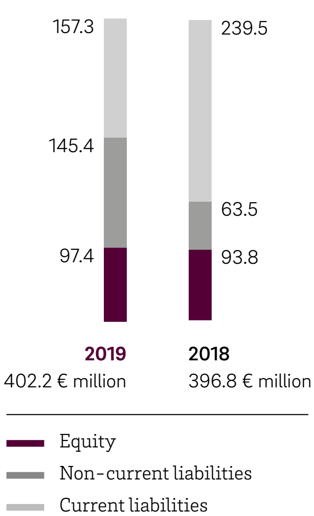
At 31 December 2019, **current financial liabilities** amounted to EUR 157.3 million, compared to EUR 239.5 million on 31 December 2018. The lower figure was mainly attributable to the above-mentioned reclassification of financial liabilities. The increase in other current provisions was primarily due to the recognition of a provision for the pending call on bank and Group guarantees relating to the liquidation of Sepsa. At 31 December 2019, EUR 14.7 million of current liabilities recognised in the balance sheet related to current financial liabilities, EUR 50.4 million to trade accounts payable, EUR 3.1 million to income tax liabilities and EUR 42.9 million to personnel-related and other provisions. For the first time, current financial liabilities include lease liabilities of EUR 2.7 million recognised in accordance with IFRS 16.

Net financial liabilities (current and non-current financial liabilities less cash funds, excluding guarantees) amounted to EUR 82.2 million at the end of the reporting period (31 December 2018: EUR 100.4 million). The Schaltbau Group continues to target reductions in net financial liabilities, both in absolute terms and, particularly, in relation to EBITDA for the year, to a debt ratio of less than three.

Equity increased by EUR 3.6 million to EUR 97.4 million compared to the end of 2018. The equity ratio of 24.3% (31 December 2018: 23.7%) was slightly above the previous year's figure. The net debt ratio improved in the year under review to 2.5 after 4.4 in the previous year. The change in equity was mainly attributable to the Group net profit recorded for the fiscal year 2019 and to pension provision and deferred tax assets measurement effects recognised directly in equity.

Liquidity analysis

Balance sheet structure
Equity and liabilities
€ million



Cash inflows from operating activities totalled EUR 62.9 million in 2019, an improvement of EUR 69.2 million compared with one year earlier. The positive figure was primarily attributable to the positive EBIT of EUR 17.2 million (an improvement of EUR 24.5 million compared to the previous year's loss of EUR 7.3 million), an increase in other current provisions due to allocations to provisions for restructuring measures and higher other current liabilities. Furthermore, a decrease in trade accounts receivable compared with the end of 2018 also contributed to the positive development of cash flow from operating activities due to factoring in the amount of EUR 26.2 million.

Schaltbau recorded cash outflows from investing activities amounting to EUR 20.6 million for the fiscal year 2019 (2018: inflows of EUR 28.1 million), largely attributable to payments for investments in intangible assets and property, plant and equipment. The net inflows recorded in the previous year mainly reflected the impact of cash funds received in connection with the sale of the Pintsch Bubenzer Group on 1 March 2018 and the end of restrictions on the availability of EUR 15.6 million of cash funds previously held on an escrow account, which became fully available again following the repayment of bridge financing in February 2018.

In 2019, positive free cash flow amounted to EUR 42.3 million, compared with EUR 21.9 million in the previous year.

Cash outflows from financing activities amounted to negative EUR 38.8 million in the fiscal year 2019 (2018: outflows of negative EUR 26.3 million) and included in particular the repayment of promissory notes amounting to negative EUR 56.5 million, the repayment of loans totalling EUR 8.5 million and interest payments of EUR 9.1 million. Proceeds from the change in other financial liabilities amounting to EUR 37.8 million had an offsetting effect. The repayment of promissory notes was partially financed through the utilisation of credit lines from the Syndicated Credit Agreement.

Cash funds reported in the consolidated cash flow statement for the fiscal year 2019 totalling EUR 25.2 million (2018: EUR 21.8 million) comprised cash and cash equivalents.

Net assets

Non-current assets increased by EUR 21.5 million from EUR 142.7 million to EUR 164.2 million compared with the end of 2018, mainly due to the first-time application of IFRS 16 and the related recognition of leasing-related right-of-use assets with effect from 1 January 2019 amounting to EUR 14.8 million.

Non-current assets comprised intangible assets amounting to EUR 49.8 million (31 December 2018: EUR 51.1 million) and property, plant and equipment and investment property amounting to EUR 89.9 million (31 December 2018: EUR 75.6 million).

The slight reduction in intangible assets of EUR 1.3 million from EUR 51.1 million to EUR 49.8 million was mainly attributable to scheduled amortisation. No impairment losses were recognised during the fiscal year 2019.

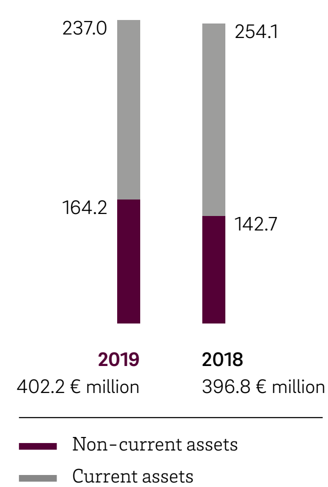
The increase in property, plant and equipment mainly reflects the first-time recognition of leasing-related right-of-use assets in the balance sheet in accordance with IFRS 16.

At EUR 237.0 million, current assets were EUR 17.1 million below the figure recorded at 31 December 2018. While inventories increased by EUR 1.6 million, other assets and receivables by EUR 3.5 million and cash and cash equivalents by EUR 4.1 million, trade accounts receivable decreased by EUR 9.7 million taking into account the factoring program, and assets held for sale by EUR 18.9 million.

The Bode Group was the main reason for the increase in inventories due to a build-up of buffer inventories for revenue to be generated in 2020, project delays and a general lengthening of inventory replenishment times. Trade accounts receivable went down by EUR 9.7 million compared with the previous year, particularly due to the use of factoring since the beginning of September 2019. At 31 December 2019, receivables with a total volume of EUR 26.2 million had been sold to a factor under the factoring programme. Of this amount, cash and cash equivalents of just under EUR 23.0 million were received at the end of December 2019, with the remainder reported under other current assets. Payments received prior to 31 December in connection with receivables previously sold to the factor amounting to EUR 8.3 million are reported under other current liabilities.
The change in assets held for sale was attributable to the deconsolidation of Sepsa with effect from 7 May 2019 and the corresponding complete derecognition of all assets and liabilities.

The decrease in trade accounts receivable and an increase in contract liabilities and trade accounts payable led to an 11.9% year-on-year decrease in working capital to EUR 122.8 million.

Balance sheet structure
Assets
€ million



At EUR 269.7 million, capital employed was EUR 14.3 million below the level recorded one year earlier. The decrease in working capital contrasts with a lower increase in fixed assets. The return on capital employed (ROCE), which indicates the ratio of EBIT to the average amount of capital employed, was positive 6.4% for the fiscal year 2019, compared with negative 2.7% for the previous year.

Cash and cash equivalents increased by EUR 4.1 million to EUR 25.2 million, mainly due to timing factors and normal business activities around the year-end.

Write-downs on inventories totalled EUR 16.6 million at the end of the reporting period (31 December 2018: EUR 15.7 million).

Net assets, financial and earnings position of Schaltbau Holding AG

As in the previous year, the annual financial statements of Schaltbau Holding AG for the fiscal year 2019 were drawn up in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

In its capacity as lead company, Schaltbau Holding AG is responsible for the strategic alignment and overarching operational management of the Schaltbau Group and also provides services to its subsidiaries. Its earnings and financial position are therefore 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. A profit and loss transfer agreement is in place between Schaltbau Holding AG and Schaltbau GmbH.

Earnings position of Schaltbau Holding AG

Schaltbau Holding AG closed the fiscal year 2019 with a loss before tax of EUR 10.2 million (2018: loss before tax of EUR 23.3 million). The net loss for the year amounted to EUR 11.7 million (2018: net loss of EUR 23.3 million and corresponds to the accumulated deficit of EUR 11.7 million.

The previous year's result was impacted in particular by impairment losses on financial assets totalling EUR 9.7 million, impairment losses on receivables of EUR 15.5 million and expenses in connection with risks relating to potential calls on guarantees amounting to EUR 1.3 million.

Net profit for the fiscal year 2019 was mainly held down by expenses in conjunction with implementing the restructuring plan. In addition to expenses for legal and consulting fees, expenses incurred in connection with the new Syndicated Credit Agreement and with potential calls on bank and Group guarantees led to an increase in other operating expenses.

Revenue of EUR 3.3 million (2018: EUR 3.5 million) was earned from the provision of services, relating in particular to the recharging of the cost of centralised IT systems to subsidiaries.

Other operating income of EUR 1.7 million (2018: EUR 2.1 million) mainly included income of EUR 1.5 million relating to prior periods.

The increase in personnel expense mainly reflects expenses incurred in 2019 for three members of the Executive Board as well as higher bonuses.

The decrease of EUR 17.5 million in depreciation, amortisation and impairment losses to EUR 1.1 million in the previous year was attributable to impairment losses on receivables relating to Alte of EUR 15.5 million and impairment losses on other assets of EUR 2.3 million.

Other operating expenses related in particular to expenses incurred in connection with the new Syndicated Credit Agreement (consulting costs, etc.), restructuring and general administration costs. Furthermore, a provision of EUR 4.0 million was recognised in the year under report for risks in conjunction with potential calls on issued guarantees.

Income from profit and loss transfer agreements decreased to EUR 13.6 million (2018: EUR 19.0 million) due to the significantly lower amount of profit transferred by Schaltbau GmbH.

The net interest result finished at a net expense of EUR 2.2 million (2018: net expense of EUR 0.9 million). The increase in interest expense was attributable to the signing of the new Syndicated Credit Agreement and the factoring programme.

No impairment losses were recognised on financial assets in the year under report. In the fiscal year 2018, impairment losses on financial assets related primarily to loans receivable from Alte (EUR 8.7 million) and the write-down on the carrying amount of the investment in Alte (EUR 0.8 million).

Other taxes of EUR 1.3 million (2018: EUR 0.1 million) in the year under report mainly related to taxes not based on income.

Financial and net assets position of Schaltbau Holding AG

Schaltbau Holding AG's balance sheet total decreased by EUR 12.1 million to EUR 172.4 million in the year under report. The main reason for the lower figure was the factoring agreement concluded in August 2019, on the basis of which three Schaltbau Group subsidiaries sell trade accounts receivable directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates the resulting opportunities and risks to the participating Group subsidiary and a bank on the basis of contractual arrangements. The system is financed by a credit line made available by a bank. The cash inflow to the subsidiaries from the sale of receivables reduces the overall volume of Schaltbau Holding AG's financing.

At EUR 110.4 million, non-current assets were practically identical to those recorded as at 31 December 2018. The slight decrease was mainly due to depreciation and amortisation.

Current assets decreased by EUR 11.2 million to EUR 61.6 million. The change in receivables from affiliated companies resulted from the factoring agreement concluded in 2019. Receivables from affiliated companies totalling EUR 49.8 million included receivables resulting from intra-group financing as well as receivables from profit and loss transfers. The increase in other assets to EUR 2.7 million (2018: EUR 1.1 million) mainly relates to receivables amounting to EUR 1.0 million from Alte, which was sold in 2019.

The financing of Schaltbau Holding AG and its domestic operating subsidiaries is primarily based on the new Syndicated Credit Agreement concluded in June 2019 and the promissory notes amounting to EUR 13.5 million remaining at 31 December 2019. Liabilities to banks at 31 December 2019 were reduced by EUR 22.4 million to EUR 75.8 million (31 December 2019) compared with the previous year, mainly as a result of the new factoring agreement. Payables to affiliated companies increased to EUR 32.4 million (2018: EUR 19.2 million), mainly reflecting changes in liquidity balances at the level of subsidiaries as part of cash pooling arrangements.

Provisions of EUR 17.9 million at 31 December 2019 were EUR 8.7 million higher than at the end of the previous fiscal year (EUR 9.2 million). The increase was mainly due to the recognition of liabilities in connection with the risk of potential calls on guarantees, personnel-related provisions and provisions for outstanding supplier invoices. Pension provisions totalled EUR 5.1 million and were therefore practically at the same level as one year earlier.

At 31 December 2019, Schaltbau Holding AG's equity stood at EUR 44.9 million, whereby the decrease resulted from the net loss for the year of EUR 11.7 million. The equity ratio deteriorated from 30.7% to 26.1%.

Research and development

The Schaltbau Group can only achieve long-term success in its competitive market environment through its ability to keep pace with technological progress and constantly take new products to market. The Research and Development department plays a key role in this endeavour. In the course of its increased efforts to enter foreign markets, the Schaltbau Group needs to consider the respective local circumstances, requirements and specifications in terms of each product. Moreover, due to the increasing digitisation of its products, the Schaltbau Group constantly needs to acquire and develop new know-how. The development of digital products requires considerable upfront expenditure on R&D as well as marketing expenses and requires investment in both production facilities and processes.

During the year under report, the Schaltbau Group spent the equivalent of 6.3% of total output on research and development (2018: 6.1%). Due to the status of development projects, only a low percentage of total R&D expenditure was recognised as assets in the fiscal year 2019. Scheduled amortisation amounting to EUR 1.6 million (2018: EUR 1.8 million) was recognised on capitalised development costs. No impairment losses were recognised during the fiscal year under report (2018: EUR 3.0 million). An average of 368 employees were engaged in development work during the year under report (2018: 467 employees). The lower figure relates mainly to the two deconsolidated companies Sepsa and Alte.

One of the main focuses of Schaltbau's R&D work was the digitisation of its core products. In the Stationary Transportation Technology segment, the focus was on launching a new generation of signal technology for shunting areas and new, digitised axle counting systems.

In the Mobile Transportation Technology segment, the Bode Group worked on developing a new generation of electric swinging-sliding doors for the urban bus sector, which are compact for bus manufacturers and reliable and easily available for operators, while at the same time significantly improving passenger flows in urban buses. For future mobility concepts such as autonomous people movers, a multi-year cooperation with Brose has been initiated to develop new, smart door systems based on electric drive technology that will provide a host of new digital features such as access control, ticketing and monitoring. A new, closed development tool chain has been created as part of a pre-development project, which combines mechanical design with the electronics as well as with the software used in simulation mode. A so-called digital twin is being developed that will serve as a dimensioning tool in the pre-prototype phase and as a core element of Condition Based Maintenance (CBM) after the first boarding system has been developed. CBM technology is being used for the first time in a project in cooperation with a well-known international train manufacturer. In order to meet market requirements for the use of LEDs in door leaves and door portals, standard solutions have also been defined, which are already being used in a number of rail projects.

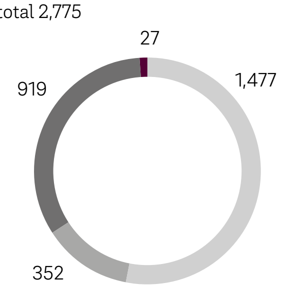
At SBRS GmbH (formerly Schaltbau Refurbishment GmbH), R&D activities continued to focus on high-performance electric charging infrastructure. SBRS is specifically developing a simultaneously connectable 75 KW high-performance charging module based on SiC (silicon carbide) technology.

Among other projects, the Components segment continued developing contactors for DC applications with the aim of expanding its business to enter fast-growing markets outside the rail sector such as new energy, e-mobility and a range of other industrial applications.

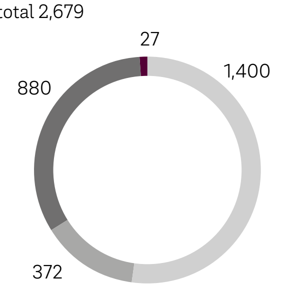
Employees

Development of staff numbers
On annual average

2019
total 2,775



2018
total 2,679



- Mobile Transportation Technology
- Stationary Transportation Technology
- Components
- Holding

The size of the Schaltbau Group's workforce decreased to 2,863 employees over the 12-month period under report, 294 fewer than at the end of the previous year. The number of people employed in the Mobile Transportation Technology segment grew across all entities, mainly reflecting the higher volume of business. The staff reduction of 333 employees in absolute terms in the Mobile Transportation Technology segment was essentially due to the deconsolidation of Alte (-195 employees) and Sepsa (-261 employees). At 31 December 2019, the Stationary Transportation Technology segment employed 358 people, i.e. practically unchanged year-on-year. In the Components segment, staff numbers increased moderately by 44, mainly due to volume-related growth.

The average number of people employed by the Schaltbau Group (full-time equivalents) fell from 2,998 to 2,723 in the year under report, primarily due to the deconsolidation of Alte and Sepsa in the second quarter 2019.

As part of its training and qualification programmes, the Schaltbau Group regularly conducts technical training courses, product training and advanced courses relating to legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market challenges of the future. At 31 December 2019, a total of 72 young people were undergoing vocational training in various Schaltbau Group companies (31 December 2018: 71), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician. The figure is practically identical to the previous year's level.

Customer relations

The companies of the Schaltbau Group are regularly represented at important trade fairs with the aim of fostering good relationships to customers and partners and exhibiting our latest innovations. Events of this nature are also a good opportunity to carry out various customer satisfaction surveys. Again in 2019, the Schaltbau Group demonstrated its ability to develop products and solutions for each of its key fields of operation.

Apart from its traditional rail business, Schaltbau GmbH placed its main focus on entering new markets in the field of new energy. In the stationary sector, these include both the energy generation and energy storage markets as well as applications for testing, charging and vehicle technology in the mobility sector. As a specialist for safe switching and separating in the field of DC technology, Schaltbau presented customers with new product solutions for pre-charging, controlling, traction and main contactors. It also successfully developed safety-related applications for the rail sector and other industries as well as snap-action switches and connectors. In its efforts to enter new markets, the Schaltbau Group stepped up its presence on trade fairs quite considerably. Components solutions made by Schaltbau were successfully showcased at the "Hannover Messe", but also at international trade fairs such as the "Energy Storage Europe", the "Energy Storage North America", the "ees Europe" and the "MES Expo". The Group's innovations included the new CP switch and the enhanced version of the C310 contactor.

Report on outlook, risk and opportunities

Outlook report

Forward-looking statements

This Management Report contains information 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, prove to be incorrect and risks or uncertainties may arise. For this reason, actual outcomes may differ considerably from those expected. This may be due to a number of reasons, such as changes in the business and economic environment, major changes in ongoing projects or in the investment behaviour of customers.

Expected macroeconomic environment

General economic environment

In its most recent outlook published in January 2020, the International Monetary Fund[1] ("IMF") expects the global economy to grow in 2020 by only a moderate 3.3% (outlook 2019: 2.9%). The IMF has therefore adjusted the original forecast published in October 2019 downwards by 0.1%. The reappraisal of likely growth is essentially based on the recent negative performance of emerging economies such as India and also taken increasing social unrest into account.

On the other hand, the IMF points to a slight improvement in market sentiment and a possible bottoming out in terms of manufacturing and world trade as well as a broadly based accommodative monetary policy being practised by central banks. Moreover, good news regarding the trade conflict between the USA and China and the elimination of the "no-deal Brexit" risk could rekindle companies' willingness to invest during the current year. However, there are very few concrete indications of a turning point in global macroeconomic data to date.

At the end of February, the IMF again lowered its growth forecast by 0.1 % to 3.2 % due to the increasing influence of the COVID 19 virus (coronavirus) on the global economy.[2] This reduction results from a reduction in the growth prospects of the Chinese economy by 0.4% to 5.6% and assumes that the economy will return to normal in the second quarter. In this context, however, the IMF has stressed that the consequences of the coronavirus pandemic that occurred at the end of January for the global economy cannot yet be accurately assessed. While several banks have already slightly scaled back their growth forecasts for China as well, the tangible impact on international supply chains, economic sectors and the ordering behaviour of commercial enterprises in certain economic regions is currently not yet foreseeable.

[1] www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020

[2] www.imf.org/en/News/Articles/2020/02/22/pr2061-remarks-by-kristalina-georgieva-to-g20-on-economic-impact-of-covid-19

In its monthly report for March 2020, the German Bundesbank[1] points out that a slide into a pronounced recession cannot be prevented. An economic recovery would therefore only begin when the danger of a pandemic is effectively contained. Against this background, the economic development is characterized by unprecedented uncertainty.

Sector-specific environment

According to experts, the global market for rolling stock is likely to grow at an average annual rate of 4.4% and generate volume in the region of USD 73.8 billion by 2025. The largest sales market for rolling stock is therefore set to be the Asia-Pacific region, followed by Europe and North America. Market growth is currently being driven by the expansion of rail networks in metropolitan areas, the construction of new railway lines and the approval of new high-speed rail projects (source: ResearchandMarkets.com, "Rolling Stock Market by Product Type, Components, Technology & Region – Global Forecast to 2025").

On 14 January 2020 – in the presence of Federal Finance Minister Olaf Scholz – Federal Transport Minister Andreas Scheuer, DB AG CEO Richard Lutz and DB Infrastructure Director Ronald Pofalla signed the final version of the third Service and Financing Agreement ("LuFV III") presented to the Transport Committee of the Bundestag in November 2019. The agreement provides for a total of approximately EUR 86 billion in funding for investments in rail infrastructure up to the year 2030. Around EUR 62 billion of the total amount is to be financed by the Federal Government and some EUR 24 billion by DB AG. Accordingly, an average of around EUR 8.6 billion per annum will be made available for replacement investments and to maintain the German rail network. According to the Federal Ministry of Transport and Digital Infrastructure[2], LuFV III provides for the renewal of 2,000 kilometres of track and 2,000 points each year, while a total of around EUR 7 billion is earmarked for signalling technology.

With effect from 1 January 2020, an average fleet emission limit of 95 grams of CO2 per kilometre has applied within the European Union for all newly registered vehicles from any single manufacturer. The limit is equivalent to an average fuel consumption of 4.1 litres of petrol or 3.6 litres of diesel per 100 kilometres. Any vehicle that consumes more fuel and thus emits more CO2 must be offset by a more economical model within the same manufacturer's fleet. In this context, it is important to bear in mind that each manufacturer and its fleet of new cars has a specific value that depends on the average weight of its newly registered cars.

The German Association of the Automotive Industry[3] ("VDA") expected as of November 2019, before the outbreak of COVID-19 pandemic, the global passenger car market to contract by around 1% to 78.9 million units in 2020. The market volume is therefore only likely to achieve the level recorded in 2015 (78.2 million units). The VDA sees an increased commitment to climate protection, digitisation and changing mobility behaviour as the greatest challenges for the automotive industry[4]. In Germany, the Association of International Motor Vehicle Manufacturers[5] expects new registrations to drop by around 7% to 3.35 million passenger cars. At the same time, it expects a further increase in registrations of vehicles with alternative drivetrains such as electric, hybrid or gas in the current year, from 8.8% to around 15% of total registrations.[6]

[1] https://www.bundesbank.de/de/publikationen/berichte/monatsberichte/monatsbericht-maerz-2020-828870
[2] www.bmvi.de/SharedDocs/DE/Artikel/E/starke-schiene-unterzeichnung-lufv.html
[3] www.vda.de/de/presse/Pressemeldungen/191104-mattes-politik-muss-automobilstandort-Deutschland-jetzt-wetterfest-machen.html
[4] www.vda.de/de/presse/Pressemeldungen/200205-Hildegard-M-llerbWandel-der-Automobilindustrie-als-Chance-verstehen.html
[5] www.vdik.de/pkw-markt-startet-mit-rueckgang-von-7-prozent/
[6] www.vdik.de/2019-mehr-als-100-000-neueelektrofahrzeuge-zugelassen/

However, the VDA recently pointed to a significant decline in sales figures on the international automotive markets in February 2020.[1] In China, car sales have dropped significantly as a result of the effects of the corona pandemic and measures to contain the COVID-19 crisis. The European passenger car market and other regional markets were also down year-on-year, although, unlike in China in February, these declines were not yet related to the current corona pandemic. In the bus markets relevant to Schaltbau, the manufacturers are currently expecting different regional developments for the year 2020.[2] Accordingly, a moderate market decline is expected in Europe compared to the previous year. In Brazil, new registrations are expected to be significantly higher than in the previous year. In Mexico, by contrast, a moderate increase is expected.

The new energy market is also experiencing above-average growth. Under the terms of the "Climate and Energy Package 2020" developed by the European Commission[3], about 20% of energy should come from renewable sources in 2020, and that proportion is supposed to increase to at least 27% by 2030.[3]

Expected business and earnings position

As from fiscal year 2020, EBIT – without adjustment for exceptional items – will be used as a financial performance indicator. This is in line with the change in internal management and the fact that, following the completion of restructuring and associated measures in 2019, management of the Group as a whole will again be based on reported EBIT.

Due to its growing importance within the Group, as from fiscal year 2020, SBRS GmbH will become the fourth segment of the Schaltbau Group and therefore separated from the Mobile Transportation Technology segment. SBRS GmbH focuses on the complete and partial modernisation of trains, including a range of ancillary services. E-mobility solutions are also becoming an increasingly significant part of the business activities of SBRS.

Moreover, the Executive Board wishes to give greater significance to the existing brand names of the subsidiaries and will rename the segments accordingly for segment reporting purposes from the fiscal year 2020 onwards. The Stationary Transportation Technology segment will therefore be known as the "Pintsch" segment and the Components segment as the "Schaltbau" segment. In future, the Mobile Transportation Technology segment will be divided into the "Bode" and the "SBRS" segments.

The measures initiated to focus the Schaltbau Group on its strategic core competencies and boost profitability will be continued throughout the fiscal year 2020.

Prior to the outbreak of COVID-19, the Schaltbau Group was targeting revenue in the range between EUR 520.0 million and EUR 540.0 million for the fiscal year 2020. Group order intake was also expected to be between EUR 520.0 million and EUR 540.0 million.

In the Bode segment, further revenue growth was targeted for 2020, the majority of which was already secured by the existing order book. From that perspective, the primary growth driver was seen as the Door Systems for Railway Vehicles product group.

[1] https://www.vda.de/de/presse/Pressemeldungen/200318-Internationale-Automobilm-rkte--Absatz-geht-im-Februar-erneut-zur-ck.html
[2] https://www.corporate.man.eu/man/media/content_medien/doc/global_corporate_website_1/investor_relations_1/gb/2019_67/Lagebericht_aus_MAN_Geschaeftsbericht_2019.pdf
[3] ec.europa.eu/clima/policies/strategies/2030_de

The Executive Board was predicting significant revenue growth for the SBRS segment in 2020. This positive development was based primarily on growing demand for e-charging infrastructure for public transport vehicles. The Board was expecting moderate revenue growth for the Pintsch segment in 2020. The loss of revenue due to the withdrawal from the platform screen doors business was predicted to be more than offset by growing volumes in other areas, in particular level crossing systems.

The favourable order situation in the Schaltbau segment was expected to continue in 2020, mainly on the back of increased demand coming from the "New Energy" and "New Industry" market sectors.

Based on the improved order situation, the Executive Board was originally targeting a higher level of earnings and expected EBIT in the range of around 6% to 7% of revenue, mainly on the back of higher revenue, continued productivity improvements and savings in direct and indirect materials.

However, the rapid proliferation of COVID-19 has given rise to risks that put the original revenue target for 2020 in jeopardy. These risks mainly entail the possible closing of company production sites or those of customers as well as bottlenecks in the material procurement supply chain. The absence of employees could also lead to additional restrictions in terms of production activity. Furthermore, the COVID-19 pandemic could have an indirect impact driven by deteriorating demand in a contracting economy. From the current perspective, the Executive Board expects these risks to be of a temporary nature and that some of the resulting delivery delays can be compensated for by the end of the year. In the field of door and boarding systems for buses and commercial vehicles, the Executive Board currently anticipates lengthy plant closures on the part of customers and that, based on currently available in-house capacities, it will not be possible to make up for this temporary volume decline by the end of the year.

The above-mentioned risks emanating from the COVID-19 crisis make it necessary to adjust the original revenue and earnings forecast. From today's perspective, the targeted revenue range has been reduced to between EUR 460 and EUR 500 million. In terms of earnings, the Schaltbau Executive Board currently expects an EBIT margin of around 4% of revenue with an unchanged segment and product mix. Order intake, however, is currently forecast to remain largely unchanged.

Due to the lower-than-expected cost of restructuring measures, the Executive Board of Schaltbau Holding AG expects to record a profit before tax in the low single-digit million range.

Expected financial situation

In 2019, the main pillars of the Group's financing strategy were established with the implementation of refinancing measures in the form of the new Syndicated Credit Agreement alongside the securitisation programme. The year 2020 will see continued financial stabilisation and the implementation of further targeted measures to increase the Group's liquidity headroom.

Free cash flow is expected to be positive in the year 2020. The debt ratio at the end of 2020 is forecast to be slightly lower than at 31 December 2019.

Risk report

Risk management

Risk strategy and organisation of risk management

The business activities of the Schaltbau Group inevitably entail an element of risk. The responsible handling and prudent management of risks is an essential element of good corporate management. The risk management system implemented within the Schaltbau Group aims to sharpen awareness in all of the Group's companies and across all operating functions, identify risks at an early stage, limit business 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 major contribution towards achieving the Schaltbau Group's strategic, operating and financial targets.

Measures have been implemented to continuously improve the planning process for Group companies in order to counter risks in conjunction with negative budget variances for individual companies.

The risk management system is described and defined in guidelines that apply throughout the Schaltbau Group. It includes an appropriately comprehensive system of documentation and reporting. Opportunities and risks within the Schaltbau Group are continually recorded, evaluated and analysed and then reported on at the end of each quarter. The risks that have been identified for fully consolidated entities and significant participations are recorded and evaluated by the lead companies responsible for the various segments and subsequently, in a second stage, consolidated and assessed at the level of the Group parent company. All potential causes of damage are recorded according to their probability of occurrence and their possible impact. Risks with a potential to cause damage in excess of kEUR 500 are classified as material risks for the Group and therefore recorded and presented separately. The risk management officers of the Group's parent company and the lead companies of the operating segments are responsible for ensuring compliance with risk management guidelines.

Irrespective of their probability, all uncertainties that represent a risk with regard to a deviation from targeted results are notifiable. For these purposes, "damage" is considered by the Schaltbau Group to mean a perceptibly negative impact on the net assets, financial position and results of operations of the relevant individual company, including Schaltbau Holding AG. In view of the varying business models applied and the related risk situations, amounts are not aggregated at Schaltbau Group level.

Risk categories are classified according to the amount of damage as follows:

Maximum damage (earnings / liquidity)

€k	
Low	< 100
Medium	100 to 500
High	> 500

Standardised for all Group companies, risks with the potential to cause damage in excess of kEUR 500 are classified as high, based on the assumption that the net assets, financial position and results of operations of entities included in the Group's risk reporting system are likely to be substantially impaired by losses on this scale.

The following classification is applied with regard to the probability of occurrence:

Probability of occurrence

Low	0% – 10%
Medium	11% – 30%
High	31% – 50%
Very high	51% – 99%

Once identified, material risks are subsequently monitored on a continuous basis and either mitigated or eliminated by means of appropriate measures. To the extent possible, these are covered either by insurance policies or by corresponding provisions in the balance sheet. The same applies to latent risks. However, damage/losses may arise that are uninsurable, or for which provisions cannot be recognised, or for which the amount of provision recognised is insufficient. The extent to which provision for risk is recognised in the balance sheet – in the form of provisions, specific and general valuation allowances or write-downs – is described separately in the section on risk reporting.

Responsibility for the ongoing quarterly update of the risk management system rests with the Executive Board of Schaltbau Holding AG, the executive management of the majority-held subsidiaries and the risk management officers.

Risk reporting

In addition to internal ad hoc disclosures, 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 profile, to the responsible Group risk management and compliance officers, who, in turn, submit a detailed risk report to the Executive Board of Schaltbau Holding AG, also on a quarterly basis.

The Executive Board is provided with additional information regarding the risk situation within the Schaltbau Group in the form of monthly reports on revenue, earnings and personnel developments, continuous liquidity forecasts and reports on quality-related and other operating expenses, as submitted by the subsidiaries. Furthermore, review meetings take place regularly, in which all risk- and opportunity-related topics are discussed. Based on current developments, comparisons are made against budgeted figures, prior-year 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 segments and subsidiaries, and that any measures necessary are promptly taken.

The following presentation of the risk situation on a gross basis does not take any risk-mitigating measures into account. Apart from the risks described below, no further significant risks have been identified. Material risks are classified as any individual risk to which the companies are exposed with a gross risk value of more than kEUR 500. The risk situation is described as at 31 December 2019, but also takes into account events after the end of the reporting period.

Compliance

A Compliance Officer is employed at the level of Schaltbau Holding AG who reports directly to the Executive Board. Schaltbau Holding AG has established compliance functions at Schaltbau GmbH and Gebr. Bode GmbH & Co. KG. The function is currently also being established for the Pintsch Group. Compliance officers at the various subsidiaries report to their own management and to the Compliance Officer of Schaltbau Holding AG.

Awareness of the importance of compliance is embedded in the Schaltbau Group's Code of Conduct and reinforced by targeted basic and further training as necessary. Audits are also aimed at ensuring compliance with statutory regulations and in-house guidelines relevant for the individual companies of the Schaltbau Group worldwide.

Overall assessment of the Schaltbau Group's risk situation

The measures implemented in 2017 and 2018 to stabilise and restructure the Schaltbau Group financially and the refinancing measures completed in 2019 have enabled the Group to achieve a significant improvement in the overall risk situation. With the conclusion of the new Syndicated Credit Agreement beyond 2019, the last remaining milestones in the Group's restructuring, which has been ongoing since 2017, have been reached. On this basis, the supporting external consultancy confirmed the successful completion of restructuring measures at the end of July 2019.

Group financing has been secured on the basis of the new Syndicated Credit Agreement for EUR 109 million concluded in 2019. The new arrangement provides for a three-year basic term and two extension options of one year each for the next years. Under its terms, interest rates for the utilisation of liquidity will depend on the defined leverage as from 1 January 2020. Margins of a minimum of 1.0% p.a. and a maximum of 3.1% p.a. have been agreed upon. However, the interest rate remained fixed at 3.6% p.a. until 31 December 2019. The financial covenants stipulate that the equity ratio may not fall below 20% (up to 31 December 2020) and 25% (as from 1 January 2021) and that the defined leverage does not exceed 3.5 (up to 31 March 2021) or 3.0 (as from 1 April 2021).

In addition, there are two promissory notes with a total nominal amount of EUR 13.5 million as at 31 December 2019 that comprise two tranches of EUR 8.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025). A total of EUR 56.5 million of the promissory notes existing in the previous year (EUR 70.0 million) was repaid in 2019.

Furthermore, a programme for the securitisation of receivables with a maximum volume of EUR 29 million was concluded with Commerzbank AG, Frankfurt am Main, in 2019.

Based on the measures implemented in 2019 and after assessing the new overall risk situation, including the COVID-19 crisis, the Executive Board of Schaltbau Holding AG does not see any risks that could endanger the going-concern status at the time the 2019 consolidated financial statements were prepared. Stringent monitoring of liquidity developments and a comprehensive, defined catalog of measures can effectively counteract short-term liquidity shortages.

However, risks to the going-concern status of the company may arise if the effects of the COVID-19 crisis extend over a significantly longer period and plant closures of several weeks are required for the main manufacturing group companies. This could result in liquidity bottlenecks that could not be compensated for by short-term measures. In addition, resulting sales backlogs would not be made up for by the end of the year due to capacity reasons, among others.

Risk categories in the Schaltbau Group

		Probability of occurrence		
Amount of damage	Low (0–10%)	Medium (11–30%)	High (31–50%)	Very high (51–99%)
High (≥ kEUR 500)	**Medium**	**High**	**High**	**High**
Medium (kEUR 100–499)	**Medium**	**Medium**	**Medium**	**High**
Low (< kEUR 100)	Low	Low	Low	**Medium**

The presentation of the risk categories was adjusted during the year under report. Risks in the Schaltbau Group are classified by category, as seen in the above table. Accordingly, the risk categories are broken down into the axes "Amount of damage" (in kEUR) and "Probability of occurrence" (in %). Based on the table above, risks with a value > kEUR 500 are listed in the table below.

Significant risks of Schaltbau Holding AG and the segments

Risk category	Segments primarily affected	Assessment from segment perspective
Macroeconomic and sector-specific risks		
Political influence on the awarding of contracts	Mobile Transportation Technology, Components	Medium to high
Declining demand	Stationary Transportation Technology, Components	Medium to high
Pressure on selling prices	Components	High
Increasing competitive density and unfavourable competitive position	Stationary Transportation, Technology	Medium
Purchasing risks		
Shortages of raw materials and intermediate products	Mobile Transportation Technology, Components	High
Development and design risks		
Risks associated with the market launch of new products	Stationary Transportation Technology	High
Design risks	Stationary Transportation Technology	High
Production and quality risks		
Warranty risks	Mobile Transportation Technology, Stationary Transportation Technology	High
Sales volume and selling risks		
Working capital	Mobile Transportation Technology	Medium
Personnel risks		
Shortage of skilled personnel	Stationary Transportation Technology	High
Labour law-related risks	Stationary Transportation Technology, Components	High
Legal and tax risks		
Legal risks in connection with projects	Mobile Transportation Technology, Stationary Transportation Technology	Medium to high
Tax risks	Schaltbau Holding AG	High
Risks arising from investments		
Operational performance of subsidiaries/participations	Components	High
Financial risks		
Adherence to financial covenants	Schaltbau Holding AG	Medium to high
Assurance of profitability	Mobile Transportation Technology	High
Possible default on receivables	Components	Medium

Macroeconomic and sector-specific risks

Economic and political developments on sales markets, fluctuations in purchase prices and the impact of global and regional competition can all have an influence on the Schaltbau Group's order book situation and earnings. Due to the Schaltbau Group's presence in various economic areas and the high proportion of public-sector contracts, macroeconomic risks are low. The risk of fluctuating raw materials prices is mitigated by long-term supply contracts, centralised purchasing requirements, commodity futures or by passing on price increases to customers.

Changes in **economic policy**, such as the United Kingdom leaving the European Union, could be detrimental to the sale of products in certain regions. In the rail sector, the Schaltbau Group generates the majority of its revenue with customers that are either directly or indirectly government-controlled. This sometimes causes the business decisions made by these customers with respect to the awarding of orders to be politically influenced or controlled. This type of political control can be seen in particular in the important non-European markets of the Schaltbau Group, such as in China. An economic structure characterised by government intervention can make it difficult to implement foreign projects when government contracts are awarded.

Declining demand in key sales markets can exert pressure on individual areas such as the Stationary Transportation Technology segment or other business fields. Governmental and investment decisions in the rail sector are particularly important for the Schaltbau Group. Spending cuts or a shift of investments into areas not covered by the Schaltbau Group could adversely affect the order situation. High risks exist in this respect for the Components segment in all its fields of business, particularly for connectors, snap-action switches and industrial contactors.

The number of potential customers in the rail sector is limited. The existing structures put power in the hands of the customer, resulting simultaneously in increased **downward pressure on selling prices**. This fact is particularly noticeable in the components business in China, where changes in the structure of tendering procedures are leading to increased pressure on selling prices across all segments. Greater concentration of competition, caused, for example, by new suppliers entering the market, may result in lower selling prices and the loss of market share (**competitive risks**). For instance, Schaltbau's Stationary Transportation Technology segment is increasingly competing with suppliers that obtain a competitive edge by means of new digitisation technologies, enabling them to gain additional market share.

Competitive disadvantages in terms of product range, product quality, selling prices, development and/or lead times could also result in a loss of market share. The Schaltbau Group counters the risk of competition by continuously developing its products to meet customer requirements. The integration of system solutions in customers' platforms creates reliable, long-term customer relationships that are intensively maintained. Nevertheless, insufficient functionality and the pricing of competitors could entail risks for individual product groups. In the Stationary Transportation Technology segment, for example, it will be necessary to a certain extent to develop new level crossing systems to meet changed customer specifications.

Risks along the value chain

Purchasing risks can arise as a result of reduced capacities at the level of raw materials producers and suppliers or as a result of rising demand, in both cases potentially causing supply delays and cancellations. Suppliers of certain materials, components or pre-assembled units can also fail to deliver, whether 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 revenue losses and possible long-term damage to the Group's reputation as well as contractual penalties imposed by customers. As part of its supplier management strategy, the Schaltbau Group counters purchasing risks by signing long-term supply agreements, through the intensive qualification of suppliers, and by finding additional sources of supply in conjunction with supplier management. Sometimes it is also possible to find internal solutions.

Despite taking risk-mitigating measures, the Components and Mobile Transportation Technology segments are exposed to purchasing risks. For example, due to high market demand, extended lead times for raw materials could result in delays in bus and rail projects. In the Components segment, for example, the pressure of having to meet environmental protection requirements could result in delivery delays from Chinese suppliers.

Development and design risks can arise from insufficient specifications for newly developed products that fail to take account of differing regional customer requirements or from overruns of scheduled development times (time-to-market). This can result in higher costs and, in certain cases, impairment losses on capitalised development costs. As a general rule, the further development of products and systems is organised in close cooperation with core customers or even performed on their behalf. In the Stationary Transportation Technology segment, there are medium to high risks connected with the planned introduction of products in various regional markets or from the slow pace of development and reaction to customer requirements (see Competitive risks).

Production breakdowns or interruptions can put pressure on costs and also lead to delayed deliveries, while quality problems in the production process or product development can result in customer complaints and hence corresponding warranty risks (**Production and quality risks**). Moreover, if quality problems are known to exist, it can also have a negative impact on sales of the product concerned. 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 safety and industrial safety. Quality risks are partially covered by warranty provisions. Nevertheless, in some cases high risks can arise, given that the economic losses caused by justified customer complaints may exceed the amount of provisions recognised. Apart from product-related malfunctions or quality defects, delivery delays – possibly due to capacity reasons – can lead to loss of revenue, contractual penalties or even the delisting of products. This risk is considered high for the Mobile Transportation Technology segment. Furthermore, particularly in the Stationary Transportation Technology segment, technical complications can occur after project implementation, which can lead to malfunctions that have to be remedied. Here, too, the risk is classified as high. In addition, production and quality risks are often associated with reputational risks that could have an adverse impact on business in the long term.

Sales volume and sales risks result from project delays or cancellations on the part of the customer as well as sales volume fluctuations. Business can also be lost as a result of insourcing by customers. A market structure that consists of a relatively small number of customers exacerbates these risks.

The insolvency of individual customers could also have a significantly negative impact on the net assets, financial position and results of operations as well as on liquidity. However, given the

Schaltbau Group's large percentage of public sector and major industrial customers, the risk of incurring large-scale bad debt losses is currently considered to be low.

Furthermore, risks in the recognition of revenue can also result in higher-than-normal working capital levels. The risk for the Mobile Transportation Technology segment is classified as medium.

Personnel risks

Personnel risks arise as a result of bottlenecks in staff recruitment, a shortage of skilled personnel and employee fluctuation as well as sickness and periods of absence. These risks are classified as high, particularly in the Stationary Transportation Technology segment. They are, however, mitigated by means of targeted recruitment and further training activities, needs-based vocational training and greater in-house cooperation. Moreover, sharply rising pay levels in a country or region may contribute to higher employee fluctuation.

Schaltbau Group companies apply high standards of health and safety at work, in accordance with legal requirements and labour law regulations. However, new technologies, the introduction of new work processes, or the reclassification of previously harmless materials can have unforeseeable effects on working conditions and, for example, lead to a higher number of accidents. **Insecure employment** entails the risk of increased employee fluctuation and may also negatively affect the motivation of employees to contribute towards occupational safety. The resulting reputational risks could negatively impact the business situation and – together with possible fines – have an adverse impact on earnings.

The Schaltbau Group views its relations with employees, works councils and trade unions positively. Nevertheless, there is a risk of **labour law conflicts**, for example with respect to collective bargaining negotiations, which could impair production. Depending on the duration of any dispute, it could have a material impact on business activity as well as the Company's net assets, financial position and results of operations. Industrial disputes can also arise in connection with restructuring measures.

Legal and tax risks

The international operations of Schaltbau Group entities entail legal risks. These can arise principally from legal disputes, **patent law infringements and/or claims for damages**. A legal dispute is pending in the Stationary Transportation Technology segment relating to the use of the company premises, which could lead to a loss of planned rental income.

Compensation for damages due to warranty claims could result in penalties in the Mobile Transportation Technology segment. The risks in these areas are classified as medium to high.

Despite regular and careful examination of tax-relevant issues, the complexity of tax regulations may give rise to risks that cannot be identified in advance. These risks pertain to the entire Schaltbau Group and are classified as high.

Risks arising from investments

The Schaltbau Group is currently only looking to benefit from opportunities for non-organic growth on a highly selective basis. At the same time, there is a risk that previously identified synergy benefits or enhanced geographical presence cannot be leveraged to the expected extent or within the planned time frame, or that the cost of integration is higher than planned. If business does not develop as expected, the recognition of impairment losses on goodwill, assets, investments accounted for using the equity method in the consolidated financial statements, or on financial assets in the Company financial statements could have a negative impact on earnings.

As a matter of principle, every investment decision is preceded by a prudent valuation of the targeted business and by a thorough analysis of the legal, technical, tax and financial aspects ("due diligence") in order to minimise the risks referred to above.

Financial risks

The Schaltbau Group's operations could face a deterioration in terms of earnings and liquidity, resulting in a consequent inability to comply with the financial covenants. If these financial covenants are not adhered to, under the current Syndicated Credit Agreement lenders are entitled to a special right of termination, which could potentially impair the Group's development. The COVID-19 crisis that has been spreading since the beginning of 2020 could have a detrimental effect on the Schaltbau Group's operations worldwide. Due to the loss of qualified personnel, delays in the supply chain or cyclical influences in certain economic regions or sectors, negative effects on the net assets, financial position and results of operations cannot be ruled out. The possible risk and the accompanying economic impact for the Schaltbau Group cannot be assessed at this time.

The Schaltbau Group has implemented processes and tools for cash flow planning and monitoring that enable it to manage its cash requirements. However, despite the existing measures, liquidity bottlenecks can occur if the settlement of receivables from major customers is significantly delayed. This could also have an impact on earnings if settlement discount opportunities could not be utilised to a significant extent. These risks apply to the Mobile Transportation Technology segment and are classified as medium to high.

Should the solvency or willingness of Schaltbau Group customers deteriorate, particularly in the Components segment, and should the relevant receivables not be settled, this could have a significantly negative impact on the net assets, financial position and results of operations.

Opportunities report

Opportunities management

In the course of introducing a new, IT-supported risk management system, a decentralised management system for identifying and assessing opportunities was also implemented. The Schaltbau Group defines opportunities as uncertainties with regard to a positive deviation from the targeted outcome. In this context, opportunities in all areas are regularly identified and consolidated at Group level. Opportunities are reported on as part of the monthly reporting process and in quarterly risk reports, and are also the subject of regular review procedures as well as one-on-one oral reports to the Executive Board.

Opportunities situation

Opportunities can arise from market developments, but also from strategic and operational measures. In the following section, opportunities – which also apply to the separate financial statements of Schaltbau Holding AG – are listed in the order of relevance attached to them by management.

Sector-specific opportunities

Sector-specific opportunities could arise as a result of various developments, including the trend towards the standardisation, modularisation and miniaturisation of components, digitisation in the rail sector, high demand for energy-efficient solutions, and increasing system integration. These factors can lead to the emergence of new market segments, in which the Schaltbau Group could play a decisive role.

Rolling stock-related products that could be used in other segments include door systems and on-board electronics as well as digital information and safety systems. The integration of digital data communication and sensor technology enhances passenger comfort, makes the job of rail and supervisory personnel easier and generally increases safety levels in railway transportation. The development of the required modular hardware concepts can also create additional business potential for Schaltbau Group companies.

The development of smart products and solutions, based on a technology platform for train automation, can also strengthen the Schaltbau Group's position vis-a-vis rail systems manufacturers and generate order volumes at levels higher than currently planned.

Medium- and long-term prospects for the rail sector are favoured by global mega-trends such as increasing urbanisation, the growing mobility of the population as a whole, the long-term upward trend in world trade and above-average growth rates in emerging markets, which are, in turn, leading to an increasing need for mass transportation facilities and infrastructure.

Opportunities arising from implementing the restructuring plan

The positive impact of the restructuring measures that have already been either implemented or initiated have been taken into account in the underlying forecast. Nevertheless, additional opportunities can arise, for example, from savings that exceed expectations due to improved purchasing coordination or by reducing complexity within the Group's organisation. Depending on the progress of a given project and the success of negotiations, problem areas may also be resolved more quickly than expected, enabling provisions or impairment losses to be reversed.

The measures taken to stabilise the financial position, which may also include further disposals in certain circumstances, may significantly improve the Schaltbau Group's liquidity position and enable early repayment of financial liabilities or the favourable refinancing of existing liabilities. This would provide the Group with even more scope for growth in its core business and also reduce financing costs.

Strategic opportunities

Strategic opportunities arise in particular from the implementation of a number of key projects that have already been initiated, such as increasing the share of service and aftersales business in the Mobile Transportation Technology segment and the further development of the technological platform for train automation. In the electric mobility and new energy markets, too, R&D projects and a further improvement in product penetration could create additional potential. By focusing on the Group's profitable core business, resources can also be directed to the most promising projects with the aim of enhancing business and earnings performance.

Financial opportunities

Changes in the financial environment can have either a negative or a positive impact on the Schaltbau Group's earnings position. In particular, opportunities in this category include those relating to favourable changes in interest rates, raw materials prices and currency exchange rates.

A part of the financing arrangements is subject to variable interest rates. The amount of interest to be paid is tied to the EURIBOR as the reference interest rate, which gives rise to interest rates that are fixed in the short term. Favourable changes in interest rates would therefore improve the profitability, liquidity, and financial position of the Schaltbau Group.

Warranty expense

A favourable outcome of legal disputes or warranty claims could result in the reversal of provisions created for this purpose, with a correspondingly positive impact on the Schaltbau Group's earnings.

Other disclosures

Compensation of the executive board and supervisory board (compensation Report)

The compensation system at Schaltbau Holding AG is based on the principles of performance and earnings and represents a corporate culture of reward for services provided. The total compensation of the Executive Board comprises both fixed and performance-related components. The fixed components consist of a basic salary and benefits in kind. The performance-related components include annually recurring components that depend on Group net result (before minority interests in accordance with IFRS) or earnings before financial result and taxes (EBIT) and before exceptional items. The Supervisory Board may also approve discretionary bonuses. A pension plan is not in place for current members of the Executive Board.

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 meant to reflect sustainable corporate development. The performance-related 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 14 June 2016, the compensation of individual members of the Executive Board is not disclosed.

Compensation for the current members of the Executive Board totalled kEUR 2,646 in the fiscal year 2019 (2018: kEUR 1,852). 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. The total compensation comprises kEUR 1,255 (2018: kEUR 1,502) for fixed components and kEUR 1,391 (2018: kEUR 350) for performance-related components. No expenses relating to the termination of an Executive Board contract of service were recorded in the fiscal year under report (2018: kEUR 256). A total of kEUR 1,421 was recognised as a provision at 31 December 2019 (31 December 2018: kEUR 370).

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.

The total compensation received by former members of the Executive Board and their surviving dependents amounted to kEUR 82 (2018: kEUR 338). Pension provisions for this group of persons totalling kEUR 442 have been recognised (2018: kEUR 492).

No loans were granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2019.

The basic compensation for a Supervisory Board member was kEUR 30 per annum in the year under report. The Chairman of the Supervisory Board received twice this amount and the Deputy Chairman received one-and-a-half times this amount, resulting in basic compensation totalling kEUR 225 in 2019.

For attendance at meetings of the committees of the Supervisory Board (audit committee, personnel committee, personnel development committee, strategy committee and technology committee), committee members additionally receive a meeting fee of EUR 2,500 per meeting for each individual committee member and double this amount for the committee chairman. Supervisory Board members who have not been members for the entire fiscal year are compensated on a pro-rata basis. Expenses totalling kEUR 174 were incurred for attendance at meetings held in 2019.

Each member of the Supervisory Board receives additional compensation of EUR 300 per hour for the time required in excess of five meeting days per fiscal year, including the necessary preparation time, but not exceeding the hourly or daily rate of the representative of the auditor appointed as engagement partner for the relevant fiscal year. In accordance with the Articles of Association, two members of the Supervisory Board were paid a total of kEUR 57 for additional work performed in 2019.

Taking into account the basic compensation, the compensation for attendance at committee meetings and the compensation for additional work performed, compensation totalled kEUR 456. In the course of its activities, the Supervisory Board engaged external consultants to provide supporting services in 2019, at a total expense of kEUR 178 during 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 scale of the Supervisory Board’s total compensation, the Company does not deem it necessary to introduce a deductible. However, a deductible has been contractually agreed upon for the Executive Board with effect from 2010.

Disclosures pursuant to section 289a and section 315a subsection 1 of the German Commercial Code (HGB) and explanatory report of the Executive Board

1. At 31 December 2019, the subscribed capital comprised the following: The Company's share capital totalled EUR 10,799,671.80 (2018: EUR 10,799,671.80). It is divided into 8,852,190 shares without nominal value (2018: 8,852,190). By resolution of the Annual General Meeting on 8 June 2018, the Company switched from "no-par value bearer shares" (shares without nominal value) to "registered shares" on 19 October 2018.
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.
3. There are no major shareholders owning either a direct or an indirect share of capital exceeding 10% of voting rights. Since 3 November 2017, the shareholders Luxunion, Monolith, the Zimmermann family, and Elrena GmbH have pooled their voting rights by acting in concert. The shareholders informed the Company that they held a total of 28.90% of the voting rights on that date. As a result, Monolith further announced that the share of voting rights held by these shareholders amounted to 29.38% on 2 February 2019.
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 Association 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, appoint a deputy of 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 Association. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Association. In addition, according to section 84 AktG, the Executive Board must be appointed and dismissed by the Supervisory Board. Furthermore, sections 31 Paragraphs 2–5, 33 Paragraph 1 MitbestG apply.
7. The Company's subscribed capital (share capital) is divided into 8,852,190 registered shares (2018: 8,852,190). From this total, 7,645 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 11 June 2015, with the agreement of the Supervisory Board, the Executive Board is authorised up to 10 June 2020 to buy back a maximum of 10% 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 2019.

   Based on a resolution of the Annual General Meeting passed on 14 June 2016, a (new) Conditional Capital I was in place at 31 December 2019 totalling EUR 3,752,601.66, based on the issuing of up to 3,075,903 bearer shares. Subject to the approval of the Supervisory Board, up to 13 June 2021 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 EUR 2,735,752.40 was in place at 31 December 2017. Subject to the approval of the Supervisory Board, the Executive Board was 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 that amount. The authorisation was exercised in February 2018.

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

Description of the main characteristics of the internal control and risk management system with regard to the Group's accounting and financial reporting process pursuant to section 289 subsection 4 and section 315 subsection 4 of the German Commercial Code (HGB) and 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 Association and in-house policies. Accounting documents must be correct and complete, inventory counts properly conducted, assets and liabilities appropriately recognised, presented and measured in the financial statements, so that timely, reliable and complete information for financial reporting in the financial statements can be provided at all times.

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

The accounting and financial reporting systems utilised are protected from unauthorised access by appropriate IT systems. To the extent possible, standard software is installed to operate these systems. The implemented treasury management software, which also handles payment transactions, provides for a dual control principle in all security-sensitive areas. The authorisation concept incorporated in IT systems prevents unauthorised access to external data. System administration is carried out centrally by Group Treasury.

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

Munich, 30 March 2020

Schaltbau Holding AG

The Executive Board

Dr. Albrecht Köhler
CEO

Thomas Dippold

Volker Kregelin

Consolidated financial statements

Consolidated balance sheet

Assets

€k		31.12.2019	31.12.2018
A. Non-current assets			
Intangible assets	(12, 15)	49,814	51,101
Property, plant and equipment	(15)	89,894	75,581
Investment property[1]	(13, 15)	3,868	0
At-equity accounted investments	(14, 15)	3,641	3,152
Other investments	(15)	3,561	3,202
Deferred tax assets	(10)	13,383	9,643
		164,161	**142,679**
B. Current assets			
Inventories	(16)	109,725	108,093
Trade accounts receivable	(17, 30)	83,580	93,303
Current tax assets	(17)	581	672
Other receivables and assets	(17)	14,936	11,462
Contract assets (current)	(27)	3,007	537
Cash and cash equivalents	(18)	25,184	21,114
Assets held for sale	(19)	0	18,920
		237,013	**254,101**
Total assets		**401,174**	**396,780**

[1] First-time application of IAS 40 due to the deconsolidation of the Sepsa Group (see Note (13) investment property).

Alte and the Sepsa Group (Albatros S.L.U, Madrid, Spain and its subsidiaries) are no longer included in the consolidated balance sheet as at 31 December 2019. In order to ensure comparability, please refer to the disclosures provided in the "Explanatory notes to the consolidated balance sheet".

Equity and liabilities

€k		31.12.2019	31.12.2018
A. Equity			
Subscribed capital	(20, 21)	10,800	10,800
Capital reserves	(20, 22)	11,534	11,534
Statutory reserves	(20, 22)	231	231
Revenue reserves	(20, 22)	40,742	58,235
Currency translation reserve	(20, 22)	-2,308	-2,632
Revaluation reserve	(20, 22)	2,975	2,975
Group net profit/loss attributable to shareholders of Schaltbau Holding AG		4,095	-16,519
Equity attributable to shareholders of Schaltbau Holding AG		68,069	64,624
Minority interests	(20, 23)	29,338	29,225
		97,407	**93,849**
B. Non-current liabilities			
Pension provisions	(24)	39,015	36,792
Personnel-related provisions	(25)	5,493	4,220
Other provisions	(25)	2,249	3,098
Financial liabilities	(26)	92,715	12,124
Contract liabilities (non-current)	(27)	161	159
Other liabilities	(26)	4,660	4,686
Deferred tax liabilities	(10)	2,190	2,386
		146,483	**63,465**
C. Current Liabilities			
Personnel-related provisions	(25)	13,593	8,893
Other provisions [1]	(25)	29,308	20,383
Income taxes payable [1]	(26)	3,052	1,929
Financial liabilities	(26)	14,717	109,388
Trade accounts payable	(26)	50,388	47,435
Contract liabilities (current)	(27)	20,100	14,589
Other liabilities	(26)	26,126	18,123
Liabilities relating to assets held for sale	(19)	0	18,726
		157,284	**239,466**
Total equity and liabilities		**401,174**	**396,780**

[1] Due to the application of IFRIC 23, uncertain income tax items are reported under the balance sheet item “Current income tax liabilities” in the year under review and in the comparative year. The comparative period was adjusted by reclassifying kEUR 1,247 from the item “other provisions” to the item “current income tax liabilities”.

Consolidated income statement

€k		2019	2018
Revenue	(1)	513,708	518,343
Change in inventories of finished and work in progress	(2)	588	3,015
Own work capitalised	(2)	2,669	2,087
Total output		**516,965**	**523,445**
Other operating income	(3)	17,619	24,242
Cost of materials	(4)	-266,258	-280,422
Personnel expense	(5)	-176,183	-177,153
Depreciation, amortisation and impairment losses	(6)	-15,470	-29,831
Other operating expenses	(7)	-59,646	-67,133
Impairment losses	(30)	157	-440
Profit / loss before financial result and taxes (EBIT)		**17,184**	**-7,292**
Result from at-equity accounted investments		821	-114
Sundry other result from investments		-559	-2,873
Results from investments	(8)	262	-2,987
Interest income		344	1,479
Interest expense		-7,314	-7,228
Other financial result		-13	-54
Financial result	(9)	-6,983	-5,803
Profit/loss before tax		**10,463**	**-16,082**
Income taxes	(10)	-3,105	1,947
Group net profit / loss for the year		**7,358**	**-14,135**
Allocation of Group net profit / loss for the year			
attributable to minority shareholders		3,263	2,384
attributable to shareholders of Schaltbau Holding AG		4,095	-16,519
Group net profit / loss for the year		7,358	-14,135
Earnings per share – undiluted	(11)	**0.46**	**-1.93**
Earnings per share – diluted		**0.46**	**-1.93**

The consolidated income statement for the fiscal year 2018 includes two months of Pintsch Bubenzer Group figures on a pro-rata basis. The Pintsch Bubenzer Group is not included in the reporting period 2019 due to its deconsolidation in March 2018. The Sepsa Group and Alte are fully included in the income statement for the whole of 2018. In the fiscal year 2019, the Sepsa Group is included for the period from 1 January to 7 May 2019 and Alte for the period from 1 January to 29 May 2019. In order to ensure comparability, the relevant income statements of the two companies are shown separately in the "explanatory notes to the consolidated income statement".

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

Consolidated statement of comprehensive income

€k		2019	2018
Group net profit / loss for the year		**7,358**	**-14,135**
Items which will not subsequently be reclassified to profit or loss			
Actuarial gains / losses relating to pensions	(24)	-2,712	-21
Tax effect		1,599	1,256
		-1,114	**1,235**
Items which were or may be reclassified to profit or loss			
Unrealised losses arising on currency translations			
– from fully consolidated companies		751	-761
– from at-equity accounted companies		-332	-814
Derivative financial instruments	(30)		
Change in unrealised gains (+) / losses(-)		0	-11
Realised gains (-) / losses (+)		140	264
Tax effect		-42	-76
		517	-1,398
Other comprehensive income after tax		**-597**	**-163**
Group total comprehensive income		**6,763**	**-14,298**
– attributable to minority shareholders		3,360	2,790
– attributable to shareholders of Schaltbau Holding AG		3,403	-17,088

Consolidated cash flow statement

€k		2019	2018
Profit/loss before financial result and taxes (EBIT)		**17,184**	**-7,292**
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment		15,444	26,681
Gains/losses on the disposal of intangible assets and property, plant and equipment		347	426
Change in current assets		-9,497	-22,320
Change in provisions		14,666	-7,438
Change in liabilities		27,252	2,694
Dividends received		0	771
Income tax paid		4,275	-2,146
Other non-cash income/ expenses		1,791	2,379
Cash flows from operating activities	(28)	**62,912**	**-6,245**
Payments for investments in			
– Intangible assets and property, plant and equipment		-18,328	-14,687
– Business units and entities		-767	0
– Investments		-74	-1,436
Proceeds from/disbursements for disposals of			
– Property, plant and equipment		87	265
– Business units and entities		-1,544	28,420
– Repayment of cash deposits		0	15,550
Cash flows from investing activities	(28)	**-20,626**	**28,112**
Share capital increase		0	46,498
Distribution to minority interests		-3,238	-3,267
Acquisition of minority interests		-7	-884
Repayment of promissory notes		-56,500	0
Loan repayments		-8,452	-74,680
Repayment of lease liabilities [1]		-3,502	0
New loans raised		3,900	5,450
Interest paid		-9,067	-5,847
Interest received		331	556
Change in sundry other financial liabilities		37,781	5,905
Cash flows from financing activities	(28)	**-38,754**	**-26,269**
Change in cash funds due to exchange rate fluctuations		**-172**	**-136**
Change in cash funds	(28)	**3,360**	**-4,539**
Cash funds at the end of the year		**25,184**	**21,824**
Cash funds at the beginning of the year [2]		**21,824**	**26,364**

[1] Line item introduced in conjunction with the first-time application of IFRS 16. Figures for the comparative period have not been adjusted.

[2] The difference to the line item "Cash and cash equivalents" at 31 December 2018 is attributable to the cash funds of the Sepsa Group at the beginning 2019 being accounted for in accordance with IFRS 5.

Consolidated statement of changes in equity

€k	Attributable to shareholders of Schaltbau Holding AG					
				Revenue reserves		
	Subscribed capital	Capital reserves	Statutory reserves	Other	Cash flow hedges	Revaluation reserve
Balance at 31.12.2017	**8,064**	**31,105**	**231**	**49,531**	**-274**	**3,041**
Adjustments from the initial application of IFRS 9 and IFRS 15 in accordance with IAS 8	0	0	0	-2,367	0	0
Balance at 1.1.2018 (adjusted)	**8,064**	**31,105**	**231**	**47,164**	**-274**	**3,041**
Profit/deficit brought forward	0	0	0	-51,742	0	0
Dividends	0	0	0	0	0	0
Share capital increase	2,736	44,612	0	0	0	0
Other changes	0	-64,183	0	61,676	0	-66 [1]
Group net profit /loss for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	1,234	177	0
Group total comprehensive income	0	0	0	1,234	177	0
Balance at 31.12.2018	**10,800**	**11,534**	**231**	**58,332**	**-97**	**2,975**
Balance at 1.1.2019 (adjusted)	**10,800**	**11,534**	**231**	**58,332**	**-97**	**2,975**
Profit/deficit brought forward	0	0	0	-16,519	0	0
Dividends	0	0	0	0	0	0
Share capital increase	0	0	0	0	0	0
Other changes	0	0	0	43	-1	0
Group net profit /loss for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-1,114	98	0
Group total comprehensive income	0	0	0	-1,114	98	0
Balance at 31.12.2019	**10,800**	**11,534**	**231**	**40,742**	**0**	**2,975**

[1] Change due to deconsolidation of Pintsch Bubenzer GmbH

Attributable to shareholders of Schaltbau Holding AG				Minority interests in			
Currency translation reserve							
relating to fully consolidated entities	relating to at-equity accounted entities	Net profit/loss for year	Total	Capital and reserves	Net profit/loss for year	Total	Group equity
1,255	**-1,906**	**-51,742**	**39,305**	**29,089**	**2,175**	**31,264**	**70,569**
0	0	0	-2,367	0	0	0	-2,367
1,255	**-1,906**	**-51,742**	**36,938**	**29,089**	**2,175**	**31,264**	**68,202**
0	0	51,742	0	2,175	-2,175	0	0
0	0	0	0	-3,267	0	-3,267	-3,267
0	0	0	47,348	0	0	0	47,348
-2	0	0	-2,575	-1,603	41	-1,562	-4,137
0	0	-16,519	-16,519	0	2,384	2,384	-14,135
-1,165	-814	0	-568	406	0	406	-163
-1,165	-814	-16,519	-17,087	406	2,384	2,790	-14,298
88	**-2,720**	**-16,519**	**64,624**	**26,800**	**2,425**	**29,225**	**93,849**
88	**-2,720**	**-16,519**	**64,624**	**26,800**	**2,425**	**29,225**	**93,849**
0	0	16,519	0	2,425	-2,425	0	0
0	0	0	0	-3,238	0	-3,238	-3,238
0	0	0	0	0	0	0	0
0	0	0	42	-7	-1	-8	34
0	0	4,095	4,095	0	3,263	3,263	7,358
656	-332	0	-692	95	0	95	-597
656	-332	4,095	3,403	95	3,263	3,358	6,763
744	**-3,052**	**4,095**	**68,069**	**26,075**	**3,263**	**29,337**	**97,407**

Notes to the consolidated financial statements

Basis of preparation

Description of business

Schaltbau Holding AG is a stock market-listed corporation, based in 81829 Munich, Hollerithstraße 5, Germany. It is the ultimate parent company of the Schaltbau Group, which supplies components and systems for the transportation technology sector. During the fiscal year 2019, Schaltbau Group entities supplied complete level crossing systems, shunting and signals technology, door and boarding systems for buses, trains and commercial vehicles, sanitary systems (until May 2019) and interiors for trains as well as high- and low-voltage components for rolling stock and other applications. Its innovative and future-oriented products make Schaltbau a key business partner for industry, particularly in the transportation technology sector.

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2019 were approved for publication by the Executive Board on 30 March 2020. The consolidated financial statements and group management report will be posted electronically in the Federal Gazette.

The cash flow statement has been prepared in accordance with IAS 7, with cash flows classified into cash flows from operating, investing and financing activities. Cash flows from operating activities are determined using the indirect method. Cash funds reported in the cash flow statement comprise cash and cash equivalents.

Presentation of the financial statements

The fiscal year corresponds to the calendar year. The consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement contain comparative figures for the previous fiscal year. The consolidated statement of changes in equity contains comparative figures for the previous two fiscal years.

Items that have been combined in the balance sheet and income statement 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 (kEUR).

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 § 315e (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.

The following amended or new Standards have been applied for the first time in the fiscal year 2019:

	Name	Effective date
New	IFRS 16 – Leases	1 January 2019
New	IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amended	Prepayment Features with Negative Compensation – Amendments to IFRS 9	1 January 2019
Amended	Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	1 January 2019
Amended	Annual Improvements to IFRSs (2015 – 2017 Cycle)	1 January 2019
Amended	Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019

To the extent that the new or amended standards have a material impact on these consolidated financial statements, a description of their impact is provided below.

Changes due to the first-time application of ifrs 16

As a result of the first-time application of IFRS 16, the Group has recognised lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the net present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at 1 January 2019. The lessee's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 was 4.46%. The discount rate used was based on yields of EUR-denominated reference bonds of non-financial companies with comparable credit ratings. Yields for specific maturities were determined using a classical linear regression analysis model.

In the case of leases previously classified as finance leases, the carrying amounts of leased assets and lease liabilities pursuant to IAS 17 immediately before first-time adoption of IFRS 16 were recognised as the initial carrying amounts of right-of-use assets and lease liabilities pursuant to IFRS 16. The measurement principles stipulated by IFRS 16 were only applied after this step. Application of the materiality principle meant that no valuation adjustments were required.

€k	Total Group	Alte[1], Sepsa[2]	Group excluding Alte[1] and Sepsa[2]
Operating lease liabilities reported at 31 December 2018	18,686	2,775	15,911
Discounting in accordance with IFRS 16	-2,198	-344	-1,854
+ Lease liabilities at 31 December 2018 in accordance with IAS 17	329	0	329
- Short-term leases recognised as an expense on a straight-line basis	-1,475	-38	-1,437
- Leases of low-value assets recognised as an expense on a straight-line basis	-556	-6	-560
+/- Other	3	22	-9
Lease liabilities as at 1 January 2019 (carrying amount)	**-14,788**	**-2,409**	**-12,380**

[1] Alte Technologies S.L.U., Barcelona, Spain
[2] Sepsa Group (Albatros S.L.U, Madrid, Spain and its subsidiaries)

The related right-of-use assets were recognised at the amount of the corresponding lease liabilities. No onerous leases were in place at the date of the first-time application of IFRS 16. Accordingly, there was no requirement to recognise any impairment losses on right-of-use assets in this respect.

As permitted by IFRS 16.47, right-of-use assets and lease liabilities are presented separately in the notes rather than on the face of the balance sheet. Rights-of-use assets are included in the balance sheet line item "Property, plant and equipment" and relate to the following asset classes:

Total Group

€k	1.1.2019	Change in group reporting entity[1]	30.6.2019
Land and buildings	13,017	-2,213	10,734
Plant and machinery	119	0	119
Other plant and equipment	1,652	0	1,526
– thereof relating to Sepsa accounted for in accordance with IFRS 5	126	-126	
Total right-of-use assets	**14,788**	**-2,339**	**12,379**

[1] Alte was put up for sale in February 2019 and was accounted for in accordance with IFRS 5 with effect from February. Alte Technologies S.L.U. was sold in May 2019, as a result of which the right-of-use assets were derecognised in conjunction with the change in the group reporting entity. In addition, Sepsa was deconsolidated in May 2019.

A detailed reconciliation of right-of-use assets up to 31 December 2019 is provided in note (15) "Development of fixed assets".

The change in accounting policy impacted the following balance sheet line items as at 1 January 2019 as follows:

Figures as at 1.1.2019

€k	Total Group	Alte [2], Sepsa [3]	Group excluding Alte and Sepsa
Property, plant and equipment	14,788	2,409	12,379
Current financial liabilities [1]	3,318	541	2,778
Non-current financial liabilities [1]	11,470	1,868	9,601

[1] Lease liabilities are included in the balance sheet line item "Financial liabilities"
[2] Alte Technologies S.L.U., Barcelona, Spain
[3] Sepsa Group (Albatros S.L.U., Madrid, Spain, and its subsidiaries)

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation), segment assets and segment liabilities all increased as a result of the change in accounting policy.

Practical expedients applied

The Group made use of the following practical expedients on the first-time application of IFRS 16:
– Application of a single discount rate to a portfolio of similarly structured leases.
– Taking over previous assessments as to whether a lease is onerous.
– Leases with a remaining term of less than 12 months at 1 January 2019 are accounted for as current leases.
– Non-consideration of initial direct costs in the measurement of values in use at the date of initial application.

For leases entered into prior to the transition date, the Group has decided to retain the previous assessment under IAS 17 and IFRIC 4, rather than reassess whether a contract is, or contains, a lease arrangement at the date of initial application.

Group leasing activities and their accounting treatment

The Group leases/rents various office and warehouse buildings as well as equipment and vehicles. Lease/rental contracts are generally concluded for fixed periods of between three and ten years, but may include renewal options. Lease/rental terms and conditions are negotiated individually. The contracts do not contain any credit terms. The items leased may not be used as collateral for borrowings.

Up to and including 2018, leases were classified as either finance leases or operating leases. Payments made under operating leases (less any incentives received from the lessor) were recognised in profit or loss on a straight-line basis over the lease term.

With effect from 1 January 2019, leases are recognised when the leased asset is available for use by the Group, with right-of-use assets reported as "Property, plant and equipment" and the corresponding lease liabilities as "Financial liabilities". Finance costs are recognised in the income statement over the lease term in order to give a constant periodic rate of interest on the remaining amount of the liability for each period. Right-of-use assets are amortised on a straight-line basis over the shorter of the relevant useful life and lease term.

Assets and liabilities arising from leases are initially recognised at their net present value. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments) less any lease incentives payable
– variable lease payments that depend on an index or a rate (of interest)
– any expected residual value payments from residual value guarantees provided by the lessee
– the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
– payments for penalties for terminating the lease if the term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted using the implicit interest rate in the lease, if readily determinable. If not readily determinable, they are discounted using the lessee's incremental borrowing rate, i.e. the interest rate that a lessee would have to pay if it had to raise funds to acquire an asset of comparable value and terms in a comparable economic environment.

Payments for short-term leases and low-value assets are expensed on a straight-line basis. Lease arrangements with a term of up to 12 months are regarded as short-term leases. Low-value assets include IT equipment and small items of office furniture with a value of up to USD 5,000.

A number of the Group's leases for property and equipment contain renewal and termination options. Terms and conditions of this kind are used by give the Group maximum operational flexibility with respect to leases. Renewal and termination options are taken into account in determining the lease period if it is reasonably certain that they will be exercised. Reasonably certainty is assumed to exist if the probability of exercising an option is greater than 75%.

As a practical expedient permitted by IFRS 16.15, Schaltbau has elected to account for each lease component any associated non-lease components as a single lease component (i.e. lease and non-lease components are not separated).

Changes due to the application of IFRIC 23

In accordance with the clarification of the IFRS Interpretations Committee, uncertain tax positions are to be reported under current or deferred tax liabilities or assets. The Schaltbau Group had previously recognised uncertain tax positions under other provisions in the balance sheet. As a result of the application of IFRIC 23, uncertain income tax items are reported in the year under report and in the previous year under the balance sheet item "Current income tax liabilities". The comparative period was adjusted by reclassifying kEUR 1,247 from the item "other provisions" to the item "current income tax liabilities". The following table illustrates the change in presentation for the comparative period of the balance sheet.

€k	31.12.2018 adjusted	31.12.2018
Other current provisions	20,383	21.630
Income tax liabilities	1,929	682

The following new or amended Standards and Interpretations were not mandatory for the fiscal year 2019 and were not applied early:

	Name	Effective date
Amended	Definition of Significant Amendments to IAS 1 and IAS 8	1 January 2020
Amended	Change in Definition of a Business – Amendments to IFRS 3	1 January 2020
Amended	Revised IFRS Framework	1 January 2020
Amended	IFRS 9, IAS 39 and IFRS 7 - Reform of reference interest rates	1 January 2020
Amended	IAS 1 - Classification of liabilities as current or non-current	1 January 2020
New	IFRS 17 Insurance Contracts	1 January 2022
Amended	Sales or Contributions of Assets between an Investor and its Associate/Joint Venture – Amendments to IFRS 10 and IAS 28	n/a[1]

[1] In December 2015, the mandatory date for first-time application of the amendments was postponed to a date to be determined after completion of a research project on the use of the equity method.

As expected, the new or revised standards and interpretations will not have a significant impact on the consolidated financial statements of the Schaltbau Group.

Consolidation principles

The financial statements of the companies included in the consolidated financial statements have all 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 at individual entity level on the cost of investment of consolidated companies or on intragroup receivables, these write-downs are reversed in the consolidated financial statements.

Intragroup revenues, income and expenses and intragroup receivables and payables are eliminated.

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.

Group reporting entity

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.

The following changes to the Schaltbau Group reporting entity have arisen during the fiscal year under report compared to 31 December 2018:

- Following its sale to the French Barat Group on 29 May 2019, Alte was deconsolidated from the Schaltbau Group.
- The wholly owned subsidiary Albatros S.L.U, Madrid, Spanien und Ihre Tochterunternehmen was put up for sale on 15 November 2017 and has been accounted for in the consolidated financial statements since that date as a "disposal group" in accordance to IFRS 5. On 8 April 2019, Sepsa's management filed an application for liquidation with the competent liquidation court. At the same time, a strategic investor submitted an offer to the liquidation court to acquire the principal assets. The acceptance of the liquidator's appointment by the Spanish liquidation court on 7 May 2019 resulted in a loss of control of Sepsa at Group level, as a result of which it was deconsolidated with effect from that date.
- In accordance with a merger agreement dated 14 February 2019, Pintsch Tiefenbach GmbH was merged with Pintsch Bamag GmbH. In addition, Pintsch Bamag GmbH changed its name to Pintsch GmbH.
- In 2019, all shares in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd., previously included in the consolidated financial statements using the equity method, were (PBTE) sold.
- In May 2019, the Schaltbau Group acquired the remaining minority interest shares (0.2%) in Schaltbau Transportation UK Ltd, Milton Keynes, United Kingdom. Minority interests in equity amounting to kEUR 9 were reclassified to revenue reserves within Group equity after offset of the purchase price of KEUR 7.
- In December 2019, the Schaltbau Group acquired the remaining minority interest shares (20%) in Schaltbau India Pvt. Ltd., Thane, India for KEUR 767.

Consolidated companies

In addition to Schaltbau Holding AG the following 6 (2018: 7) German and 12 (2018: 15) foreign companies are included in the consolidated financial statements of Schaltbau Holding AG:

Company	Registered office	Abbreviation	Shareholding
Gebr. Bode GmbH & Co. KG [1]	Kassel	BOBE	100 %
Gebr. Bode & Co. Beteiligungs GmbH [1]	Kassel	BOKS	100 %
Gebr. Bode & Co. Verwaltungsgesellschaft mbH [1]	Kassel	BOVW	100 %
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (Poland)	BORA	89.3 %
Schaltbau Transportation UK Ltd.	Milton Keynes (UK)	BOUK	100 %
Bode North America Inc.	Spartanburg (USA)	BONA	100 %
Pintsch GmbH	Dinslaken	PTDE	100 %
Pintsch B.V. [3]	Maarssen (Netherlands)	PTNL	100 %
SBRS GmbH [2]	Dinslaken	SBRS	100 %
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (Brazil)	PIBR	100 %
Pintsch Tiefenbach US Inc.	Marion (USA)	PTUS	100 %
Schaltbau GmbH [1]	Munich	SBOP	100 %
Schaltbau Austria GmbH	Vienna (Austria)	SBOE	100 %
Schaltbau France S.A.S.	Argenteuil (France)	SBFR	100 %
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	SBME	100 %
Schaltbau North America Inc.	Hauppauge (USA)	SBNA	100 %
SPII S.p.A.	Saronno (Italy)	SPII	65 %
Xi'an Schaltbau Electric Corporation Ltd. [4]	Xi'an Shaanxi (P.R.CH)	XIAN	50 %

[1] The companies make use of the exemption provisions pursuant to § 264 (3) HGB and § 264b HGB.
[2] Schaltbau Refurbishment GmbH was renamed SBRS GmbH during the fiscal year under report
[3] Pintsch Aben B.V. was renamed Pintsch B.V. during the fiscal year under report
[4] Fully consolidated due to the majority of voting rights on the board

Associated companies are defined as companies over which Schaltbau Holding AG exercises significant influence and of which it holds as a general rule between 20% and 50% of the shares. Joint ventures are companies that are managed jointly with one or more partners.

Associated companies and joint ventures are accounted for using the equity method.

The following joint venture is included in the consolidated financial statements at 31 December 2019 using the equity method:

Company	Registered office	Abbreviation	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	BODO	50 %

In compliance with the terminology of IFRS 11, BoDo Bode-Dogrusan A.S., Kestel-Bursa, Turkey, is a joint venture which, as in the previous year, had to be included in the consolidated financial statements using the equity method. Necessary disclosures for the company are contained in section "(14) Investments valued at equity".

The following associated company accounted for in the Group as of December 31, 2019 is measured using the equity method.

Company	Registered office	Abbreviation	Shareholding
Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (P.R.CH)	Tiantai (China)	BOYO	25 %

The company Zhejiang Yonggui Bode Transportation Equipment Co.Ltd., Tiantai (P.R.CH), China, is the sole shareholder of Shenyang Bode Transportation Equipment Co. Ltd., Shenyang (P.R.CH.), China (hereinafter BOSY). The companies BOYO and BOSY are included in the Schaltbau Group's consolidated financial statements using the equity method.

Non-consolidated companies

The following subsidiaries are not fully consolidated, but are reported instead within other investments:

Company	Registered office	Shareholding
Schaltbau Asia Pacific Ltd.	Hong Kong (China)	100 %
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (China)	100 %
Schaltbau India Pvt. Ltd.	Thane (India)	100 %
Bode Korea Co. Ltd.	Seoul (South Korea)	100 %
GEZ Unterstützungsgesellschaft mbH	Munich	100 %

The following associated companies are not accounted for using the equity method, but are reported instead as other investments:

Company	Registered office	Shareholding
Schaltbau Siyakhulisa South Africa PTY Ltd.	Olivedale (South Africa)	24.5 %
Schaltbau Radel South Africa PTY Ltd.	Olivedale (South Africa)	37.0 %
Xi'an SPII Electric Co. Ltd.	Xi'an Shaanxi (P.R.CH)	32.5 %
BODO Pro-Last Profil San. Ve Tic. A.S. [1]	Bursa (Turkey)	80 %

[1] The partner is the joint venture BoDo Bode-Dogrusan A.S., Kestel-Bursa, Turkey

Due to their low volume of business, the companies not included in the consolidated financial statements are of minor significance for the presentation of the Group's net assets, financial position and results of operations, both individually and in total.

The following companies were not consolidated, they were either in liquidation, had no operations or were immaterial to the consolidated financial statements. In addition, control over the direct shareholder Albatros S.L.U., Madrid, Spain, and therefore over its subsidiaries, was lost during the fiscal year 2019. For further information we refer to the section "Significant Events"

Company	Registered office	Shareholding
Albatros S.L.U.	Madrid (Spain)	100%
Albatros North America Inc. [1]	Ballston Spa (USA)	100%
Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda. [1]	Sao Paulo (Brazil)	100%
Albatros Railway Equipment Co. Ltd. [1]	Shanghai (China)	100%
Albatros Electromechanical Equipment Co. Ltd. [1]	Shanghai (China)	100%
Albitren Mantenimiento y Servicios Industriales, S.A. [1]	Ciudad Real (Spain)	43%
JB Albatros Renovables, S.L. [1]	Ciudad Real (Spain)	31.3%
Técnicas Avanzadas de Equipamientos TAQUIP, S.L. [1]	Madrid (Spain)	97.5%

[1] Subsidiary or associated company of Albatros S.L.U., Madrid, Spain

Use of estimates

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

On a small scale, the Mobile Transportation Technology segment has separate performance obligations in the form of extended warranties within contracts with customers. For this reason, it may be necessary to allocate the transaction price to the respective performance obligations on the basis of the relative stand-alone selling prices. Management estimates those stand-alone selling prices at the inception of the contract based on observable prices received by similar customers in similar circumstances.

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

When determining the term of leases, all facts and circumstances are taken into account that provide an economic incentive to exercise renewal options or not to exercise termination options. Changes to the lease term resulting from the exercise of extension and termination options are only included in the term of the contract if an extension or non-exercise of a termination option is reasonably certain. In connection with the leasing of office space, warehouses and technical equipment, the following considerations apply when determining the term of the leasing arrangements:

- If the Group incurs significant penalty payments in the event that a termination option is exercised or an extension option is not exercised, it is generally considered reasonably certain that the Group will not terminate or extend the contract.
- Where leasehold improvements have been made that have a significant residual value, it is generally considered reasonably certain that the Group will renew or not terminate the contract.
- In addition, other factors, such as historical lease terms as well as costs and interruptions to operations facing the Group when a leased asset needs to be replaced, are taken into account.

Most of the renewal options in connection with the leasing of office space, warehouses and technical equipment were not included in the determination of the lease term and hence the lease liability, as these assets could be replaced by the Group without significant cost or interruptions to operations. The evaluation is reviewed if an extension option is actually exercised (or not exercised) or if the Group is required to do so. The original evaluation is reviewed if a significant event or a significant change in circumstances occurs that could influence the previous assessment, provided this is within the control of the lessee.

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

Development costs are capitalised if the criteria specified by IAS 38.57 are met. Judgement is required in particular as to whether and when the criteria of IAS 38.57 are met. The impairment test for capitalised development costs requires assumptions to be made with respect to cash flows expected to arise during the forecasting period and, if applicable, the discount rate to be used. In particular, expectations of future business developments take account of circumstances prevailing at the date the consolidated financial statements were drawn up as well as a realistic assessment of assumed future global and sector-specific developments.

Other significant estimates include inventories, trade accounts receivable, lease liabilities, risk allowances on 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. Equity items are translated using the historical exchange rate. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences resulting from the translation of the balance sheet items are recognised directly in equity. Transactions denominated in a foreign currency are translated into the functional currency using the relevant exchange rates 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:

Currency	Closing rate		Average rate	
	31.12.2019	31.12.2018	2019	2018
Chinese renminbi yuan	7.8205	7.8751	7.7338	7.8080
US dollar	1.1234	1.1450	1.1196	1.1812
British pound	0.8508	0.8945	0.8773	0.8847
Turkish lire	6.6843	6.0588	6.3572	5.7011
Polish zloty	4.2568	4.3014	4.2975	4.2609
Brazilian real	4.5157	4.4440	4.4134	4.3103

Accounting principles and policies

The principal accounting policies used to prepare the consolidated financial statements for the fiscal year 2019 are described below. Unless otherwise stated, the accounting policies were applied consistently for each of the accounting periods presented.

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

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 three to ten years and capitalised development costs over a period of three to ten years, or in individual project-related items, over the period of the project.

Intangible assets with indefinite useful lives as well as intangible assets not yet being utilised are not amortised, but are tested annually for impairment. An impairment test is also performed for these assets if there are any indications of impairment as at the balance sheet date. Assets subject to scheduled amortisation are tested for impairment if there is any indication that the carrying amount of the asset can no longer be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of the asset is defined as the higher of its fair value less costs to sell and its value in use. For the purpose of the impairment test, assets are aggregated at the lowest level at which cash flows are generated that are largely independent of the cash flows of other assets or groups of assets (cash-generating units/CGU). At each reporting date, a review is carried out for all non-financial assets (except goodwill) on which impairment losses have previously been recognised whether any of those impairment losses should be reversed.

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This is carried out at the level of the CGU to which the goodwill was allocated. If the carrying amount of the CGU exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed.

Research costs are recognised immediately as an expense. Development costs are capitalised if the criteria specified by IAS 38.57 are met, whereby the main criteria are the technical and economic feasibility of the asset, the ability to measure cost reliably and sufficient resources to complete the development project. Development work related to the specific development of technologies qualify for capitalisation. Capitalised development costs include all directly attributable costs as well as allocated overheads. After market introduction of the newly developed products, capitalised development costs are amortised over their expected useful life. The recoverability of capitalised development costs relating to projects not completed by the end of the reporting period is tested annually for impairment.

Property, plant and equipment

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets comprise all costs directly attributable to the asset and an appropriate portion of indirect overheads. Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Moveable assets are generally depreciated using the straight-line method. Impairment losses are determined, in accordance with IAS 36, by comparing the carrying amount of an asset with its recoverable amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost. Depreciation is based on the following useful lives: buildings ten to 50 years, plant and machinery/other equipment, office fixtures and fittings three 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.

Investment property

Investment property is measured on initial recognition at its cost. Subsequent measurement is based on the cost model. Depreciation of the property is recognised on a straight-line basis over the economic life of the asset. A useful live of 15 years (remaining useful life) is used. Within the framework of subsequent measurement using the cost model, an impairment test is required if there are any external or internal sources of information that indicate that an investment property may be impaired at the reporting date. An impairment loss is recognised if the recoverable amount of the investment property is lower than its carrying amount.

Investments

Investments in affiliated companies, associated companies and joint ventures that are not included in the consolidated financial statements for materiality reasons do not fall under the scope of IFRS 9 and IFRS 7. They are stated at the lower of cost or, if there is no active market, at their fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 5.2% and 12.0% for each individual investment. Interests in associated companies and joint ventures accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment.

Non-current loans receivable reported in the balance sheet line "Investments" are measured at amortised cost.

The Group applies IFRS 11 for all **joint arrangements**. Depending on how the rights and obligations of the relevant investors are structured, IFRS 11 specifies two forms of joint arrangements, namely joint operations and joint ventures. Schaltbau Holding AG has examined its joint arrangements and concluded that they are all joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially measured at acquisition cost. The carrying amount of those interests is subsequently increased or decreased by the Group's share of profit or loss as well as the Group's share of changes in the other comprehensive income of the joint venture. If the Group's share of losses of a joint venture exceeds the carrying amount of the joint venture (together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not record any additional losses attributable to it, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains and losses arising on transactions between Group entities and joint ventures are eliminated on the basis of the Group's share in the joint venture. Unrealised losses are not, however, eliminated if the transaction provides evidence of an impairment loss of the assets transferred. The accounting policies of the joint ventures were – where necessary – brought into line with the Group's accounting policies.

In accordance with IAS 36, the total carrying amount of the Group's interest is tested for impairment as a single asset, whereby the recoverable amount is compared with the carrying amount if there are any indications that the investment may be impaired when applying IAS 28. An impairment loss recognised under these circumstances is not allocated to any particular asset. The Group's share of the present value of the expected future cash flows expected to be generated by the associated company (including cash flows from the associated company's activities as well as the proceeds from the final sale of the Group's share), are required to be estimated in order to determine the current value in use of the interest.

Income taxes

Income tax expense or income for the period corresponds to the tax liability on taxable income for the current fiscal period, based on the applicable income tax rate of the relevant tax jurisdictions, adjusted for changes in deferred tax assets and liabilities relating to temporary differences and tax loss carryforwards.

Current income tax expense is determined on the basis of the tax laws enacted or announced at the end of the reporting period in the countries in which the Company, its subsidiaries, joint ventures and associated companies operate and generate taxable income. Management regularly reviews the tax treatment of items included in tax returns where applicable tax law permits different interpretations. In this situation, management recognises provisions based on the amounts expected to be payable to the tax authorities.

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

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

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is expected to be recovered primarily through a sale transaction rather than through continued usage, and the sale is highly probable. With the exception of assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property carried at fair value and contractual rights under insurance contracts that are specifically excluded from this rule, non-current assets are measured at the lower of their carrying amount or fair value less costs to sell. An impairment loss is recognised on initial or subsequent measurement of the asset (or disposal group) to reduce its carrying amount to fair value less costs to sell. A gain is recognised for a subsequent increase in the non-current asset's (or disposal group's) fair value less costs to sell, up to a maximum of any previously recognised cumulative impairment loss. A gain or loss not recognised prior to the disposal of the non-current asset (or disposal group) is recognised at the date of disposal. Non-current assets (including those that are part of a disposal group) are not depreciated if they are classified as held for sale. Interest and similar expenses relating to the liabilities of a disposal group classified as held for sale continue to be recognised.

Inventories

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.

Financial instruments

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 and liabilities comprise non-derivative and derivative receivables and payables.

Classification

The Group classifies financial assets in the following measurement categories:
– financial assets subsequently measured at fair value (either through other comprehensive income or through profit or loss), and
– financial assets measured at amortised cost.

Classification depends on the business model used for managing financial assets and on the characteristics of the contractual cash flows involved.

In the case of financial assets measured at fair value, gains and losses are recognised either in profit or loss or through other comprehensive income. In the case of investments in equity instruments that are not held for trading, this depends on whether the Group has irrevocably decided at the time of initial recognition to measure the equity instruments at fair value through other comprehensive income.

The Group reclassifies debt instruments only when the business model for managing such assets changes.

Financial liabilities are classified into the following measurement categories:
– Measured at fair value through profit or loss,
– Measured at fair value in other comprehensive income and
– Measured at amortised cost.

Recognition and derecognition

A normal market purchase or sale of financial assets is recognised on the trade date, i.e. the date on which the obligation to buy or sell the asset was entered into. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial instruments are derecognised when the rights to receive cash flows expire or are transferred and the Schaltbau Group has transferred substantially all of the risks and rewards of ownership.

Financial assets and liabilities are only offset if a legally enforceable right to set offset balances exists and it is actually intended to offset the relevant amounts. As these conditions are not met, the Schaltbau Group does not offset any financial assets and liabilities.

Measurement

On initial recognition, the Group measures a financial asset at its fair value, plus – in the case of a financial asset not subsequently measured at fair value through profit or loss – the transaction costs directly attributable to the acquisition of the asset. Transaction costs of financial assets measured at fair value through profit or loss are recognised as an expense in the income statement.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows solely represent payments of principal and interest.

Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset involved. The Group classifies its debt instruments into three measurement categories:
– Measured at amortised cost (AC): Assets that are held to collect contractual cash flows and for which these cash flows solely represent payments of principal and interest are measured at amortised cost. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Gains or losses arising on the derecognition of the financial asset are recognised directly in profit or loss as other operating income/expense together with foreign currency gains and losses.
– At fair value through other comprehensive income (FVOCI): Assets held to collect contractual cash flows and held-for-sale financial assets, where the cash flows solely represent payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amountare reclassified from other comprehensive income to the income statement.. Expenses for impairment losses and income from the reversal of impairment losses are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and reported as part of the financial result. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Foreign currency gains and losses are reported in other operating income/expenses and impairment losses in a separate line item in the income statement.
– At fair value through profit or loss (FVPL): Assets that do not meet the criteria of the category "measured at amortised cost" or "FVOCI" are classified as FVPL. Gains or losses arising on a debt instrument that is subsequently measured at FVPL are recognised on a netted basis in other operating income/expenses in the period in which they arise.

The Schaltbau Group only holds debt instruments whose business model is based on the collection of contractual cash flows (the “holding” business model) and whose cash flows solely represent payments of principal and interest on the principal amount outstanding. For this reason, these instruments are classified as measured at amortised cost. The only exceptions to this are trade accounts receivables sold in conjunction with a revolving factoring programme. In light of this business model, sold trade accounts receivables are classified as measured at fair value through profit or loss. The fair value option pursuant to IFRS 9 is not applied.

The Schaltbau Group does not hold any equity instruments that fall within the scope of IFRS 9.

The category “financial liabilities measured at amortised cost” includes non-derivative financial instruments which are measured at amortised cost. The main items allocated to this category are trade accounts payable and financial liabilities. Financial liabilities held for trading are measured at fair value, with changes recognised through profit or loss. This relates in particular to derivative financial instruments that are mainly used in the form of forward currency contracts to hedge foreign currency exposures arising from operations.

Derivatives and hedging transactions

Derivatives are initially recognised at fair value when a derivative transaction is entered into and subsequently measured at fair value at the end of each reporting period. The accounting treatment of subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. The Schaltbau Group designates certain derivatives as hedges of a specific risk associated with the cash flows of recognised assets, recognised liabilities or highly probable forecast transactions (cash flow hedges).

At the inception of the hedging relationship, the Group documents the economic relationship between the hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged item. The Group documents the risk management objectives and strategies underlying its hedging relationships.

If any derivative financial instruments are in place at the end of the reporting period that have been designated as part of a hedging relationship, the fair values of those instruments and any changes in the cash flow hedge reserve reported within equity, are disclosed in note (30) “Risk management policy and hedging activities”. The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the hedge is more than twelve months and as a current asset or current liability if the remaining term of the hedge is less than twelve months. The Schaltbau Group does not hold any derivatives for trading purposes. Derivative financial instruments are reported in the balance sheet under the headings “Other receivables and assets” or “Other liabilities”. In the case of derivative instruments that have not been designated as part of a hedging relationship, changes in the fair value of those instruments are recognised through profit or loss.

Cash flow hedges accounted for as hedging relationships

The effective portion of the change in the fair value of derivatives designated as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

If forward contracts are used to hedge forecast transactions, the Group designates all changes in the fair value of the forward contract as a hedging instrument. Gains or losses on the effective portion of the change in the fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Cumulative amounts recognised in equity are reclassified in the periods in which the hedged item affects profit or loss as follows:

- If the hedged forecast transaction subsequently results in the recognition of a non-financial asset (such as inventories), the deferred hedging gains and losses are included in the original cost of the asset. The deferred amounts are ultimately recognised in profit or loss when the hedged item affects profit or loss.
- In the case of other hedges, the gain or loss on the effective portion of interest rate swaps that hedge floating rate borrowings is recognised in the financial result for the period in which the interest expense on the hedged borrowings is incurred.

When a hedging instrument expires, is sold or terminated, or the hedge no longer meets the criteria for hedge accounting, any cumulative deferred hedging gain or loss at that date remains in equity until the forecast transaction occurs and results in the recognition of a non-financial asset such as inventories. If the transaction is no longer expected to occur, the cumulative hedging gains and losses recognised in equity are immediately reclassified to profit or loss.

Ineffectiveness of hedging relationships

The effectiveness of hedging relationships is determined at the inception of each hedging relationship and through regular prospective assessments to ensure that there is an economic relationship between the hedged item and the hedging instrument.

In the case of hedges of foreign currency purchases, the Group enters into hedging relationships where the contractual terms of the hedging instrument exactly match those of the hedged item. The Group therefore performs assessments on a qualitative basis.

In the case of hedges of foreign currency purchases, ineffectiveness may arise if the actual timing of the planned transaction is different to the original estimate or if changes in the Schaltbau Group's credit risk or in the credit risk of the counterparty to the derivative occur. In addition, ineffectiveness may result from the foreign currency basis spreads of the hedging derivative.

Where appropriate, the Group enters into interest rate swaps with identical terms to the hedged item, such as reference interest rates, repricing dates, payment dates, maturities and notional amounts.

The ineffectiveness of hedges based on interest rate swaps is assessed according to the same principles as for foreign currency purchases. Reasons for ineffectiveness in this case include:

- changes in the credit risk of the parties to the interest rate swap that are not offset by changes in the value of the hedged loans, and
- differences in contractual terms between interest rate swaps and secured loans.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of a derivative instrument that is not accounted for as a hedging relationship are recognised directly in profit or loss and reported under the appropriate expense or income items.

Trade accounts receivable, other receivables and assets, contract assets, cash and cash equivalents

Trade accounts receivable, other receivables and assets as well as cash and cash equivalents are stated at their amortised cost less allowances for impairment.

In the case of trade accounts receivable, the Group applies the simplified approach described in IFRS 9 whereby the amount of the loss allowances is measured on the basis of lifetime expected credit losses. In order to measure expected credit losses, trade accounts receivable are grouped on the basis of shared credit risk characteristics and the number of days past due.

The expected loss rates are based on the payment profiles of revenue over a period of twelve quarters prior to 31 December/1 January of the year under report, and the corresponding historical defaults during this period. Historical loss rates are adjusted to reflect current and forward-looking information relating to macroeconomic factors that affect customers' ability to settle receivables.

Trade accounts receivable are derecognised when it is deemed on the basis of a reasonable assessment that they are no longer recoverable. Indicators that trade accounts receivable are no longer recoverable include a debtor's failure to commit to a repayment plan vis-à-vis the Group. Trade accounts receivables are considered to be credit-impaired and are written down as soon as there is objective evidence of impairment. One indication of impairment is that a debtor is more than 90 days in arrears with a contractual payment. Regional and customer-related factors are taken into account for the purposes of defining the credit loss relating to a financial asset.

The net impact on profit or loss of impairment allowances recognised on trade accounts receivable is reported on the line item "impairment losses" in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

The Group applies the general model to measure expected credit losses for other receivables and assets as well as for cash and cash equivalents. A three-stage model is used to determine the level of risk allowances. As a general rule, expected 12-month credit losses are required to be recognised from the date of initial recognition. In the event of a significant increase in credit risk, the total amount of expected credit losses must be recognised. Management considers that the criteria for a "low credit risk" is fulfilled if an investment grade rating exists or if the risk of non-performance is low and the issuer is able to meet its contractual payment obligations as and when they come due. With regard to "Other receivables", increased credit risk does not generally arise when an item is more than 30 days overdue, given that most of these receivables relate to non-consolidated companies. Sufficient information is available on non-consolidated subsidiaries and their solvency.

Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash funds include short-term bank balances, short-term withdrawable cash at bank, other short-term highly liquid financial investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Revaluation reserve

The revaluation reserve comprises the amounts included directly in equity in conjunction with the fair value measurement of land on the 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).

Pension provisions

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, actuarial gains and losses are recognised as remeasurements directly in equity. Past service cost/income is recognised immediately through profit or loss. 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 (2018G) 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

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 revenue still subject to warranty. In addition, specific warranty provisions are recognised for known damages. Provisions for onerous contracts are recognised in accordance with the principle of loss-free valuation for unrealised losses. Provisions that contain an interest component are discounted using an appropriate market interest rate.

Provisions for pre-retirement part-time working arrangements

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

Financial liabilities

Financial liabilities are stated at amortised cost measured using with the effective interest method.

A liability required to be recognised in conjunction with a put option in accordance with IAS 32.23 has been measured using the "Present Access Method" and therefore recognised directly in equity.

Contingent liabilities

Contingent liabilities reflect the extent of potential liabilities as at the reporting date. They are recognised in the case of a business combination in accordance with IFRS 3.

Leases

The Group leases various office and warehouse buildings as well as equipment and vehicles. Lease contracts are generally concluded for fixed periods of between three and ten years, but may include renewal options. Lease terms and conditions are negotiated individually. The contracts do not contain any credit terms. The items leased may not be used as collateral for borrowings.

Accounting policy for leases applied up to 31 December 2018

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

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

Accounting policy for leases applied from the fiscal year 2019 onwards

With effect from 1 January 2019, leases are recognised when the leased asset is available for use by the Group, with right-of-use assets reported as “Property, plant and equipment” and the corresponding lease liabilities as “Financial liabilities”. Finance costs are recognised in the income statement over the lease term in order to give a constant periodic rate of interest on the remaining amount of the liability for each period. Right-of-use assets are amortised on a straight-line basis over the shorter of the relevant useful life and lease term.

Assets and liabilities arising from leases are initially recognised at their net present value. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments) less any lease incentives payable
– variable lease payments that depend on an index or a rate (of interest)
– any expected residual value payments from residual value guarantees provided by the lessee
– the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
– payments for penalties for terminating the lease, if the term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted using the implicit interest rate in the lease, if readily determinable. If not readily determinable, they are discounted using the lessee’s incremental borrowing rate, i.e. the interest rate that a lessee would have to pay if it had to raise funds to acquire an asset of comparable value and terms in a comparable economic environment.

Payments for short-term leases and low-value assets are expensed on a straight-line basis. Lease arrangements with a term of up to 12 months are regarded as short-term leases. Low-value assets include IT equipment and small items of office furniture with a value of up to USD 5,000.

A number of the Group’s leases for property and equipment contain renewal and termination options. Terms and conditions of this kind are used by give the Group maximum operational flexibility with respect to leases. Renewal and termination options are taken into account in determining the lease period if it is reasonably certain that they will be exercised. Reasonable certainty is assumed to exist if the probability of exercising an option is greater than 75%.

As a practical expedient permitted by IFRS 16.15, Schaltbau has elected to account for lease component and any associated non-lease components as a single lease component (i.e. lease and non-lease components are not separated).

As permitted by IFRS 16.47, right-of-use assets and lease liabilities are presented separately in the notes rather than on the face of the balance sheet. Changes in right-of-use assets during the fiscal year under report are shown in note (15) “Development of fixed assets”. Information on lease liabilities is provided in note (26) “Liabilities”. Amounts recognised in the consolidated income statement relating to leases are disclosed in note (6) “Depreciation, amortisation and impairment losses”, note (7) “Other operating expenses”, and note (9) “Financial result”. Cash outflows are disclosed in note (30) “Risk management policy and hedging activities” in the section on liquidity risks.

Revenue and profit recognition

The Group generates revenue in its “Mobile Transportation Technology”, “Stationary Transportation Technology” and “Components” segments. Revenue recorded by the Mobile Transportation Technology segment results from the sale of door and boarding systems for buses, trains and commercial vehicles as well as interiors for trains. Revenue recorded by the Stationary Transportation Technology segment, results from the sale of level crossing safety systems, axle counting systems and signal box technology. Revenue recorded by the Components segment results from the sale of connectors, snap-action switches and DC contactors for various applications used in the railway and industrial sectors.

Components segment and Mobile Transportation Technology segment revenue

Revenue is recognised in the Components segment and the Mobile Transportation Technology segment when control of the products has been transferred. Delivery is effected when products have been shipped to the named destination, the risks of obsolescence and loss have passed to the customer, and the customer has either accepted the products in accordance with the purchase contract, the acceptance period has expired, or objective evidence is available to the relevant segment that all acceptance criteria have been met. Some contracts contain several performance components, such as the sale of products as well as the sale of commissioning and customer training services. In view of the fact that the individual performance components cannot easily be provided by a third party, they are generally not accounted for as separate performance obligations.

In the case of sales of products by the "Mobile Transportation Technology" and "Components" segments, arrangements may be in place for retrospective volume discounts based on total sales to a customer during an agreed period. Revenue from these sales is recognised at the contract price less estimated volume discounts. The estimate is based on experience (expected value method). Revenue is recognised only to the extent that it is highly probable that a significant revenue reversal will not become necessary once the uncertainty related to the consideration is resolved.

In the Components segment, revenue from the rendering of engineering services is recognised on a very small scale over time. In this case, revenue is recognised in proportion to the inputs made by the entity to settle the obligation and the total inputs expected to be required to settle the obligation.

Schaltbau makes use of the practical expedient available for financing components, whereby the effects of a financing component are not taken into account if the period between the transfer of goods or services and their payment by the customer is no longer than one year. A provision is recognised for obligations to repair or replace defective products based on standard warranty terms and conditions. In the Mobile Transportation Technology segment, separate performance obligations can arise when extended warranty periods have been agreed with the customer. The stand-alone selling price is determined in accordance with Step 2 of the five-step model (see "Determination of the stand-alone selling price" below). A receivable is reported after the underlying incoterms have been fulfilled and control of the product or service has been transferred to the customer, reflecting the fact that the right to payment becomes unconditional at that point in time i.e. the due date for payment takes effect automatically from this point in time with the passage of time. Payment terms throughout the Schaltbau Group vary greatly depending on the customer and the country involved.

Stationary Transportation Technology segment revenue

Revenue is recognised in the Stationary Transportation Technology segment when control of the products has been transferred. Delivery is effected when products have been shipped to the named destination, the risks of obsolescence and loss have passed to the customer, and the customer has either accepted the products in accordance with the purchase contract, the acceptance period has expired, or objective evidence is available to the relevant segment that all acceptance criteria have been met.

Construction contracts are in place with specific customers in the form of works contracts and fixed price contracts. In the case of fixed-price contracts, revenue is recognised on the basis of the work performed up to the end of the reporting period in proportion to the total performance obligation to be satisfied, thereby taking account of the fact that the customer obtains control of the asset during the period in which Schaltbau performs its work. Some contracts contain several performance components, such as the rendering of a construction service as well as necessary commissioning services. In view of the fact that the individual performance components cannot easily be provided by a third party, they are generally not accounted for as separate performance obligations. If separate performance obligations do exist, the transaction price is allocated on the basis of relative stand-alone selling prices. If such prices are not directly observable, they are estimated using the expected-cost-plus-a-margin approach. Estimates of revenue, costs or contract progress are adjusted when circumstances change. Any resulting increases or decreases in estimated revenue and costs are recognised in profit or loss in the period in which the circumstances giving rise to the adjustment come to the attention of management. In the case of fixed-price contracts, the customer pays amounts on the basis of a payment schedule. If the work performed exceeds payments received, Schaltbau recognises a contract asset. If the payments received exceed the work performed, a contract liability is recognised. Payments are made in accordance with the payment schedules agreed in the customer contracts. Schaltbau makes use of the practical expedient available for financing components, whereby the effects of a financing component are not taken into account if the period between the transfer of goods or services and their payment by the customer is no longer than one year.
Contract assets are stated net of impairment losses measured in accordance with IFRS 9. The Group applies the simplified approach described in IFRS 9 whereby the amount of impairment losses is measured on the basis of lifetime expected credit losses.

Contract assets relate to work in progress that has not yet been invoiced and essentially have the same risk characteristics as trade accounts receivable arising from the same types of contract and debtor. The Group has therefore concluded that expected loss rates for trade accounts receivable not yet due are a reasonable approximation of loss rates for contract assets.

The net impact on profit or loss of impairment allowances recognised on contract assets is reported on the line item "Impairment losses" in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

Determination of the stand-alone selling price

Step 1	An indicator of the stand-alone selling price is an "objective, observable transaction price" at which Schaltbau sells the relevant good or service separately.
Step 2	If there is no objective, observable transaction price, an objective estimate must be made. Schaltbau uses the "expected cost plus a margin method" for this purpose.

Borrowing costs

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. No borrowing costs were capitalised during the year under report on the grounds of immateriality.

Significant events

Alte Technologies S.L.U. (Alte)

In February 2019, the Executive Board of Schaltbau Holding AG decided to put the Spanish subsidiary Alte Technologies S.L.U., Barcelona, Spain, up for sale. For this reason, Alte was accounted for as a "disposal group" in accordance with IFRS 5 from February 2019 onwards. The impairment test carried out in this context resulted in the recognition of income of kEUR 716, resulting from the reversal of previously recognised impairment losses. This income is classified as an exceptional item in accordance with the Schaltbau Group's internal definition.

With effect from 29 May 2019, Schaltbau Holding AG sold all shares in the Spanish subsidiary to the French rail supplier Barat Group SAS for a purchase price of EUR 1. Ownership was transferred with economic and legal effect from the same date.

With the exception of a residual amount of kEUR 1,000, the liability relating to the credit line in place between Alte (as borrower) and Schaltbau Holding AG (as lender) until 29 May 2019 was recorded as a contribution to Alte's equity. In accordance with the purchase agreement, the repayment schedule for the remaining kEUR 1,000 loan was modified to the effect that kEUR 500 is required to be repaid 24 months and kEUR 500 36 months after the contract date. If any claims for losses are made known by the purchaser or a third party, the economic cause of which falls before 29 May 2019, Schaltbau (as seller) is obliged under the purchase agreement to assume a maximum total liability for all losses up to kEUR 1,000. In the event that Schaltbau Holding AG is required to make a payment to the buyer in accordance with the purchase agreement, this payment will be offset against the remaining amount of the loan, up to a maximum amount of kEUR 1,000.

The deconsolidation of Alte at the end of May 2019 gave rise to a deconsolidation gain of kEUR 396 which was recorded as other operating income and classified as an exceptional item in accordance with the Schaltbau Group's internal definition.

The following table shows the assets and liabilities of Alte at the date of deconsolidation:

Assets

€k	29.5.2019
Intangible assets	47
Property, plant and equipment	3,315
Other non-current financial assets	91
Inventories	3,968
Trade accounts receivable	2,422
Other current non-financial assets	534
Cash and cash equivalents	39
Assets held for sale	**10,416**

Equity and liabilities

€k	29.5.2019
Other non-current financial liabilities	2,301
Other current provisions	1,943
Current financial liabilities	585
Trade accounts payable	3,114
Other current financial liabilities	353
Other current non-financial liabilities	1,943
Liabilities held for sale	**10,239**

Sepsa Group

In November 2017, the Executive Board decided to put up for sale the Sepsa Group (Albatros S.L.U, Madrid, Spain and its subsidiaries), which was part of the Mobile Transportation Technology segment. The plan was to sell all shares on the basis of a "share deal". Sepsa and its subsidiaries were therefore accounted for as a "disposal group" in accordance with IFRS 5 with effect from November 2017. This classification resulted in the application of different measurement methods. The purchase offer received from a potential buyer in November 2017 could not be successfully completed in spring 2018. In the final analysis, the failure to complete the transaction was mainly due to different views regarding a major project under negotiation at the time. This difference of opinion ultimately led to a termination of the sales negotiations in the fiscal year 2018. In particular for the aforementioned reason, which was attributable to events or circumstances beyond Schaltbau's control, the sale of the Sepsa Group could not take place within a period of twelve months from November 2017. As part of the M&A process, a new investor was found in summer 2018, with whom detailed negotiations were held. In light of other new enquiries received from investors, the Executive Board of Schaltbau Holding AG identified a sustained interest in the market to acquire Sepsa. For this reason, the Sepsa Group continued to be accounted for as a "disposal group" in accordance with IFRS 5 at 31 December 2018. At that date, the Executive Board remained confident – in view of the concrete nature of the major project – that the Sepsa Group, despite ongoing losses, could still be sold for EUR 1. As a consequence, the assets and liabilities of the disposal group were reported at the same amount, resulting in reversals of impairment losses on assets. The income from these reversals was reported as other operating income despite the fact that further losses continued to arise and liabilities to increase. A total of kEUR 4,919 was recognised in the fiscal year 2018 as other operating income. This amount was not classified as an exceptional item, given that the corresponding expense from the Sepsa Group's operations was included in the consolidated income statement.

The financial situation in 2019 made it necessary to initiate liquidation proceedings, and a corresponding application was filed by the Executive Board on 8 April 2019. On the same day, an offer was received from a strategic investor with experience in the sector to acquire Sepsa's key assets and liabilities. A liquidator appointed by the Spanish court took over the management of the Sepsa Group on 7 May 2019. As a result of this event, the Schaltbau Group lost control (as defined by IFRS 10) of the Sepsa Group with effect from this date, as a result of which the Sepsa Group was deconsolidated. The resulting deconsolidation gain of kEUR 105 was recorded in other operating income and has been classified as an exceptional item in accordance with the Schaltbau Group's internal definition. With economic effect from 16 July 2019 and legal effect from 30 October 2019, Sepsa Medha S.L.U., Madrid, Spain – a wholly owned subsidiary of Indian Medha Holding – took over the productive operations of Albatros S.L.U. The deal included in particular the transfer of all assets and liabilities, legal rights and existing contractual relationships relating to productive operations. In addition, employment contracts for all relevant employees were transferred and obligations for existing maintenance and repair work assumed.

The following table shows the assets and liabilities of the SEPSA GROUP at the date of deconsolidation:

Assets

€k	07.5.2019
Intangible assets	1,915
Property, plant and equipment	2,540
Inventories	8,322
Trade accounts receivable	4,159
Other current non-financial assets	918
Current income tax assets	22
Cash and cash equivalents	1,064
Total assets	**18,940**

Equity and liabilities

€k	07.5.2019
Other non-current provisions	637
Other non-current financial liabilities	4,583
Other non-current non-financial liabilities	231
Other current provisions	1,262
Current financial liabilities	1,537
Trade accounts payable	3,861
Other current financial liabilities	4,682
Other current non-financial liabilities	1,831
Liabilities held for sale	**18,624**

Financing of Schaltbau Holding AG

A new Syndicated Credit Agreement amounting to EUR 103 million, with a three-year initial term and two one-year extension options, was signed on 17 June 2019. In a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109 million. The credit line can be utilised both as an overdraft and a guarantee line. The total amount utilised at 31 December 2019 amounting to EUR 95.0 million comprised overdraft and guarantee amounts of EUR 62.0 million and EUR 33.0 million respectively. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral.

The promissory note loans with a nominal volume of EUR 70 million reported under current financial liabilities at 31 December 2018 comprised two tranches of (previously) EUR 28.5 million (due 30 June 2022) and EUR 41.5 million (due 30 June 2025). The promissory note creditors had a contractual right to terminate the financing agreement early with effect from the end of 2019. The termination option was exercised by creditors with a total nominal volume of EUR 56.5 million. The remaining promissory note creditors continue to have extraordinary rights of termination. In accordance with the agreements with the promissory note creditors, these extraordinary rights of termination are linked, among other things, to the extraordinary termination of other financial liabilities, in particular the Syndicated Credit. At 31 December 2019, the remaining liabilities to the promissory note creditors with a nominal value of EUR 13.5 million continue to comprise two tranches of EUR 8.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025) and are reported under non-current financial liabilities.

A new Factoring Agreement dated 1 August 2019 provides for various companies of the Schaltbau Group to sell trade accounts receivable directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates opportunities and risks arising under these arrangements to the participating Schaltbau Group companies and a bank, underpinned by contractual agreements. The structured entity is financed by means of a credit line provided by the bank. Since the Schaltbau Group cannot exercise control over relevant activities of the purchasing company, the latter is not included in the consolidated financial statements. Further information is provided in note (17) "Trade accounts receivable".

Development of provisions for onerous contracts

Provisions for onerous contracts decreased by kEUR 1,409 from kEUR 4,057 at 31 December 2018 to kEUR 2,648 at 31 December 2019. Provisions for onerous contracts were reversed in the amount of kEUR 440 during the fiscal year 2019. No exceptional additions to provisions for onerous contracts were recorded in 2019.

Restructuring provision

Results of operations of Gebr. Bode GmbH & Co. KG, Kassel, did not develop as planned during the fiscal year 2018, mainly due to unrealised product revenue and a higher cost of materials ratio in the Road and Rail business fields. A restructuring provision of kEUR 1,800 was recognised in December 2018, with the aim of initiating measures to improve the economic situation of Gebr. Bode GmbH & Co. KG on a sustainable basis. During the fiscal year 2019, an amount of kEUR 400 of the provision recognised in 2018 was reversed. Additional personnel-related restructuring measures were resolved in 2019, as a result of which the provision was increased to kEUR 2,010. The related expense is classified as an exceptional item in accordance with the Schaltbau Group's internal definition.

Due to the liquidation of the Sepsa Group, additional provisions for Group and bank guarantees amounting to kEUR 3,996 have been recognised in 2019.

Restructuring measures were initiated during the fiscal year 2019 to ensure the continued profitability of the Components segment going forward. At 31 December 2019, the related provision amounted to kEUR 3,563.

Personnel-related restructuring measures were initiated during the fiscal year 2019 with a view to improving profitability in the Stationary Transportation Technology segment on a sustainable basis. As part of the process of bringing about a socially acceptable reduction in the workforce, pre-retirement part-time working arrangements were concluded in the fiscal year 2019. The expense of kEUR 1,417 recognised to increase the provision for pre-retirement part-time working arrangements is reported as an exceptional item, given that this measure meets the restructuring criterion stipulated in Schaltbau Group's internal definition.

Insurance claims

On 21 May 2019, production facilities at Schaltbau's subsidiary Gebr. Bode GmbH & Co. KG, Kassel, covering some 20,000 square metres, were extensively damaged by heavy rainfall and flooding.

As a result of the flooding, operations at the Kassel production site were completely disrupted for several working days. Production was resumed on 27 May 2019. Despite extra shifts worked during the remainder of the year, it was not possible to fully make up the production backlog caused by the interruption in production.

The damage to property as well as the related business interruption are covered by insurance policies. Schaltbau is working on the basis that the coverage provided by the relevant insurance policies will be sufficient to compensate for all losses associated with the business interruption and damage to property.

In total, income from insurance claims in connection with the flooding amounting to kEUR 7,970 was recorded in other operating income in the consolidated financial statements. In addition, provisions for outstanding supplier invoices for damage elimination measures have been recognised.

No significant claims for damages (penalties) from customers had been received by 31 December 2019.

Explanatory notes to the consolidated income statement

The consolidated income statement for the period from 1 January to 31 December 2018 includes two months of Pintsch Bubenzer Group figures on a proportionate basis. The Pintsch Bubenzer Group is not included in the reporting period from 1 January to 31 December 2019 as a result of its deconsolidation in March 2018. The Sepsa Group and Alte are fully included in the income statement for the period from 1 January to 31 December 2018. In the fiscal year 2019, the Sepsa Group is included for the period from 1 January to 7 May 2019 and Alte for the period from 1 January to 29 May 2019.

The following table, showing the income statement of the Pintsch Bubenzer Group, is provided to enable improved comparability of the consolidated income statement.

Income statement of the Pintsch Bubenzer Group for the comparative period 2018:

Income statement of the Pintsch Bubenzer Group for the comparative period 2018

€k	1.1. – 31.12.2018
Revenue	8,227
Change in inventories of finished and unfinished goods	821
Own work capitalised	0
Total output	**9,048**
Other operating income	63
Cost of materials	-4,777
Personnel expense	-2,831
Depreciation and amortisation	0[1]
Other operating expenses	-1,118
Profit before financial result and taxes (EBIT)	**385**
Financial result	-175
Profit before tax	**210**
Income taxes	-74
Net profit for the year	**136**

[1] No depreciation/amortisation recorded due to application of IFRS 5 with effect from December 2017

Income statement of Alte

€k	1.1. – 29.5.2019	1.1. – 31.12.2018
Revenue	11,890	24,789
Change in inventories of finished and unfinished goods	-441	-485
Total output	**11,449**	**24,304**
Other operating income	91	774
Cost of materials	-7,018	-19,111
Personnel expense	-3,617	-8,141
Depreciation, amortisation and impairment losses	-107	-11,976
Other operating expenses	-1,633	-4,178
Loss before financial result and taxes (EBIT)	**-834**	**-18,328**
Financial result	-275	-704
Loss before tax	**-1,109**	**-19,032**
Income taxes	-204	0
Net loss for the year	**-1,313**	**-19,032**

Income Statement of the Sepsa Group

€k	1.1. – 7.5.2019	1.1. – 31.12.2018
Revenue	9,879	32,455
Change in inventories of finished and unfinished goods	-919	-2,603
Own work capitalised	553	1,595
Total output	**9,513**	**31,447**
Other operating income	1,431	5,815
Cost of materials	-3,476	-18,108
Personnel expense	-4,948	-14,092
Depreciation, amortisation and impairment losses	0[1]	-113
Other operating expenses	-2,559	-7,556
Impairment losses	-1	-8
Loss before financial result and taxes (EBIT)	**-41**	**-2,615**
Results from investments	0	13
Financial result	-317	-2,813
Loss before tax	**-358**	**-5,415**
Income taxes	-8	496
Net loss for the period	**-366**	**-4,919**

[1] No depreciation/amortisation recorded due to application of IFRS 5

(1) Revenue

The Group generates revenue in the Components segment, the Mobile Transportation Technology segment and the Stationary Transportation Technology segment. Revenue recorded by the Components segment results from the sale of connectors, snap-action switches and DC contactors for various applications used in the railway and industrial sectors. Revenue recorded by the Mobile Transportation Technology segment results from the sale of door and boarding systems for buses, trains and commercial vehicles as well as interiors for trains. Revenue recorded by the Stationary Transportation Technology segment, results from the sale of level crossing safety systems, axle counting systems and signal technology.

The following table shows the revenue generated by the segments on the basis of a point in time as well as over time.

Revenue by segment

€k	2019	2018
Components	154,376	145,169
– of which recognised over a period of time	542	119
Mobile Transportation Technology	286,726	303,816
– of which recognised over a period of time	0	0
Stationary Transportation Technology	72,544	69,131
– of which recognised over a period of time	2,518	470
Holding company	62	227
– of which recognised over a period of time	0	0
	513,708	**518,343**

The following table shows the performance obligations that have not yet been fulfilled or fully fulfilled at the end of the reporting period, mainly relating to long-term construction contracts in the Stationary Transportation Technology segment and from development work rendered over a period of time in the Components segment.

€k	2019	2018
Aggregated transaction price of unfulfilled (or partially unfulfilled) performance obligations	**2,977**	**4,731**

Management expects 91.4% of these outstanding (or partially outstanding) performance obligations to be recognised as revenue in 2020. The remaining 8.6% is expected to be recognised as revenue mainly in 2021. The amount stated does not include any variable consideration components for which constraining estimates apply.

Similarly, the amounts disclosed do not include any contracts for which consideration payable to the customer matches the value of Schaltbau's performance obligation and/or whose expected original term is for a maximum of one year.

The following table shows revenue recognised during the fiscal year under report that was included in the net amount of contract liabilities at the beginning of the period (see Note (27) Contract assets and liabilities):

€k	2019	2018
Revenue recognised included in the net amount of contract liabilities at the beginning of the period	8,675	12,023
Revenue recognised relating to performance obligations fulfilled in prior periods	0	0
	8,675	**12,023**

The following table shows the Group's revenue by market.

Revenue by market

€k	2019	2018
Germany	189,985	188,198
Other EU countries	182,369	202,685
Other European countries	48,987	38,790
Asia	59,909	57,291
Americas	31,704	30,012
Other countries	754	1,367
	513,708	**518,343**

(2) Change in inventories of finished good, work in progress and own work capitalised

€k	2019	2018
Change in inventories	588	3,015
Own work capitalised	2,669	2,087
	3,257	**5,102**

(3) Other operating income

€k	2019	2018
Income from insurance claims	8,042	96
Reversal of provisions	2,723[2]	12,662[1]
Currency/ exchange rate gains	1,158	1,091
Public-sector grants	26	20
Sundry other operating income	5,670	10,373
	17,619	**24,242**

[1] The reversal of provisions includes income from the Sepsa Group.
[2] The reversal of provisions includes income from ALTE and the Sepsa Group.

Other operating income includes income of kEUR 3,026 (2018: kEUR 13,330) relating to prior periods (mostly income from the reversal of provisions). Insurance cover for flood damage at Gebr. Bode GmbH & Co. KG in Kassel resulted in income from insurance claims amounting to kEUR 7,970.

Sundry other operating income includes in particular the gain of kEUR 1,394 (2018: kEUR 4,919) arising in conjunction with the valuation of SEPSA in accordance with IFRS 5, income of kEUR 716 from the reversal of impairment losses on ALTE in accordance with IAS 36. Sundry other operating income also includes gains arising on the deconsolidation of ALTE (kEUR 396) and Sepsa (kEUR 105). Further information is provided in the note on "Significant events". In the previous fiscal year, sundry other operating income also included allocations to Pintsch Bubenzer GmbH amounting to kEUR 1,140.

(4) Cost of materials

€k	2019	2018
Cost of raw materials, supplies and purchased goods for resale	-226,301	-241,920
Cost of purchased services	-39,957	-38,502
	-266,258	**-280,422**

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

€k	2019	2018
Wages and salaries	-145,801	-146,019
Social security, pension and welfare expenses	-30,382	-31,134
	-176,183	**-177,153**

In relation to pension expenses, further information is provided in note (24) "Pension provisions".

Number of employees

€k	2019	2018
Development	368	467
Purchasing and logistics	292	305
Production	1,512	1,613
Sales and marketing	265	333
Administration including Executive Board members and Group company directors	269	261
Trainees	17	19
	2,723	**2,998**

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) Depreciation, amortisation and impairment losses

€k	2019	2018
Amortisation of intangible assets		
Concessions, similar rights and software	-2,454	-2,707
Goodwill	0	-10,443
Development costs	-1,623	-4,844
	-4,077	**-17,994**
Depreciation of property, plant and equipment		
Land and buildings	-1,806	-1,826
Plant and machinery	-3,049	-3,408
Other plant and equipment	-3,380	-3,389
Payments in advance and assets under construction	0	-5
	-8,234	**-8,628**
Amortisation of right-of-use assets		
Right-of-use assets relating to land and buildings	-2,004	0
Right-of-use assets relating to plant and machinery	-58	0
Right-of-use assets relating to other plant and equipment [1]	-943	-60
	-3,006	**-60**
Depreciation of investment property	**-126**	**0**
Depreciation, amortisation and impairment losses reported in the analysis of the development of fixed assets	**-15,444**	**-26,681**
Depreciation, amortisation and impairment losses on other assets	**-26**	**-3,150**
Depreciation, amortisation and impairment losses reported in the consolidated income statement	**-15,470**	**-29,831**

[1] In the previous year this item related to depreciation of assets accounted for as finance leases

With regard to impairment losses recognised on goodwill and development costs, further information is provided in note (12) "Intangible assets".

As a result of the first-time application of IFRS 16 Leases in the fiscal year 2019, amortisation on right-of-use assets totalling kEUR 3,006 was recorded for the first time. In the fiscal year 2018, depreciation of leased assets amounted to kEUR 60.

In the previous fiscal year, depreciation amortisation and write-down on other assets included in particular write-downs of assets relating to ALTE.

(7) Other operating expenses

€k	2019	2018
Administrative expenses	-26,154	-26,912
Selling expenses	-13,351	-14,839
Operational expenses	-3,919	-8,372
Lease expenses pursuant to IFRS 16		
Low-value leased assets [1]	-583	0
Short-term leases [1]	-1,478	0
Variable consideration [1]	-163	0
Employee-related costs	-1,857	-1,657
Exchange rate losses	-1,103	-1,508
Other taxes	-2,009	-1,111
Losses on the sale of fixed assets	-229	-460
Allocation to provisions for onerous contracts	-625	-4,137
Sundry other expenses	-8,175	-8,137
	-59,646	**-67,133**

[1] First-time application of IFRS 16 in the fiscal year 2019

Administrative expenses mainly include legal and consulting costs, insurance and contributions, and IT costs. Selling expenses relate mainly to advertising costs, sales commission and travel and entertainment expenses.

Lease payments, including those for short-term or low-value leases, variable consideration and interest amounted to kEUR 2,224 in the fiscal year 2019.

(8) Result from investments

€k	2019	2018
Result from at-equity accounted investments	821	-114
Other results from investments	-559	-2,873
	262	**-2,987**

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 at-equity accounted investments relates to the Group's share of the profit of BoDo Bode-Dogrusan A.S. (Turkey) for the year ended 31 December 2019. In the previous fiscal year, the result from at-equity accounted investments included the Group's share of the results of BoDo Bode-Dogrusan A.S. (Turkey), Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China) and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. (China), in each case for the fiscal year ended 31 December 2018. Entities accounted for using the equity method did not make any distributions in either 2018 or 2019.

In the fiscal year 2019, other results from investments included the loss from the sale of shares in Pintsch Bamag Transportation & Energy Equipment Co. (China) as well as an impairment loss of kEUR 789 recognised on the investment in Xi'an SPII Electric Co. (China).

In the previous fiscal year, other results from investments included impairment losses recognised on the investments in Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China), and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. (China) as well as the distributions of non-consolidated companies. The recoverable amount of Zhejiang Yonggui Bode Transportation Equipment Co. (China) was calculated using a fixed forecast period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.6% (pre-tax WACC of 8.4%) and a perpetual annuity growth rate of 1.0%.

If the relevant exchange rates had been 10% more favourable or less favourable, the result from equity-accounted companies would have been a gain of kEUR 50 / loss of kEUR 120 (2010: loss of kEUR 129 / loss of kEUR 102)).

(9) Financial result

€k	2019	2018
Other interest and similar income	344	1,479
Interest and similar expenses	-7,314	-7,228
of which expenses arising on the unwinding of interest on lease liabilities [1]	-500	-9
of which arising on interest rate swaps	-306	-300
Other financial result	-13	-54
	-6,983	**-5,803**

[1] In the previous year arising on the unwinding of interest on finance lease liabilities

Interest expenses include kEUR 776 (2018: kEUR 736) relating to the interest component of the allocation to personnel-related provisions. In addition, interest expenses include interest in connection with the repayments made in December on the promissory note loans.

(10) Income taxes

€k	2019	2018
Income tax expense	-5,479	-3,613
Deferred tax income (+) / expense (-)	2,374	5,560
	-3,105	**1,947**

Where Schaltbau Holding AG has concluded profit and loss transfer agreements with subsidiaries that are recognised by the tax authorities, profits/losses generated by those subsidiaries are allocated to the Company for corporation and municipal trade tax purposes. Income is taxed in this case at the level of the parent company, without any need for the subsidiary to make a profit distribution. The amount of the subsidiary's profit/loss to be taxed is subject to various special rules for tax groups (e.g. the amount of deductible interest expenses and deductible losses).

Deferred tax assets related to the following balance sheet items:

Deferred taxes after netting comprise non-current deferred tax assets amounting to kEUR 10,375 (2018: kEUR 6,444) and non-current deferred tax liabilities amounting to kEUR 1,748 (2018: kEUR 2,182).

The history of municipal trade tax losses within the Schaltbau Holding AG group of companies came to an end in 2019 (2018: end of history of corporation tax losses). As a result, deferred tax assets amounting to kEUR 427 were recognised on tax losses available for carryforward with income statement impact (2018: kEUR 3,248). In addition, the valuation allowance of kEUR 1,771 (2018: kEUR 4,009) originally recognised in

€k	Non-current assets	Inventories	Other assets	Pension provisions	Other provisions	Liabilities	Tax loss carry-forwards	Netting	Total
Balance at 1.1.2018	**565**	**2,558**	**1,016**	**2,468**	**2,830**	**739**	**490**	**-5,749**	**4,917**
Recognised through									
– profit or loss	67	-383	37	82	-703	-316	4,646		3,430
– OCI	0	0	0	1,256	0	-84	0		1,172
Currency	-1	-1	-6	-1	-2	-1	0		-12
Balance at 31.12.2018	**631**	**2,174**	**1,047**	**3,805**	**2,125**	**338**	**5,136**	**-5,613**	**9,643**
Balance at 1.1.2019	**631**	**2,174**	**1,047**	**3,805**	**2,125**	**338**	**5,136**	**-5,613**	**9,643**
Recognised through									
– profit or loss	29	87	-320	437	1,665	27	503		2,428
– OCI	0	0	0	1,599	0	-42	0		1,557
Currency	10	12	1	-3	2	1	1		24
Balance at 31.12.2019	**670**	**2,273**	**728**	**5,838**	**3,792**	**324**	**5,640**	**-5,882**	**13,383**

Deferred tax liabilities related to the following balance sheet items:

€k	Non-current assets	Inventories	Other assets	Pension provisions	Other provisions	Liabilities	Netting	Total
Balance at 1.1.2018	**10,474**	**141**	**390**	**0**	**0**	**30**	**-5,749**	**5,286**
Recognised through								
– profit or loss	2,931	0	65	0	0	5		3,001
– OCI	0	0	9	0	0	0		9
Currency	26	0	0	0	0	0		26
Balance at 31.12.2018	**7,517**	**141**	**316**	**0**	**0**	**25**	**-5,613**	**2,386**
Balance at 1.1.2019	**7,517**	**141**	**316**	**0**	**0**	**25**	**-5,613**	**2,386**
Recognised through								
– profit or loss	447	-32	-160	0	0	-309		-54
– OCI	0	0	0	0	0	0		0
Currency	-18	-1	0	0	0	0		-19
Balance at 31.12.2019	**7,088**	**174**	**476**	**0**	**0**	**334**	**-5,882**	**2,190**

2017 on the surplus of deferred tax assets over deferred tax liabilities for the tax group) was reversed, whereby the amount of kEUR 794 (2018: kEUR 1,249) attributable to the actuarial valuation of the pension provision was recognised directly in equity and remainder, amounting to kEUR 977 (2018: kEUR 2,772) recognised through the income statement.

No deferred tax assets are recognised on corporation tax and municipal trade tax losses available for carryforward amounting to kEUR 30,897 (2018: kEUR 35,792) and on foreign tax losses available for carryforward amounting to kEUR 25,277 (2018: kEUR 89,232). The decrease in tax losses available for carryforward related in particular to the companies deconsolidated in the fiscal year 2019, in addition to the current consumption.

Out of a total tax interest carryforward in Germany amounting to kEUR 6,402 (2018: kEUR 6,180), deferred tax assets of kEUR 529 were recognised on an amount of kEUR 1,994 (2018: kEUR 4,694).

Deferred tax liabilities amounting to kEUR 713 (2018: kEUR 1,093) were not recognised on temporary differences and on profits retained by subsidiaries of Schaltbau Holding AG due to the fact that Schaltbau can control the timing of reversals and taxation in accordance with IAS 12.39.

(11) 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 issued share options or when shares are bought back or sold. Share options have a diluting effect when the conditions for their exercise are met.

At 31 December 2019, a total of 8,844,545 ordinary shares were in circulation, excluding treasury shares (2018: 8,844,545 shares). The Company began to repurchase own (treasury) shares in 2008 (see explanatory comments in note (22) "Capital / revenue / other reserves").

Reconciliation of expected and actual expense in the income statement

€k	2019	2018
Loss before tax	10,463	-16,083
Expected tax expense/income (30%)	-3,139	4,825
– Different computation of taxes outside Germany	1,045	-799
– Tax-exempt income	1,318	2,203
– Non-deductible expenses	-1,169	-8,899
– Associated companies and joint ventures accounted for using the equity method	-32	-985
– Tax expense and reimbursements for prior years	-340	-334
– Change in valuation allowances on deferred tax assets on tax losses available for carryforward	-1,225	1,528
– Effect of tax rate changes	-32	0
– Foreign withholding tax	-336	-351
– Deferred taxes from unrecognized deductible temporary differences	773	2,772
– Other differences	32	1,987
Income tax expense/income	-3,105	1,947
Effective tax rate	29.7%	12.1%

	2019	2018
Shares in circulation at beginning of year	8,852,190	6,609,770
Treasury shares	-7,645	-7,645
Share capital increase	0	2,242,420
Calculated weighted number of shares at end of fiscal year	8,844,545	8,537,364
Further potential shares from share options (diluted)	0	0
Actual and potential shares at end of year (diluted)	8,844,545	8,844,545
Shares – undiluted at 31 December	8,844,545	8,844,545
Shares – diluted at 31 December	8,844,545	8,844,545
Weighted shares – undiluted	8,844,545	8,537,364
Weighted shares – diluted	8,844,545	8,537,364

Earnings per share

	2019	2018
Group net profit/loss for year (k€)	7,358	-14,135
Profit attributable to minority shareholders (k€)	3,263	2,384
Profit/loss attributable to shareholders of Schaltbau Holding AG (k€)	4,095	-16,519
Earnings per share – undiluted	€ 0.46	€ -1.93
Earnings per share – diluted	€ 0.46	€ -1.93
Weighted shares – undiluted	8,844,545	8,537,364
Weighted shares – diluted	8,844,545	8,537,364
Earnings per share – undiluted (weighted)	€ 0.46	€ -1.93
Earnings per share – diluted (weighted)	€ 0.46	€ -1.93

Reconciliation between undiluted and diluted weighted shares

	2019	2018
Weighted shares – undiluted	8,844,545	8,537,364
Weighted shares – diluted	8,844,545	8,537,364

Explanatory notes to the consolidated balance sheet

(12) Intangible assets

Goodwill can be analysed as follows:

€k	2019	2018
SPII S.p.A.	14,813	14,813
Schaltbau North America Inc. [1]	6,065	5,956
Components segment	**20,878**	**20,769**
Gebr. Bode GmbH & Co. KG	381	381
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. [1]	11,697	11,575
Schaltbau Transportation UK Ltd. [1]	2,052	1,952
Mobile Transportation Technology segment	**14,130**	**13,908**
Pintsch GmbH	696	696
Pintsch Tiefenbach US Inc.	214	214
Stationary Transportation Technology segment	**910**	**910**
	35,918	**35,586**

[1] Subject to currency fluctuations

The recoverable amount of a cash-generating unit (CGU) is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations of the use in value per CGU are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal company purposes. Potential market developments are taken into account as part of the forecasting process. As a general rule, for the purposes of the calculation it is assumed that growth of one percent for all years after the third year will be achieved. A beta-factor derived for a comparable peer group of entities, a debt capital cost spread and the Group's capital structure are taken into account when measuring the recoverable amount of a CGU.

The following forecast assumptions were applied for impairment tests performed in 2019:

	Revenue growth in %		Cost increases in %	
%	2020	2021/2022	2020	2021/2022
SPII S.p.A.	19.1	4.7	20.4	3.1
Schaltbau North America Inc.	5.1	13.2	0.2	12.4
Components segment				
Gebr. Bode GmbH & Co. KG	5.7	1.6	1.9	0.6
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	-1.0	10.6	-5.2	9.4
Schaltbau Transportation UK Ltd.	1.8	7.5	6.9	6.4
Mobile Transportation Technology segment				
Pintsch GmbH[1]	5.4	3.6	8.4	2.0
Pintsch Tiefenbach US Inc.	-7.2	9.5	-9.1	7.4
Stationary Transportation Technology segment				

[1] Merger of Pintsch Tiefenbach GmbH with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH in accordance with merger agreement dated 14 February 2019 and change of name to Pintsch GmbH

A large part of budgeted revenue for the fiscal year 2020 is underpinned by orders already received.

The following discount rates were applied:

	WACC after-tax in %		WACC pre-tax in %	
%	2019	2018	2019	2018
SPII S.p.A.	6.5	8.1	8.4	10.1
Schaltbau North America Inc.	5.0	6.0	7.0	8.0
Pintsch GmbH[1]	4.5	5.3	5.8	8.0
Pintsch Tiefenbach US Inc.	4.9	5.9	6.7	8.1
Gebr. Bode GmbH & Co. KG	4.5	5.3	6.0	6.8
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	5.8	7.2	7.7	8.5
Schaltbau Transportation UK Ltd.	5.2	6.6	6.6	8.3

[1] Merger of Pintsch Tiefenbach GmbH with Pintsch Bamag Antriebs- und Verkehrstechnik GmbH in accordance with merger agreement dated 14 February 2019 and change of name to Pintsch GmbH

As part of the impairment test and in accordance with the requirements of IAS 36.134, Schaltbau carried out sensitivity analyses with regard to revenue and expense trends, the discount rate and the growth rate for significant CGUs. With the exception of SPII S.p.A., no impairment risk for goodwill was identified, even applying variations to key assumptions within appropriate ranges.

The recoverable amount of the cash-generating unit SPII S.p.A exceeds the carrying amount by kEUR 4,710. If the WACC used for calculation were 1.0% higher, the recoverable amount would correspond to the carrying amount. In case of a 1.1% decrease in revenue growth or a 1.3% increase in expenses, the recoverable amount would also correspond the carrying amount of the cash-generating unit.

In the fiscal year 2018, economic developments had given rise to impairment losses on goodwill of kEUR 8,172 for Alte Technologies S.L.U. and kEUR 2,271 for Schaltbau Transportation UK Ltd. (both part of the Mobile Transportation Technology segment).

The recoverable amount (value in use) of Alte Technologies S.L.U. amounted to kEUR 2,687 at the end of the previous fiscal year. The recoverable amount was determined on the basis of a fixed forecasting period of three years. The underlying assumptions were determined on the basis of all available information. In the fiscal year 2018, the updated cash forecast for the following three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.4% (pre-tax WACC of 8.4%) and a perpetual annuity growth rate of 1%.

The recoverable amount (value in use) of Schaltbau Transportation UK Ltd. amounted to kEUR 3,362 at the end of the previous fiscal year. The recoverable amount was determined on the basis of a fixed forecasting period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 6.6% (pre-tax WACC of 8.3%) and a perpetual annuity growth rate of 1%.

Intangible assets include **capitalised development costs** with a carrying amount of kEUR 8,942 (2018: kEUR 9,330) and relate primarily to the Stationary Transportation Technology segment. Capitalised development costs totalling kEUR 2,990 were written down for impairment in the fiscal year 2018.

(13) Investment property

Following the deconsolidation of the Sepsa Group (Albatros S.L.U., Madrid, Spain, and its subsidiaries) in the first half of the fiscal year 2019, property (land and buildings) located in Pinto, Spain, which had previously been rented out on an intragroup basis, falls under the scope of IAS 40 with effect from May, given that the lease arrangements are no longer eliminated on consolidation. The property continues to be rented out to Albatros S.L.U, Madrid, Spain, at unchanged terms and conditions, in the form of an operating lease. Lease income arising in connection with the investment property for the period from May to December 2019 is reported in other operating income and amounted to kEUR 150. Direct operating expenses incurred in connection with the property amounted to kEUR 2. Changes in investment property during the fiscal year under report are shown in note (15) "Development of fixed assets".

Future lease payments fall due as follows:

€k	2020	2021	2022	2023	2024	> 2024
Planned lease payments	88	150	150	75	0	0

The fair value of the investment property (net realisable value) has been determined by a qualified independent expert and amounts to kEUR 4,116.

(14) At-equity accounted investments

The debit balances arising on the consolidation of **associated companies and joint ventures accounted for using the equity method** represent goodwill and are included in the carrying amounts of the entities accounted for using this method. No systematic amortisation was recorded on goodwill. Instead, investments accounted for using the equity method (and goodwill contained therein) are tested for impairment whenever events warrant it. 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:

	2019				2018			
€k	BODO	BOYO	PBTE	∑	BODO	BOYO	PBTE	∑
Carrying amount at 1.1.	**3,152**	**0**	**0**	**3,152**	**3,074**	**4,319**	**380**	**7,773**
Purchase of shares / foundation	0	0	0	0	0	-53	0	-53
Profit / loss	821	0	0	821	851	-856	-110	-115
Change in capital	0	0	0	0	0	0	0	0
Currency adjustment	-332	0	0	-332	-773	-39	-1	-813
Consolidation / impairment loss	0	0	0	0	0	-3,371	-269	-3,640
Carrying amount at 31.12.	**3,641**	**0**	**0**	**3,641**	**3,152**	**0**	**0**	**3,152**

	2019			2018		
€k	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,641	0	50.0%	3,152	0
PBTE	0%	0	0	20.0%	0	0
BOYO	25.0%	0	0	49.0%	0	0
		3,641	**0**		**3,152**	**0**

BODO: BoDo Bode-Dogrusan A.S.
PBTE: Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.
BOYO: Zhejiang Yonggui Bode Transportation Equipment Co. Ltd.

In December 2019, the joint venture partner executed a share capital increase at the associated company BOYO amounting to RMB 32.64 million, in which Schaltbau did not participate. Accordingly, the Schaltbau Group's shareholding in BOYO fell in percentage terms from 49% to 25%. The following table contains the pro rata loss of BOYO that was not recorded using the equity method.

€k	2019	Accumulated
Unrecognized pro rata loss from joint ventures and associated companies (BOYO)	-1,353	-1,353

The Schaltbau Group sold its shares in PBTE during the fiscal year 2019, as a result of which its shareholding in PBTE stood at 0% at 31 December 2019.

During the fiscal year 2018, there had been objective indications of impairment of the investment in BOYO. Following the performance of an impairment test, the carrying amount of the investment amounting to kEUR 3,371 was fully written down.

The recoverable amount of the investment in BOYO (accounted for using the equity method) was determined in the fiscal year 2018 on the basis of its value in use and calculated using a discounted cash flow (DCF) method. The calculation of the value in use was based on forecasts approved by the Executive Board for the following three-year period and which were also used for internal company purposes. For the purposes of the calculation it was assumed that BOYO would achieve growth of 1% in all years after the third year.

The contract in place with the joint venture partner relating to the associated company PBTE was terminated during the second half of 2018. As a result, the remaining carrying amount of the Group's investment amounting to kEUR 269 was written down at the end of 2018, reflecting the fact that future cash flows were no longer expected.

The following planning assumptions were used in the previous fiscal year for the impairment test of BOYO:

	Revenue growth		Cost increases in %	
%	2019	2020 / 2021	2019	2020 / 2021
BOYO	8.4	74.2	3.0	54.7

The following discount rate was applied:

%	WACC after-tax 2018	WACC pre-tax 2018
BOYO	7.6	26.0

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

BODO

Joint venture	31.12.2019		31.12.2018	
€k	100%	Group's share	100%	Group's share
Non-current assets	3,773	1,887	4,190	2,095
Current assets	7,650	3,825	8,177	4,089
Non-current liabilities	0	0	94	47
Current liabilities	4,258	2,129	5,975	2,988
Revenue	12,784	6,392	12,142	6,071
Depreciation	-460	-230	-490	-245
Interest income	352	176	105	52
Interest expenses	-533	-267	-732	-366
Income tax	-516	-258	-454	-227
Profit for the year	1,642	821	1,702	851
Other comprehensive income	0	0	0	0
Total comprehensive income	1,642	821	1,702	851
Dividend	0	0	0	0

BOYO [2]

Associated company	31.12.2019		31.12.2018	
€k	100%	Group's share[1]	100%	Group's share
Non-current assets	2,730	683	5,662	2,775
Current assets	11,011	2,753	7,491	3,671
Non-current liabilities	0	0	0	0
Current liabilities	6,494	1,624	3,158	1,547
Revenue	3,307	1,620	7,111	3,484
Loss for the year	-2,762	-1,353	-1,747	-856
Other comprehensive income	0	0	0	0
Total comprehensive income	-2,762	-1,353	-1,747	-856
Dividend	0	0	0	0

[1] Decrease in shareholding from 49% to 25% due to the capital increase by the partner
[2] The information provided by BOYO is a consolidated figure from the companies BOYO and BOSY

(15) Development in fixed assets

Development of fixed assets 2019

€k	Acquisition/manufacturing cost 1.1.2019	Translation differences	Adoption of IFRS 16	Additions	Disposals	IFRS 5 reclass.	Reclassifications	31.12.2019
Intangible assets								
Concessions, similar rights and software	26,043	146	0	910	-75	-179	967	27,812
Goodwill	75,780	446	0	0	-1,600	-8,172	0	66,454
Capitalised development costs	18,116	6	0	0	-2,204	-80	170	16,008
Ongoing development projects	635	1	0	1,251	0	0	-170	1,717
Payments in advance	1,002	0	0	322	0	0	-967	358
	121,576	**599**	**0**	**2,483**	**-3,879**	**-8,431**	**0**	**112,349**
Property, plant and equipment								
Land and buildings	67,727	188	0	1,970	-146	0	-4,135	65,604
Right-of-use assets relating to land and buildings	0	21	13,017	3,848	-2,635	-2,283	0	11,968
Plant and machinery	47,590	144	0	5,893	-1,526	-1,874	1,808	52,035
Right-of-use assets relating to plant and machinery	0	1	119	49	0	0	0	169
Other plant and equipment	47,092	101	0	3,967	-3,352	-259	341	47,889
Right-of-use assets relating to other plant and equipment [2]	493	27	1,684	903	-40	0	0	3,067
Assets under construction	3,023	3	0	4,015	-180	-13	-2,166	4,682
	165,925	**485**	**14,820**	**20,645**	**-7,879**	**-4,429**	**-4,152**	**185,414**
Investment property								
Investment property	0	0	0	0	0	0	4,152	4,152
	0	**0**	**0**	**0**	**0**	**0**	**4,152**	**4,152**
Investments								
Investments in affiliated companies	2,161	0	0	167	0	0	0	14,208
At-equity accounted investments	8,889	0	0	0	0	0	0	8,889
Participations	1,089	-3	0	0	0	0	0	1,086
Non-current loans receivable from Group companies	0	0	0	0	0	0	0	0
Non-current marketable securities	132	0	0	0	0	-132	0	0
Other non-current loans receivable	0	0	0	74	0	0	1,000[3]	1,074
	12,271	**-3**	**0**	**241**	**0**	**-132**	**1,000**	**25,257**
	299,772	**1,081**	**14,820**	**23,369**	**-11,758**	**-12,992**	**1,000**	**327,172**

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

[1] The carrying amounts of land and buildings include kEUR 4,260 relating to the revaluation of land

[2] The opening balance or brought forward carrying amount includes the amount reported in the previous fiscal year in the line item Leased property, plant and equipment

[3] Non-current loan receivable relating to long-term receivable from ALTE

[4] of which impairment losses amounting to kEUR 789

Depreciation, amortisation and impairment losses							Carrying amounts	
1.1.2019	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassifications Reversal of impairment losses	31.12.2019	31.12.2019	31.12.2018
-20,860	-122	-2,454	70	152	0	-23,214	4,598	5,183
-40,194	-115	0	1,600	8,172	0	-30,537	35,917	35,586
-9,421	-4	-1,623	2,204	60	0	-8,784	7,224	8,695
0	0	0	0	0	0	0	1,717	635
0	0	0	0	0	0	0	358	1,002
-70,475	**-241**	**-4,077**	**3,874**	**8,384**	**0**	**-62,535**	**49,814**	**51,101**
-27,783	-62	-1,806	77	0	158	-29,416	40,448[1]	44,204[1]
0	-4	-2,004	140	70	0	-1,798	10,170	0
-31,146	-96	-3,049	1,473	958	-2	-31,862	20,173	16,444
0	-1	-58	0	0	0	-59	110	0
-35,540	-81	-3,380	3,225	191	2	-35,583	12,306	11,552
-130	-1	-943	12	0	0	-1,062	2,005	363
-5	0	0	0	5	0	0	4,682	3,018
-94,604	**-245**	**-11,240**	**4,927**	**1,224**	**158**	**-99,780**	**89,894**	**75,581**
0	0	-126	0	0	-158	-284	3,868	0
0	**0**	**-126**	**0**	**0**	**-158**	**-284**	**3,868**	**0**
-140	0	0	0	0	0	-12,020	2,188	2,021
-5,736	-332	0	0	0	821	-5,246	3,643	3,153
0	0	-789[4]	0	0	0	-789	297	1,089
0	0	0	0	0	0	0	0	0
-41	0	0	0	41	0	0	0	91
0	0	0	0	0	0	0	1,074	0
-5,917	**-332**	**-789**	**0**	**41**	**821**	**-18,055**	**7,202**	**6,354**
-170,996	**-818**	**-16,232**	**8,801**	**9,649**	**821**	**-180,654**	**150,778**	**133,036**

Development of fixed assets 2018

€k	Acquisition/manufacturing cost 01.1.2018	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassifications Reversal of impairment losses	31.12.2018
Intangible assets							
Concessions, similar rights and software	28,670	-122	891	-3,411	0	16	26,043
Goodwill	75,927	-122	0	-24	0	0	75,780
Capitalised development costs	10,502	-4	0	-38	0	7,656	18,116
Ongoing development projects	8,383	-14	114	-192	0	-7,656	635
Payments in advance	191	0	815	-4	0	0	1,002
	123,673	**-262**	**1,820**	**-3,669**	**0**	**16**	**121,576**
Property, plant and equipment							
Land and buildings	67,597	-170	1,480	-1,180	0	0	67,727
Plant and machinery	45,674	-48	3,115	-1,813	0	662	47,590
Other plant and equipment	46,384	-80	2,991	-5,910	0	3,709	47,092
Leased property, plant and equipment	130	0	418	-54	0	0	493
Assets under construction	2,548	-3	4,864	0	0	-4,386	3,023
	162,333	**-301**	**12,868**	**-8,957**	**0**	**-16**	**165,925**
Investments							
Investments in affiliated companies	1,969	0	192	0	0	0	2,161
At-equity accounted investments	8,941	1	0	-53	0	0	8,889
Participations	1,089	0	0	0	0	0	1,089
Non-current loans receivable from Group companies	0	0	0	0	0	0	0
Non-current marketable securities	105	-1	28	0	0	0	132
Other non-current loans receivable	0	0	0	0	0	0	0
	12,104	**0**	**220**	**-53**	**0**	**0**	**12,271**
	298,110	**-563**	**14,908**	**-12,679**	**0**	**0**	**299,772**

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

[1] of which impairment losses amounting to kEUR 21
[2] of which impairment losses amounting to kEUR 10,443
[3] of which impairment losses amounting to kEUR 2,990
[4] of which impairment losses amounting to kEUR 410
[5] of which impairment losses amounting to kEUR 29
[6] of which impairment losses amounting to kEUR 3,640
[7] of which impairment losses amounting to kEUR 41
[8] The carrying amounts of land and buildings include kEUR 4,260 relating to the revaluation of land

Depreciation, amortisation and impairment losses							Carrying amounts	
01.1.2018	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassifications Reversal of impairment losses	31.12.2018	31.12.2018	31.12.2017
-21,616	110	-2,707[1]	3,352	0	0	-20,860	5,183	7,054
-29,799	24	-10,443[2]	24	0	0	-40,194	35,586	46,128
-4,596	3	-4,844[3]	16	0	0	-9,421	8,695	5,906
-192	0	0	192	0	0	0	635	8,191
0	0	0	0	0	0	0	1,002	191
-56,203	**137**	**-17,994**	**3,584**	**0**	**0**	**-70,475**	**51,101**	**67,470**
-27,060	-35	-1,826	1,137	0	0	-27,783	44,204[8]	44,797[8]
-29,032	-4	-3,408[4]	1,474	0	-175	-31,146	16,444	16,642
-38,099	53	-3,389[5]	5,719	0	175	-35,540	11,552	8,285
-90	-1	-60	20	0	0	-130	363	40
0	0	-5	0	0	0	-5	3,018	2,548
-94,281	**13**	**-8,688**	**8,350**	**0**	**0**	**-94,604**	**75,581**	**72,312**
-140	0	0	0	0	0	-140	2,021	1,829
-1,168	-815	-3,640[6]	0	0	-114	-5,736	3,153	7,773
0	0	0	0	0	0	0	1,089	1,089
0	0	0	0	0	0	0	0	0
0	0	-41[7]	0	0	0	-41	91	105
0	0	0	0	0	0	0	0	0
-1,308	**-815**	**-3,681**	**0**	**0**	**-114**	**-5,917**	**6,354**	**10,796**
-151,792	**-665**	**-30,363**	**11,934**	**0**	**-114**	**-170,996**	**133,036**	**150,578**

The carrying amount of the investment in Xi'an SPII Electric Co. Ltd, Xi'an Shaanxi, China, was depreciated by kEUR 789 to kEUR 300 in the financial year. The company was not included in the consolidated financial statements using the equity method due to its immateriality. From the Schaltbau Group's point of view, the basis of the company's business ceased to exist in 2019, which is why the carrying amount was depreciated to the proportionate amount of cash and cash equivalents. Initial discussions to sell the company were held with the partner company at the beginning of 2020.

Total research and development expenditure in the fiscal year 2019 amounted to kEUR 32,683 (2018: kEUR 32,013), and the corresponding expense was kEUR 31,432 (2018: kEUR 31,899). A total of kEUR 1,251 (2018: kEUR 114) was capitalised.

(16) Inventories

€k	31.12.2019	31.12.2018
Raw materials and supplies	63,688	62,718
Work in process	34,023	33,433
Finished products, goods for resale	11,338	11,686
Payments in advance	676	256
	109,725	**108,093**

Write-downs totalling kEUR 4,936 (2018: kEUR 4,289) were recognised on inventories in the year under report, comprising kEUR 2,486 (2018: kEUR 1,014) for the Stationary Transportation Technology segment, kEUR 792 (2018: kEUR 2,565) for the Mobile Transportation Technology segment and kEUR 1,658 (2018: kEUR 710 for the Components segment. Reversals of write-downs on inventories amounted to kEUR 868 (2018: kEUR 555). Write-downs on inventories at the end of the reporting period totalled kEUR 16,574 (2018: kEUR 15,715).

(17) Trade accounts receivable, other receivables and assets

€k	31.12.2019	31.12.2018
Trade accounts receivable	83,580	93,303
Receivables from affiliated companies	2,490	1,535
Receivables from associated companies and joint ventures	921	2,691
Income tax receivables	581	672
Receivables from participations	19	28
Other assets	11,506	7,205
	99,097	**105,436**

A factoring agreement is in place with one customer involving reverse factoring arrangements. Default and late payment risks are transferred in full to the factor, as a result of which all relevant receivables are derecognised upon sale. At 31 December 2019, receivables amounting to kEUR 2,571 had been sold, including kEUR 439 as part of the reverse factoring arrangements.

A new Factoring Agreement dated 1 August 2019 provides for Schaltbau to sell trade accounts receivable directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates opportunities and risks arising under these arrangements to Schaltbau and a bank, underpinned by contractual agreements. These arrangements are financed by a credit line provided by a bank. The structured entity is not included in the consolidated financial statements due to the fact that Schaltbau cannot exercise control over the relevant activities. The receivables to be sold from the various portfolios are determined in an automated process in compliance with the purchase criteria specified in the receivables purchase agreement. Receivables are sold and paid on a weekly basis. No repurchase agreements are in place. Schaltbau retains control over the receivables, including bearing any late-payment risk and a small proportion of the default risk (first loss guarantee).

€k	31.12.2019
End of contract term	31. Juli 2024
Contractual maximum volume	29,000
Volume of receivables sold at end of reporting period	26,237
Liabilities to the factor arising from payment proceeds relating to sold receivables	8,324
Continuing involvement	
Carrying amount of the continuing involvement asset	470
Carrying amount of the associated liability	851
Fair value of the associated liability	381

Information relating to impairment losses and allowances is provided in note (30) “Risk management and hedging measures”.

(18) Cash and cash equivalents

€k	31.12.2019	31.12.2018
Cheques and cash on hand	20	17
Cash at bank	25,164	21,097
	25,184	**21,114**

(19) Assets and liabilities held for sale

In 2017, it was decided to put Albatros S.L.U, Madrid, Spain and its subsidiaries (hereinafter referred to as the Sepsa Group) up for sale. For further information, see the note on "Significant events".

At 31 December 2018, assets and liabilities relating to discontinuing operations were reported separately in the balance sheet in the line items "Assets held for sale" and "Liabilities in conjunction with assets held for sale". The non-current assets (or disposal groups) were measured at the lower of their carrying amounts and fair value less costs to sell in accordance with IFRS 5.15. Following the Sepsa Group's deconsolidation in the first half of 2019, no assets and liabilities of the disposal group are reported at 31 December 2019.

The assets and liabilities of the disposal group (Sepsa Group) for the previous fiscal year are shown in the following table.

Assets

€k	31.12.2018
Intangible assets	1,467
Property, plant and equipment	2,182
Inventories	7,892
Trade accounts receivable	5,788
Other current non-financial assets	862
Current Income tax receivables	19
Cash and cash equivalents	710
Assets held for sale	18,920

Liabilities

€k	31.12.2018
Other non-current provisions	619
Other non-current financial liabilities	4,325
Other non-current non-financial liabilities	273
Other current provisions	1,323
Current financial liabilities	3,603
Trade accounts payable	5,676
Other current financial liabilities	905
Other current non-financial liabilities	2,001
Liabilities held for sale	18,725

(20) 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**.

(21) Subscribed capital

The Company's subscribed capital (share capital) is sub-divided into 8,852,190 (2018: 8,852,190) non-par registered ordinary shares and is fully paid up. At 31 December 2019, each share had an arithmetic par value of EUR 1.2. On 22 October 2018, Schaltbau Holding AG's shares were converted from bearer shares to registered shares on a one-to-one basis.

Number of shares	31.12.2019	31.12.2018
Ordinary shares issued	8,852,190	8,852,190
Treasury shares	7,645	7,645

(22) In accordance with article 5 (3) of the articles of association, Schaltbau Holding AG has a "Conditional capital II" in place for an amount of up to eur 3,752,601.66. Capital / revenue / other reserves

Capital reserves included share premiums totalling kEUR 73,292 (2018: kEUR 28,680) which had arisen in conjunction with share capital increases at the level of Schaltbau Holding AG in previous years. Furthermore, it was necessary in previous years to make a transfer to capital reserves in conjunction with the overestimation of losses (kEUR 1,251) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also included the equity portion of participation rights amounting to kEUR 258 (net of deferred tax of kEUR 172), the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to kEUR 595 and – in conjunction with bonus agreements – the difference (kEUR 67) between the proceeds from share sales and their purchase price. In conjunction with the acquisition of shares in Albatros S.L.U. in 2015 in return for treasury shares, an amount of kEUR 254 was transferred to capital reserve, representing the difference between the cost of the treasury shares based on their average historical cost and the market price on the date of acquisition. In conjunction with the preparation of the annual financial statements of Schaltbau Holding AG as 31 December 2018, the Executive Board decided to transfer an amount of kEUR 64,183 from capital reserves in order to cover the accumulated deficit that had arisen in accordance with German commercial law (HGB). Following this transfer, capital reserves totalled kEUR 11,534.

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 fiscal year under report, revenue reserves were reduced by kEUR 1,908 (net of deferred tax) as a result of the change in actuarial assumptions used to measure the pension provision.

In accordance with the share buy-back programme resolved on 20 November 2014 (based on the authorisation granted by the Annual General Meeting on 9 June 2010), the Company bought back shares in previous fiscal years. These treasury shares may be offered as consideration in conjunction with equity participations and/or business acquisitions or be used to strengthen the existing shareholder structure. 125,000 shares (approximately 2.03% of share capital) were sold during the fiscal year 2016 to long-term oriented investors (with subscription rights of existing shareholders excluded) with a view to increasing the Company's financial flexibility.

The nominal amount of the treasury shares corresponds to approximately 0.086% (2018: 0.086%) of share capital.

Treasury shares developed as follows:

Number of shares	
Balance at beginning of year	7,645
Balance at end of year	7,645

Overall, treasury shares held at the end of the fiscal year under report gave rise a surplus of kEUR 387 – i.e. the amount by which the treasury shares exceed their arithmetically calculated value (including transaction costs) – which is included in other revenue reserves.

Other changes in revenue reserves included mainly the kEUR 41 reduction in the put option – now standing at kEUR 4,641 – relating to the acquisition of the remaining shares in SPII S.p.A., which was recognised directly in equity.

The currency translation reserve includes the impact of currency translation.

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

Further information is provided in the disclosures made in the consolidated statement of changes in equity.

(23) Minority interests

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd., China, SPII S.p.A., and Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.,o., Poland. The previous year's figure also included amounts relating to Schaltbau Transportation UK Ltd, United Kingdom.

Disclosures relating to non-controlling interests

Attributable to non-controlling interests:

	XIAN		BORA		SPII	
	2019	2018	2019	2018	2019	2018
Shareholding in %	50.0	50.0	10.7	10.7	35.0	35.0
Voting rights in % [1]	50.0	50.0	10.7	10.7	35.0	35.0
Group profit/loss	3,046	2,856	283	110	-65	-539
Equity	16,625	16,767	5,792	5,464	6,921	6,985
Assets [2]	21,770	20,475	6,117	5,890	13,346	11,500
Liabilities [2]	5,813	4,377	1,771	1,871	6,356	4,411
Net profit / loss for the year [2]	3,046	2,856	283	110	-65	-539
Dividend	3,238	3,267	0	0	0	0
Other comprehensive income for the year [2]	-50	-524	-45	117	0	0
Total comprehensive income [2]	2,996	2,332	238	227	-65	-539
Cash flows						
from operating activities	2,234	7,548	2,492	-3,035	833	-1,650
from investing activities	-694	-1,103	-1,779	-1,741	-261	-119
from financing activities	-6,317	-5,280	-590	3,268	-1,012	-1,025

[1] Board majority
[2] Before elimination of intragroup transactions

(24) 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, or alternatively on the number of years of service worked and a specified fixed amount for each year of service. The measurement date for the computation of the present value of the defined benefit obligation of the various pension plans is 31 December. Actuarial gains and losses are recorded in the year in which they arise by recognition directly in equity (revenue reserves). These amounts will not be recognised in profit or loss in subsequent accounting periods.

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

€k	31.12.2019	31.12.2018
Claims under reinsurance policies relating to pension commitments	**71**	**49**

Defined contribution plans also exist, primarily involving the Group's entities paying contributions to state pension insurance plans. Once the contributions are paid, the Company has no further obligation to pay benefits. Employer contributions to these plans for each year were as follows:

€k	2019	2018
Employer contribution to state pension insurance plans	**10,388**	**9,895**

The pension provision developed as follows:

€k	2019	2018
Balance at 1.1	36,792	37,505
Service cost	633	550
Interest expense	675	640
Benefit payments	-1,810	-1,948
Remeasurements	2,712	21
Foreign currency translation	13	24
Other items	0	0
Reclassification to liabilities in conjunction with assets held for sale	0	0
Carrying amount of provision at 31.12.	**39,015**	**36,792**

The amounts shown in the line item "Remeasurements" relate to changes in financial assumptions (increasing provision by kEUR 2,729) and demographic assumptions (decreasing provision by kEUR 17). Currency factors are negligible, reflecting the fact that the principal commitments relate to Germany.

The pension provision at the end of the reporting period relates to current employees amounting to kEUR 12,175 (2018: kEUR 10,577), former employees with vested entitlements amounting to kEUR 4,047 (2018: kEUR 3,440) as well as pensioners and surviving dependants amounting to kEUR 22,793 (2018: kEUR 22,775).

The main actuarial assumptions applied were as follows:

%	2019	2018
Interest rate	1.2	1.9
Salary trend	2.4	2.4
Pension trend	1.7	1.7
Fluctuation rate	1.0	**1.7**

As in the previous year, the discount factor was determined on the basis of the 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 and 31 December 2019 would have been as follows:

2019	Change %	Increase €k	Decrease €k
Discount rate	0.49	-2,681	3,045
Salary trend	0.25	398	-366
Pension trend	0.24	1,160	-1,109
Fluctuation rate	0.41	-130	139

2018	Change %	Increase €k	Decrease €k
Discount rate	0.50	-2,411	2,701
Salary trend	0.26	329	-305
Pension trend	0.24	1,017	-972
Fluctuation rate	0.42	-115	118

As at 31 December, the weighted average period of defined benefit plan pension obligations is 12.4 years (2018: 13.3 years).

Pension expense comprised the following:

€k	2019	2018[1]
Current service cost	633	550
Past service cost/income	0	0
Gains / losses arising from settlements	0	0
Total service cost (personnel expense)	633	550
Interest expense	675	640
Pension expense recognised in the consolidated income statement	1,308	1,190
– Effect of changes in demographic assumptions	-17	452
– Effect of changes in financial assumptions	3,776	-678
– Effect of experience adjustments	-1,036	277
Remeasurements recognised in the consolidated statement of comprehensive income	2,723	51
Total pension expense	**4,031**	**1,241**

[1] Due to its disclosure pursuant to IFRS 5, the figures do not include PBOP (included in the consolidated financial statements for the two-month period up to February 2018).

Future cash flows:

Expected benefit payments in coming years are shown in the following table:

€k	2020	2021	2022	2023	2024
Benefit payments	1,783	1,779	1,777	1,764	1,770

In the previous fiscal year, the following benefit payments were expected for the following years:

€k	2019	2020	2021	2022	2023
Benefit payments	1,943	1,925	1,919	1,909	1,903

The defined benefit plans expose the Group to actuarial risks. Schaltbau is committed to paying life-long pensions, as a result of which it is exposed to a longevity risk. The requirement to adjust pensions regularly in accordance with the provisions of § 16 of the Company Pensions Act (BetrAVG) means that it is exposed to the risk of inflation. Were beneficiaries of the defined benefit plans to live longer than expected, this would result in higher obligations and expenses in the future. A higher rate of inflation than assumed results in higher obligations and expenses in the future. The existing interest rate risk also has a direct impact on the level of the obligation.

The biometric tables issued by Prof. Dr. Klaus Heubeck ("2018G") (2018; "2018G") were used as the basis for mortality probabilities.

(25) Other provisions

Other provisions developed as follows:

€k	1.1.2019	Utilised	Reversed	Allocated	Interest impact	IFRS 5 reclass.[1]	Currency / other[2]	31.12.2019
Non-current provisions								
Personnel	4,220	-416	0	1,585	103	0	1	5,493
Warranties	675	0	0	0	0	-571	20	124
Pending losses on onerous contracts	2,384	0	0	0	0	0	-300	2,084
Other provisions	39	0	0	0	0	0	2	41
	7,318	**-416**	**0**	**1,585**	**103**	**-571**	**-276**	7,742
Current provisions[3]								
Personnel	8,893	-7,157	-844	13,213	0	-425	13	13,593
Warranties	8,855	-1,070	-832	1,401	0	-566	-8	7,780
Outstanding supplier invoices	6,193	-4,835	-194	10,958	0	-150	-7	11,965
Pending losses on onerous contracts	1,673	-1,632	-440	625	39	0	300	565
Sundry other provisions	3,663	-1,397	-334	7,146	0	-87	7	8,998
	29,276	**-16,091**	**-2,644**	**33,243**	**39**	**-1,228**	**306**	42,901
Total	**36,593**	**-16,507**	**-2,644**	**34,828**	**142**	**-1,799**	**30**	**50,643**

[1] Reclassification to liabilities in conjunction with assets held for sale in accordance with IFRS 5
[2] Includes exchange rate differences and reclassifications between current and non-current amounts
[3] Due to the application of IFRIC 23, uncertain income tax items (tax provisions) are reported in the reporting year and in the comparative year under the balance sheet item "Current income tax liabilities".

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 policies have been taken out to cover the obligations relating to pre-retirement part-time working arrangements. The additions to non-current personnel provisions relate in particular to provisions for pre-retirement part-time working arrangements recognised during the fiscal year 2019. The claims against insurance companies amounted to kEUR 1,188 (2018: kEUR 783) and are offset against personnel-related provisions. In addition, provisions for severance payments and bonuses amounting to kEUR 5,468 and kEUR 4,308 respectively were recognised in the fiscal year 2019.

It is expected that sundry other current provisions as well as current personnel-related provisions will be utilised in the course of the following fiscal year.

Provisions for onerous contracts comprise mainly provisions for a customer order in the Mobile Transportation Technology segment and for the level crossing system project, in both cases originally recognised in previous fiscal years. The provision is measured on the basis of the unavoidable costs necessary to settle contractual obligations. The unavoidable costs for one contract reflect the minimum net cost of exiting the contract; this represents the lower of expected settlement costs and any compensation or penalties that would result from non-performance. Overhead expenses associated with the onerous contract concerned were included in the calculation of unavoidable costs. Further information relating to the change in the provision for onerous contracts during the fiscal year 2018 is provided in the note on "Significant events".

Alongside provisions for pending calls on guarantees amounting to kEUR 3,996 (see note on "Significant events"), **sundry other provisions** comprise provisions for the year-end Company and Group audits, legal disputes and Supervisory Board compensation.

There were no reimbursement claims.

(26) Liabilities

€k	31.12.2019	31.12.2018
Non-current liabilities		
– Liabilities to banks	83,065	11,160
– Contract liabilities (non-current)	9,650	129
– Other financial liabilities	0	835
Financial liabilities	**92,715**	**12,124**
Contract liabilities (non-current)	161	159
Other liabilities	4,660	4,686
	97,536	**16,969**
Current liabilities		
Current income tax liabilities [1]	3,052	1,929
– Liabilities to banks	11,991	109,030
– Lease liabilities (current)	2,726	200
– Other financial liabilities	0	159
Financial liabilities	**14,717**	**109,388**
Trade accounts payable	50,388	47,435
Contract liabilities (current)	20,100	14,589
– Liabilities to affiliated companies	1,310	938
– Liabilities to other Group entities	244	612
– Sundry other liabilities	24,571	16,573
Other liabilities	26,126	18,123
	114,384	**191,464**
Total liabilities	**211,921**	**208,433**

[1] Due to the application of IFRIC 23, uncertain income tax items are reported under the balance sheet item "Current income tax liabilities" in the year under review and in the comparative year. The comparative period was adjusted by reclassifying kEUR 1,247 from the item "other provisions" to the item "current income tax liabilities".

Collateral of kEUR 116,118 (2018: kEUR 129,384) has been given to cover **liabilities to banks**; of this amount, kEUR 89,600 (2018: kEUR 100,005) relates to shares in subsidiaries and pledge-like collateral and kEUR 26,518 (2018: kEUR 29,379) to mortgages.

Credit lines from banks total kEUR 170,399 (2018: kEUR 213,091), of which kEUR 68,638 (2018: kEUR 69,828) is freely available at 31 December 2019. The weighted average interest rate as at 31 December 2019 for liabilities to banks during the past year was 3.35% (2018: 3.88%).

A new Syndicated Credit Agreement for EUR 103 million, with a three-year initial term and two one-year extension options, was signed on 17 June 2019. In a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109 million. Drawdowns on the syndicated credit are presented as non-current liabilities.

The Syndicated Credit Agreement contains financial covenants that are required to be complied with during the term of the agreement. Non-compliance with the covenants can trigger an extraordinary right of termination for the creditors. In particular, the agreement provides for the maintenance of a "defined equity ratio" as well as a "dynamic debt-equity ratio". The key figures that Schaltbau is required to comply with are phased over time.

In conjunction with refinancing arrangements, the existing promissory note loans from 2015 were modified during the fiscal year under report. The initial promissory note loans, with nominal amounts of EUR 28.5 million and EUR 41.5 million respectively, were extended and simultaneously reduced. In accordance with IFRS 9, the partial redemption of the promissory note loans during the fiscal year 2019 resulted in the present value of the loans increasing by kEUR 162. This amount was recognised through profit and loss in the line item "Financial result". At 31 December 2019, the remaining liability to the promissory note creditors with a nominal value of EUR 13.5 million continues to comprise two tranches of EUR 8.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025) and is reported under non-current financial liabilities. The liability is carried at amortised cost using the effective interest method, with the two tranches subject to effective interest rates of 2.17% and 2.81% respectively.

SPII S.p.A. also has external bank financing, for which local covenants are in place relating to cash flow and earnings performance indicators. The covenants were complied with during the year under report.

The increase in lease liabilities was due to the first-time application of IFRS 16 Leases. Further information is provided in particular in the note on the "Basis of preparation".

Finance lease liabilities in the fiscal year 2018 comprised the following:

€k	Present value at 31.12.2018	Discounting	Total	due within 1 year	1 to 5 years	more than 5 years
Minimum lease payments	329	8	337	208	129	0
Discounting			8	8	0	0
Present value / Carrying amount			329	200	129	0

The **current income tax liabilities** were mainly formed for the income tax burden expected in Germany. As a result of the "minimum taxation" introduced in Germany from 2004 onwards, tax loss carryforwards are offset against current taxable income without limitation up to an amount of EUR 1 million; beyond that, only 60% of the tax loss carryforwards are offset against current taxable income.

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

(27) Contract assets and liabilities

€k	31.12.2019	31.12.2018
Contract assets (current)		
Receivables resulting from revenue recognised over time	3,007	537
	3,007	**537**
Contract liabilities (non-current)		
Extended warranty liabilities	161	159
	161	**159**
Contract liabilities (current)		
Advance payments received	20,100	14,589
	20,100	**14,589**

Further information is provided in note (1) "Revenue".

Explanatory notes to the consolidated cash flow statement

(28) Cash flow statement

Cash flows from operating activities (indirect method)

Cash flows from operating activities in 2019 totalled EUR 62.9 million, a year-on-year improvement of EUR 69.1 million, reflecting the operating profit (EBIT) of EUR 17.2 million, the impact of the new receivables securitisation programme and the lower level of net working capital (trade accounts receivable plus inventories less the sum of trade account payable and advance payments received).

Cash flows from investing activities

Cash outflows for investing activities in 2019 totalled EUR 20.6 million. In the previous year, investing activities resulted in a net cash inflow of EUR 28.1 million.

At EUR 18.3 million, payments for investments in intangible assets and property, plant and equipment were lower than one year earlier (EUR 14.7 million). Cash outflows for investments relate mainly to advance payments of EUR 4.0 million for technical equipment and machinery of EUR 5.9 million and for operating and office equipment of EUR 3.9 million, particularly in the Mobile Transportation Technology and Components segments.

Cash outflows relating to disposals of business units and entities amounting to EUR 1.5 million relates to cash and cash equivalents no longer available to Schaltbau following the deconsolidation of Alte Technologies S.L.U. and the Sepsa Group during the fiscal year 2019.

Cash flows from financing activities

Net cash outflows from financing activities amounted to EUR 38.8 million in the fiscal year 2019, and include in particular the repayment of the promissory note loans (EUR 56.5 million), the repayment of current loans (EUR 8.5 million) and interest payments (EUR 9.1 million). Inflows relating to the change in other financial liabilities (EUR 37.8 million) had an offsetting effect. The repayment of the promissory note loans was partly financed by utilising credit lines available under the Syndicated Credit Agreement.

Composition of cash funds

In the previous fiscal year, cash funds and financial liabilities both included the amounts reclassified as held for sale in accordance with IFRS 5.

€k	31.12.2019	31.12.2018
Cash and cash equivalents (continuing operations)	25,184	21,114
Cash and cash equivalents (discontinued operations)	0	710
	25,184	**21,824**

Investing and financing activities without cash flow impact

€k	31.12.2019	31.12.2018
Acquisition of plant and machinery through finance leases (see note 15 "Development in fixed assets")	–	418
	–	**418**

Investing and financing activities with cash flow impact relating to right-of-use assets acquired in accordance with IFRS 16 are shown in note (15) "Development in fixed assets" and note (26) "Liabilities".

Reconciliation of net liabilities

€k	31.12.2019	31.12.2018
Cash and cash equivalents	25,184	21,114
Cash and cash equivalents held for sale	0	710
Financial liabilities		
– Liabilities to banks	95,056	120,190
– Lease liabilities (2018: finance lease liabilities)	12,376	328
– Other financial liabilities	0	994
– Financial liabilities held for sale	0	7,929
Net liabilities	**82,248**	**108,327**

Unlike in the table below, interest payments are shown in the consolidated cash flow statement in the separate line item "Interest paid", rather than within the line item "Change in sundry other financial liabilities". Furthermore, the line item "Change in sundry other financial liabilities" in the consolidated cash flow statement also includes changes in financing amounts relating to non-fully-consolidated affiliated companies. In the balance sheet, financing amounts relating to non-fully-consolidated affiliated companies are reported within the line item "Other receivables and assets" and are therefore not part of the change in net liabilities.

Liabilities from financing activities [1,2]

€k	Liabilities to banks	Lease liabilities	Other financial liabilities	Liabilities held for sale	Sub-total	Cash funds	Cash and cash equivalents pursuant to IFRS 5	Total
Net liabilities at 31.12.2018	**120,190**	**328**	**994**	**7,929**	**129,441**	**21,114**	**710**	**107,617**
Adoption of IFRS 16	0	14,820	0	0	14,820	0	0	14,820
Net liabilities at 1.1.2019	**120,190**	**15,148**	**994**	**7,929**	**144,261**	**21,114**	**710**	**122,437**
With cash flow impact	-25,643	-3,379	-1,000	-1,419	-31,441	3,698	825	-35,964
Without cash flow impact								
Change in group reporting entity	0	0	0	-8,979	-8,979	0	-1,540	-7,439
Leases: acquisitions	0	4,800	0	85	4,885	0	0	4,885
Leases:terminations	0	-2,523	0	0	-2,523	0	0	-2,523
Currency translation	67	20	6	5	98	372	5	-279
IFRS 5 reclassification	0	-2,190	0	2,190	0	0	0	0
Other changes	442	500	0	189	1,131	0	0	1,131
Net liabilities at 31.12.2019	**95,056**	**12,376**	**0**	**0**	**107,432**	**25,184**	**0**	**82,248**

[1] This table has been completely revised in 2019 in order to improve informational value
[2] In the cash flow statement, there is no separation between liabilities from continuing operations and liabilities associated with assets held for sale as defined by IFRS 5.

In the previous fiscal year, the change in financial liabilities was as follows:

€k	31.12.2017	With cash flow impact 2018	Without cash flow impact[1] 2018	31.12.2018
Change in sundry other financial liabilities	194,336	-68,616	3,722	129,441
– of which non-current	133,415	1,097	-109,834	16,449
– of which current	60,921	-69,713	113,556	112,992
Total	**194,336**	**-68,616**	**3,722**	**129,441**

[1] Mainly includes the reclassification between current and non-current as well as the deconsolidation of Pintsch Bubenzer GmbH

Other explanatory notes to the consolidated financial statements

(29) Supplementary disclosures relating to financial instruments

Carrying amounts and fair values

The balance sheet contains non-derivative financial instruments such as receivables and payables 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 IFRS 9 on the basis of the allocation of items to various measurement categories. The following table shows the carrying amounts and fair values of all financial instruments recognised in the consolidated financial statements of Schaltbau Holding AG in accordance with IFRS 9.

31.12.2019

€k	Category IFRS 9	Carrying amount	Fair value	Level pursuant to IFRS 13
Assets-side financial instruments				
Other investments		3,561		
– of which no assessment according to IFRS 9	n/a	2,488	n/a	n/a
– of which other investments	AC	1,074	1,022	3
Trade accounts receivable		83,580		
– of which trade accounts receivable	AC	75,898	n/a[1]	n/a
– of which trade accounts receivable	FVPL	7,213	7,213	2
– of which continuing involvement assets	n/a	470	n/a	n/a
Other receivables and assets		14,936		
– of which not measured on basis of IFRS 9	n/a	2,209	n/a	n/a
– of which: other receivables and assets	AC	12,675	n/a[1]	n/a
– thereof stand-alone derivatives	FVPL	52	52	2
Cash and cash equivalents	AC	25,184	n/a[1]	n/a
Total assets		**122,565**		
Liabilities-side financial instruments				
Non-current financial liabilities		92,715		
– of which lease liabilities (non-current)[2]	n/a	9,650	n/a	n/a
– of which non-current financial liabilities	FLAC	83,065	83,751	3
Non-current other liabilities		4,660		
– of which no valuation according to IFRS 9 (Put Call Option SPII)	FLAC	4,660	n/a[1]	n/a
Current financial liabilities	n/a	14,717	n/a	n/a
– of which current lease liabilities[2]	n/a	2,726	n/a	n/a
– thereof current financial liabilities	FLAC	11,991	n/a[1]	n/a
Trade accounts payable	FLAC	50,388	n/a[1]	n/a
Other liabilities		26,126		
– of which not measured on basis of IFRS 9	n/a	3,092	n/a	n/a
– of which other liabilities	FLAC	22,952	n/a[1]	n/a
– thereof stand-alone derivatives	FVPL	83	83	2
Total liabilities		**173,140**		

[1] Fair value not disclosed separately, given that the carrying amount represents an appropriate approximation

[2] Lease liabilities do not fall under the scope of IFRS 9 In accordance with IFRS 7.29d, the fair value is therefore not required to be disclosed

31.12.2018

€k	Category IFRS 9	Carrying amount	Fair value	Level pursuant to IFRS 13
Assets-side financial instruments				
Trade accounts receivable	AC	93,303	n/a[1]	n/a
Other receivables and assets		11,461		
– of which not measured on basis of IFRS 9	n/a	3,872	n/a	n/a
– of which: other receivables and assets	AC	7,508	n/a[1]	n/a
– thereof stand-alone derivatives	FVPL	81	81	2
Cash and cash equivalents	AC	21,114	n/a[1]	n/a
Total assets excluding assets held for sale		**122,006**		
Assets-side financial instruments held for sale				
Trade accounts receivable	AC	5,788	n/a[1]	n/a
Cash and cash equivalents	AC	710	n/a[1]	n/a
Total assets held for sale		**6,498**		
Liabilities-side financial instruments				
Non-current financial liabilities		12,124		
– of which not measured on basis of IFRS 9	n/a	129	n/a	n/a
– of which non-current financial liabilities	FLAC	11,995	11,245	3
Non-current other liabilities		4,686		
of which Put Call Option	FLAC	4,686	n/a[1]	n/a
Current financial liabilities		109,388		
– of which not measured on basis of IFRS 9	n/a	200	n/a	n/a
– thereof current financial liabilities	FLAC	109,188	n/a[1]	n/a
Trade accounts payable	FLAC	47,435	n/a[1]	n/a
Other liabilities		18,123		
– of which not measured on basis of IFRS 9	n/a	2,930	n/a	n/a
– of which other liabilities	FLAC	15,037	n/a[1]	n/a
– of which derivatives designated for hedge accounting	n/a	140	140	2
– of which stand-alone derivatives	FVPL	17	17	2
Total liabilities excluding liabilities in conjunction with assets held for sale		**186,728**		
Liability-side financial instruments – liabilities in connection with assets held for sale				
Non-current financial liabilities	FLAC	4,325	n/a[1]	n/a
Current financial liabilities	FLAC	3,603	n/a[1]	n/a
Trade accounts payable	FLAC	5,676	n/a[1]	n/a
Other current financial liabilities	FLAC	905	n/a[1]	n/a
Total liabilities in conjunction with assets held for sale		**14,509**		

[1] Fair value not disclosed separately, given that the carrying amount represents an appropriate approximation

Total carrying amounts per measurement category

€k		31.12.2019	31.12.2018
AC	Amortised cost	114,831	128,424
Assets-side FVPL	Fair value through profit and loss	7,264	81
Liabilities-side FVPL	Fair value through profit and loss	83	17
FLAC	Financial liabilities at amortised cost	173,058	198,165

Fair value hierarchy

The measurement and presentation of fair values of financial instruments is based on a fair value hierarchy that 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)

Reclassifications between Levels are made at the end of the period. There were no reclassifications of fair value measurements between Level 1 and Level 2. Similarly, there were no reclassifications within level 3 in connection with fair value measurements.

The fair value of non-current non-derivative financial instruments is determined by discounting, taking into account a risk-adjusted market interest rate with matching maturities.

The fair values of derivative financial instruments are determined by the banks with which the relevant agreements are in place. The banks value the derivatives on the basis of market data valid for the relevant reporting date using recognised mathematical valuation methods (present value method for forward currency contracts and for interest rate swaps).

Net gains and losses by measurement category

€k	2019	2018
FVPL (2018: Financial assets and liabilities held for trading)	3	-109
AC (2018: Loans and receivables)	208	-749
FLAC (Financial liabilities measured at amortised cost)	-118	948

Net gains on financial assets and liabilities measured at fair value resulted mainly from changes in market values. Net losses relating to assets measured at amortised cost resulted mainly from currency factors, changes in allowances and changes in market values. Net losses relating to financial liabilities measured at amortised cost related mainly to the impact of interest rates on fair value measurement.

In the previous year, net losses of kEUR 8 were recognised directly in equity relating to derivatives in hedging relationships. These are not included in the analysis above. No derivatives designated as hedging instruments were in place at the end of the fiscal year under report.

Total interest income and expenses relating to financial instruments not measured at fair value through profit or loss were as follows:

€k	2019	2018
Interest income	320	1,479
Interest expense	-5,810	-6,184
Total	**-5,490**	**-4,705**

Netting of financial assets and liabilities

As a general principle, no financial assets and liabilities have been netted in the consolidated financial statements of the Schaltbau Group, reflecting the fact that the necessary requirements for netting have not been met. Similarly, no master netting agreements or similar agreements are in place, so there is no possibility of offsetting amounts under specific conditions. Derivative transactions are concluded in accordance with the German Framework Agreement for Financial Forward Transactions or ISDA (International Swaps and Derivatives Association). They do not meet the offsetting requirements of IAS 32 (Financial Instruments) given the fact that netting is only enforceable in the event of insolvency. Derivative instruments (with the exception described below) with positive fair values do not necessarily relate to the same banks as derivatives with negative fair values. For this reason, there was no potential to offset items in the event of insolvency at the reporting date. During the fiscal year 2019, an interest rate swap and an interest rate floor were concluded with the same bank. At the end of the reporting period, the interest rate swap had a negative fair value of kEUR 52 and the interest rate a positive fair value of kEUR 50. These amounts were not offset.

(30) Risk management and hedging activities

Risk management for the entire Group is managed centrally by the parent company. Regulations regarding risk management policies, hedging activities and documentation requirements are laid down in guidelines issued by the Corporate Compliance/Treasury 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. In the course of its operating activities, the Schaltbau Group is exposed to market price risks (foreign currency and interest rate risks), credit default risks and liquidity risks.

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.

Currency risks

At 31 December 2019, forward currency contracts entered into with banks totalled kUSD 1,140 and kGBP 2,415. At the end of the previous fiscal year, forward currency contracts were in place for kUSD 2,421, kCNY 25,500 and kPLN 14,000. At both year-ends, the forward currency contracts had a maximum remaining term of twelve months. Hedge accounting was not applied to forward currency contracts in either the fiscal year 2019 or 2018.

Of the Group's trade accounts receivable, 54.6% (2018: 71.0%) are denominated in EUR, 22.9% (2018: 15.4%) in CNY and 12.1% in PLN. Currency sensitivity for the trade accounts receivables in foreign currency and derivate instruments is shown in the following tables.

If the euro as a functional currency had revalued or depreciated by 10% compared to the other currencies, the following effects would have had an impact on earnings after taxes in relation to the currency relations mentioned below, but no effects on equity:

The following table shows currency sensitivity in 2018 for financial instruments classified as available-for-sale.

Currency sensitivity €k	Euro appreciation +10%	Euro devaluation -10%
EUR / USD	30	-30
EUR / GBP	-132	132

Commodity price risks

Price risks also arise for the Schaltbau Group in connection with the procurement of raw materials for the manufacture of its products. Schaltbau uses silver and gold in the production of some its products. The risk of price changes depends, among other things, on the following factors:
– Inflation
– Interest rates
– Stock markets
– Geopolitical factors
– The US dollar exchange rate
– Oil prices

No commodity swaps were in place with banks for gold and silver at 31 December 2019. In the previous fiscal year, the value of silver and gold purchases hedged totalled kEUR 1,489 and kEUR 1,113 respectively.

The following table shows the change in value of commodity swaps in the event of a 10% change the price of gold or silver as at 31 December 2018.

Sensitivity €k	2018 +10%	-10%
Forward commodity transaction (gold)	105	-105
Forward commodity transaction (silver)	144	-144

The impact on earnings is as follows:

Currency sensitivity	2019		2018	
€k	Euro appreciation +10%	Euro devaluation -10%	Euro appreciation +10%	Euro devaluation -10%
EUR / USD	-60	60	25	-25
EUR / CNY	4	-4	3	-3
EUR / GBP	-2	2	0	0

Interest rate risks

In addition, the Schaltbau Group is exposed to interest rate risks from variable-interest financial assets and liabilities.

In order to hedge the interest rate risk arising from the Syndicated Credit Agreement, interest rate swaps with a nominal amount of kEUR 30,000 (2018: kEUR 6,000) was in place at the end of the reporting period. The interest rate swaps entered into in 2019 contain an interest rate floor of 0.00% on the receiver side.

Hedge accounting was not applied in the fiscal year 2019, whereas in the previous fiscal year the interest rate swaps were designated as part of a hedging relationship.

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 at 31 December 2019 (assuming that there would be no other changes to balances of cash at, and liabilities to, banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

€k			+ 100 basis points			- 100 basis points		
Balance at 31.12.2019	**Fair value**	**Interest rate**	**Fair value**	**GuV**	**Equity impact**	**Fair value**	**Income statement impact**	**Equity impact**
Interest rate swap	-25	0.17	1,272	1,272	0	66	-66	0
Bank interest				-468			468	
Sundry other interest				-11			11	
Total CF sensitivity				793			413	
Balance at 31.12.2018								
Interest rate swap	-140	4.37	15	0	11	-16	0	-11
Bank interest				-188			188	
Sundry other interest				-7			7	
Total CF sensitivity				-135			135	

In the fiscal year 2018, the impact of the interest rate swap on the net assets, financial position and results of operations of the Group was as follows:

Interest rate swap

€k	2018
Carrying amount (balance sheet line item: Other liabilities)	-140
Nominal amount	6,000
Maturity	28 June 2019
Hedge ratio	1:1
Change in the fair value of outstanding hedging instruments since 1 January, as used to determine ineffectiveness	282
Change in the fair value of the hedged item, as used to determine the effectiveness of hedging relationships	315
Weighted average hedging rate during fiscal year	Fixed interest rate 4.34

The following table shows the reconciliation of the cash flow hedge reserve in the period from 1 January to 31 December 2018:

€k	2018
Cash flow hedge reserve – balance at 1.1.	-274
Additions in fiscal year	-8
Reclassifications to profit and loss	185
Income statement line item to which the reclassification was made	Interest expense
Losses which are no longer expected to be realised	–
Cash flow hedge reserve - balance at 31.12.	-97
Ineffective amount	–
Income statement line item in which Ineffectiveness is recorded	Interest expense

In the previous fiscal year, the interest rate swap was not subject to any significant ineffectiveness. As a result of obligations relating to the interest rate swap, an amount of kEUR 287 was reclassified from revenue reserves to interest expense in the income statement.

Default risk

Default risk arises for bank balances, trade accounts receivable, other financial assets and derivative financial instruments with positive fair values. Credit risk is managed as part of receivables management. 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 upfront payment) are put in place. A small volume of rolling receivables balances is insured against loss. Advance payments from customers reduce the risk of bad debts, particularly in the area of project work. Money and capital market investments and derivative hedging instruments are entered into only with counterparties of first-class credit standing. Of the trade accounts receivable total reported at the end of the reporting period 46.8% (2018: 36.0%) relate to the five largest debtors.

Impairment allowances based on the simplified approach comprise the following:

€k	1.1.2019	Group reporting entity	Utilised	Reversed	Allocated	Reclassified[1]	Currency / other	31.12.2019
Trade accounts receivable [2]	-5,936	0	278	447	25	1,021	-8	-4,173
Other receivables [3]	0	-656	0	0	-281	0	-2	-939
Total	**-5,936**	**-656**	**278**	**447**	**-256**	**1,021**	**-10**	**-5,112**

[1] Reclassified to assets held for sale in accordance with IFRS 5
[2] Impairment allowance based on expected credit losses over the term of the loan
[3] Impairment allowance based on expected 12-month credit losses

The change in the impairment allowance was mainly due to the change in receivables. Default rates changed only slightly during the fiscal year under report. The maximum credit risk corresponds to the carrying amount of accounts receivable. Receivables totalling kEUR 16,011 (2018: kEUR 20,392) were insured against default.

The following table shows an analysis of the age structure of trade accounts receivable:

		Overdue at 31.12.2019				
€k	No impairment allowance recognised	up to 30 days	31 to 60 days	61 to 90 days	Credit-impaired receivables	Total
Receivables excluding continuing involvement asset (gross)	51,412	17,239	4,124	3,194	11,314	87,283
Continuing involvement asset	–	–	–	–	–	470
Impairment allowance	–	–	–	–	–	-4,173
Trade accounts receivable (net)	–	–	–	–	–	**83,580**

There was no need to recognise impairment allowances on other financial assets, contract assets or cash and cash equivalents during the fiscal year under report. Gross carrying amounts values generally correspond to amounts reported in the balance sheet.

Impairment allowances at the end of the previous fiscal year comprised the following:

€k	1.1.2018	Adjustment IFRS 9	Utilised	Reversed	Allocated	Reclassified[1]	Currency / other	31.12.2018
Trade accounts receivable[2]	-3,908	-721	22	206	-1,557	0	22	-5,936
Other receivables[3]	-604	0	604	0	0	0	0	0
Total	**-4,512**	**-721**	**626**	**206**	**-1,557**	**0**	**-22**	**-5,936**

[1] Reclassified to assets held for sale in accordance with IFRS 5
[2] Impairment allowance based on expected credit losses over the term of the loan
[3] Impairment allowance based on expected 12-month credit losses

The age-structure of trade accounts receivable at 31 December 2018 is shown in the following table:

		Overdue at 31.12.2018				
€k	No impairment allowance recognised	up to 30 days	31 to 60 days	61 to 90 days	Credit-impaired receivables	Total
Gross carrying amount	68,293	12,119	4,572	3,093	11,162	**99,239**

Liquidity risks

Liquidity risks arise primarily in connection with lease liabilities, liabilities to banks, trade accounts payables and other financial liabilities. 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.

The expected cash outflows from financial liabilities are spread in 2019 over the coming years are shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

€k	Carrying amount	Total cash outflows	up to 1 year	1 to 5 years	more than 5 years
Financial liabilities (excluding lease liabilities)	95,057	96,101	12,155	82,330	1,616
Lease liabilities[1]	12,376	14,157	3,152	7,758	3,247
Trade accounts payable	50,388	50,388	50,388	0	0
Derivative instruments	83	83	83	0	0
Other liabilities	22,966	22,966	22,946	20	0
	180,870	**183,696**	**88,725**	**90,108**	**4,863**

[1] Lease liabilities in accordance with IFRS 16

Potential future cash flows from extension and termination options amounted to kEUR 1 at the end of the reporting period.

In 2018, the expected cash outflows from financial liabilities were spread over the coming years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

€k	Carrying amount	Total cash outflows	Up to 1 year	1 to 5 years	More than 5 years
Financial liabilities	121,512	152,405	116,632	28,864	6,909
Trade accounts payable	47,435	47,435	47,409	26	0
Derivate instruments	156	158	158	0	0
Other liabilities	15,042	15,035	15,035	0	0
	184,145	**215,033**	**179,235**	**28,889**	**6,909**

(31) Contingent liabilities and other financial commitments

€k	31.12.2019	31.12.2018
Other financial commitments		
Rental and lease expenses	0[1]	18,686
Other commitments	4,754	2,730

[1] In accordance with IFRS 16, rental and lease expenses are reported with effect from the fiscal year 2019 as lease liabilities. Short-term and low-value leases are included in other liabilities.

The amounts shown under **other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements are spread over the following future years as follows: up to one year kEUR 3,856 (2018: kEUR 7,306), between one and five years kEUR 897 (2018: kEUR 10,202) and later than five years kEUR 1 (2018: kEUR 3,908).

At 31 December 2019, Group guarantees amounted to kEUR 38,934 (2018: kEUR 33,974) and bank guarantees to kEUR 21,312 (2018: kEUR 19,847). Provisions amounting to kEUR 3,996 were recognised for guarantees in the fiscal year.

(32) 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 revenue. A description of the three segments Components, Mobile Transportation Technology and Stationary Transportation Technology is provided in the Management Report. Segments were not aggregated, either in the previous fiscal year or in the year under report. In addition to the explanatory comments in the Group Management Report, general information on the types of products and services offered by the individual segments is provided in note (1) “Revenue”.

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

The column “Holding company, other consolidation items” comprises the activities of the holding company. This is influenced by the financing function of the holding company for the Group and by the income 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 presentation

	Assets		Capital expenditure		External revenue	
€k	31.12.2019	31.12.2018	2019	2018	2019	2018
Germany	220,615	203,832	16,500	11,151	189,985	188,198
Other EU countries	115,718	122,561	6,035	2,404	182,369	202,685
Other European countries	0	0	0	0	48,987	38,790
China / Hong Kong	43,539	40,950	661	1,103	59,909	57,291
North America	21,302	29,436	173	249	31,704	30,012
Other countries	0	0	0	0	754	1,367
	401,174	**396,779**	**23,369**	**14,907**	**513,708**	**518,343**

Reconciliations

Revenue

€k	2019	2018
Total revenue of segments	515,577	520,210
Other revenue	3,226	4,225
Consolidation	-5,095	-6,092
Revenue as per income statement	**513,708**	**518,343**

EBIT

€k	2019	2018
Total EBIT of segments	33,908	4,896
Other EBIT	-16,814	-12,098
Consolidation	91	-90
EBIT as per income statement	**17,185**	**-7,292**

Assets

€k	2019	2018
Total segment assets	420,730	414,833
Other assets	161,189	236,835
Consolidation	-180,745	-254,889
Group assets as per balance sheet	**401,174**	**396,779**

Liabilities

€k	2019	2018
Total segment liabilities	279,783	308,971
Other liabilities	123,696	129,400
Consolidation	-99,712	-135,439
Group liabilities as per balance sheet	**303,767**	**302,932**

"Other revenue" comprises almost entirely revenue recorded at the level of Schaltbau Holding AG for IT services provided to subsidiaries. This revenue, together with inter-segment revenue, is 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.

Product-based segment information

€k	Components 2019	Components 2018	Mobile Transportation Technology 2019	Mobile Transportation Technology 2018
Order-intake (external)	159,920	150,519	310,104	393,539
Revenue	155,456	146,242	287,576	304,829
– of which external	154,377	145,169	286,726	303,816
– of which with other segments	1,079	1,073	850	1,013
Revenue before exceptional items	155,456	146,242	291,572	304,829
Order-book (external)	97,293	89,513	335,868	439,902
EBITDA [7]	30,629	29,690	13,434	-3,255
Profit/loss before financial result and taxes (EBIT)	24,181	25,135	7,358	-22,839
Profit/loss before financial result and taxes before exceptional items	27,744	25,135	11,815	-893
Result from at-equity accounted investments	0	0	821	-4
Other results from investments	-789	753	0	-3,357
Interest income	37	45	243	456
Interest expense	-2,068	-1,735	-4,282	-6,834
Income taxes	-3,186	-1,175	-1,770	156
Segment result / Group result	4,555	4,052	2,358	-32,477
Capital expenditure on investments	241	192	0	28
Impairment losses on investments	-789	0	0	-3,371
Capital expenditure [1]	12,884	7,092	8,215	5,972
Depreciation, amortisation and impairment losses [1]	-6,422	-4,440	-6,076	-16,550
Expense for impairment allowances (excluding investments)	-1,562	-839	-1,206	-3,883
Reversals of impairment allowances (excluding investments)	1,005	582	214	118
Sundry other significant non-cash items	-9,772	-3,786	-11,143	-13,027
Segment assets [2]	164,415	152,170	178,414	194,103
At-equity accounted investments	0	0	3,641	3,152
Capital employed [3]	122,834	109,739	130,740	136,235
Segment liabilities [4]	106,252	95,366	125,013	171,808
Employees (average number)	845	809	1,529	1,769
EBIT margin [5]	15.6%	17.2%	2.6%	-7.5%
Return on capital employed (ROCE) [6]	19.7%	22.9%	5.6%	-16.8%

[1] in intangible assets and property, plant and equipment
[2] Balance sheet total
[3] Working capital (inventories + trade acc. rec. – adv. payments rec. - trade acc. pay.
[4] Liabilities
[5] EBIT / external revenue
[6] EBIT / Capital employed plus non-current assets excluding deferred tax assets
[7] Earnings before interest, taxes, depreciation. and amortisation

Stationary Transportation Technology		Sub-total		Holding company, other consolidations		Schaltbau Group	
2019	2018	2019	2018	2019	2018	2019	2018
75,644	87,027	545,668	631,085	51	227	545,719	631,312
72,545	69,139	515,577	520,210	-1,868	-1,867	513,708	518,343
72,544	69,130	513,647	518,116	62	227	513,708	518,343
1	8	1,930	2,094	-1,930	-2,094		
72,545	69,139	519,573	520,210	-1,868	-1,867	517,705	518,343
55,714	53,619	484,312	583,034	0	0	488,875	583,034
4,161	7,571	45,224	34,006	-15,569	-11,467	32,655	22,539
2,369	2,600	33,908	4,896	-16,723	-12,187	17,185	-7,292
4,175	-695	43,734	23,547	-15,583	-7,550	28,151	15,996
0	-110	821	-114	0	0	821	-114
230	-269	-559	-2,873	0	0	-559	-2,873
114	317	394	818	-51	660	344	1,479
-624	-929	-6,974	-9,498	-340	2,720	-7,314	-7,228
838	-355	-4,117	-1,375	1,012	3,322	-3,105	1,947
2,928	1,254	9,842	-27,171	-2,482	13,036	7,360	-14,136
0	0	241	220	0	0	241	220
0	-269	-789	-3,640	0	0	-789	-3,640
1,796	115	22,895	13,179	233	1,509	23,128	14,687
-1,792	-4,971	-14,290	-25,961	-1,028	-721	-15,317	-26,681
-2,327	-1,111	-5,095	-5,832	-97	-13	-5,192	-5,846
96	61	1,315	761	0	0	1,315	761
-5,282	1,886	-26,197	-14,928	-5,575	-276	-31,772	-15,203
77,900	68,559	420,730	414,833	-19,556	18,054	401,174	396,779
0	0	3,641	3,152	0	0	3,641	3,152
25,824	32,389	279,398	278,363	-9,671	-5,955	269,727	272,408
48,518	41,796	279,782	308,971	23,985	-6,040	303,767	302,932
322	393	2,696	2,971	27	27	2,723	2,998
3.3%	3.8%					3.3%	-1.4%
9.2%	11.0%					6.4%	-2.7%

Reconciliation of ebit to ebit before exceptional items by segment

The following table shows the reconciliation of EBIT to EBIT before exceptional items for each of the segments for the period from 1 January to 31 December 2019.

€k	Components	Mobile Transportation Technology	Stationary Transportation Technology	Sub-total	Holding company, other consolidations	Group
Profit/loss before financial result and taxes (EBIT)	**24,181**	**7,358**	**2,369**	33,908	**-16,723**	**17,185**
Reversals of impairment losses due to reclassifications pursuant to IFRS 5	0	-716	0	-716	0	**-716**
Earnings impact of disposals of subsidiaries	0	7	0	7	-509	**-502**
One-time/ significant restructuring expenses	3,563	5,606	1,805	10,974	1,650	**12,624**
Exceptional earnings impact of reversals of provisions for onerous contracts	0	-440	0	-440	0	**-440**
Profit/loss before financial result and taxes (EBIT) before exceptional items	**27,744**	**11,815**	**4,174**	**43,733**	**-15,582**	**28,151**

The "One-time/ significant restructuring expenses" of kEUR 3,563 reported for the Components segment relates to restructuring measures initiated during the fiscal year 2019 to ensure future profitability.

The line item "Reversal of impairment losses due to reclassifications pursuant to IFRS 5" included in the Mobile Transportation Technology segment relate to the reversal of impairment losses on Alte after being put up for sale pursuant to IFRS 5. The line item "Earnings impact of disposals of subsidiaries" includes the gain of kEUR 105 arising on the deconsolidation of Sepsa and the loss of kEUR 112 arising on the deconsolidation of Alte (amount attributable to the segment). The allocation of a provision for risks for potential calls on bank and Group guarantees issued amounting to kEUR 3,996 as well as and the reversal (income of kEUR 400) and allocation (expense of kEUR 2,010) for restructuring provisions are included in the line item "One-time/ significant restructuring expenses". The provision for onerous contracts amounting to KEUR 2,419 recognised in the previous fiscal year was not fully utilised during the fiscal year under report. As a result, kEUR 440 of the provision was reversed and is included in the line item "Exceptional earnings impact of reversals of provisions for onerous contracts".

The expense of kEUR 1,417 from the addition to the provision for pre-retirement part-time working arrangements in conjunction with continuing restructuring measures in the Stationary Transportation Technology segment is included in the line item "One-time/ significant restructuring expenses" together with relocation costs amounting to kEUR 388 incurred during the fiscal year 2019 due to the merger of two plants.

Within the "Holding company, other consolidations" segment, the line item "Earnings impact of disposals of subsidiaries" includes the gain of kEUR -509 arising on the deconsolidation of Alte. The line item "One-time restructuring expenses" includes in particular costs of consultancy services as well as performance bonuses relating to the sale of Alte and the Sepsa Group.

Reconciliation of revenue to revenue before exceptional items by segment

The expense recorded in the fiscal year 2019 in conjunction with a provision for risks for potential calls on bank and Group guarantees issued on behalf of the Sepsa Group amounting to kEUR 3,996 allocated to the Mobile Transportation Technology segment was recognised in accordance with IFRS 15 through revenue.

The following table shows the reconciliation of EBIT to EBIT before exceptional items for each segment for the fiscal year 2018.

€k	Components	Mobile Transportation Technology	Stationary Transportation Technology	Sub-total	Holding company, other consolidations	Group
Profit/loss before financial result and taxes (EBIT)	**25,135**	**-22,840**	**2,600**	4,895	**-12,187**	**-7,292**
Significant non-operating impairment losses in accordance with IAS 36	0	13,942	0	13,942	0	**13,942**
Impairment losses due to reclassifications pursuant to IFRS 5	0	3,786	0	3,786	0	**3,786**
Earnings impact of disposals of subsidiaries	0	0	564	564	0	**564**
One-time/ significant restructuring expenses	0	1,800	-1,225	575	4,637	**5,212**
Exceptional earnings impact of allocations to and reversals of provisions for onerous contracts	0	2,419	-5,625	-3,206	0	**-3,206**
Exceptional earnings impact of disposals of own work capitalised	0	0	2,990	2,990	0	**2,990**
Profit/loss before financial result and taxes (EBIT) before exceptional items	**25,135**	**-893**	**-696**	**23,546**	**-7,550**	**15,996**

Significant non-operating impairment losses in accordance with IAS 36 recognised for the Mobile Transportation Technology segment related in particular to impairment losses on goodwill at the level of Alte (kEUR 8,172) and BOUK (kEUR 2,271) and to impairment losses on tangible assets at the level of Alte (kEUR 3,499)

EBIT (excluding the portion of the impairment losses affecting EBIT). The amount shown in the line item "Impairment losses due to reclassifications pursuant to IFRS 5" related to the Sepsa Group. Non-recurring restructuring expenses amounting to kEUR 1,800 related to the restructuring provision recognised in the fiscal year 2018 at the level of BOKS. The exceptional earnings impact of allocations to and reversals of provisions for onerous contracts included an allocation of kEUR 2,419 to provisions for a loss-making customer order in this segment.

The earnings impact of disposals of subsidiaries in the Stationary Transportation Technology segment related to the sale of Pintsch Bubenzer GmbH during the fiscal year 2018. Additions to and reversals of restructuring provisions recognised in the fiscal year 2018 are included in non-recurring restructuring expenses. The exceptional earnings impact of "allocations to and reversals of provisions for onerous contracts" comprised the reversal of the provision for the "Platform Screen Doors in Brazil" project amounting to kEUR 7,090 and the allocation for the "Level crossing technology in Denmark" project amounting to kEUR 1,465. Impairment losses recognised in the fiscal year 2018 on development projects amounting to kEUR 2,990 were included in the exceptional earnings impact of disposals of own work capitalised.

Non-recurring restructuring expenses in the Holding Company, Other Consolidations segment included in particular costs of consultancy services and the allocation of a provision for risks for potential calls on bank and Group guarantees issued amounting to kEUR 1,300.

The profit/loss before financial result and taxes (EBIT) of the segments in the previous year added up to a loss of kEUR 10,541. This figure comprised the Components segment with profit of kEUR 21,386 (of which kEUR 0 from exceptional items), the Mobile Transportation Technology segment with a loss of kEUR 26,422 (of which exceptional expenses amounting to kEUR 12,042 for "Significant non-operating impairment losses in accordance with IAS 36" and kEUR 12,194 for "Impairment losses due to reclassifications pursuant to IFRS 5" and the Stationary Transportation Technology segment with a loss of kEUR 5,505 (of which exceptional items amounting to kEUR 1,100 for "Significant non-operating impairment losses in accordance with IAS 36".

Further information is provided in the note on "Significant events".

(33) Related party transactions

Transactions between fully consolidated companies on the one hand and joint ventures, associated and non-consolidated companies on the other, all conducted on the basis of arm's length principles, are disclosed below from the perspective of the fully consolidated companies:

€k	Volume of services performed 2019	2018	Volume of services received 2019	2018
Joint Ventures				
Goods and services	83	104	-1,090	-1,777
Other transactions	0	1	-6	-69
Associated companies				
Goods and services	0	228	0	0
Other transactions	0	0	0	0
Non-consolidated companies				
Goods and services	7,343	8,210	-109	-2,592
Other transactions	84	87	-33	-366

The following receivables and payables – mostly from trading and at a level customary for the business – existed at the end of the reporting period from the perspective of the Group's fully consolidated entities. These figures do not include amounts reclassified in the previous fiscal year to assets and liabilities held for sale (see note (19) "Assets / liabilities held for sale").

€k	Receivables and other assets 2019	2018	Liabilities 2019	2018
Joint Ventures	46	1,113	244	305
Associated companies	875	0	0	308
Non-consolidated companies	2,509	3,142	1,305	938

In the previous fiscal year, payables to affiliated and non-consolidated companies amounting to kEUR 326 were reported as liabilities held for sale in accordance with IFRS 5.

Noerr LLP has been engaged to provide legal advisory services in connection with the implementation of individual restructuring measures. The member of the Executive Board and Chief Restructuring Officer (until 31 March 2019), Dr. Martin Kleinschmitt, has been a lawyer and partner at Noerr LLP since 2001. In addition to Executive Board remuneration, expenses incurred in 2019 for consulting services provided by Noerr LLP amounted to kEUR 397 (2018: kEUR 523). Information relating to remuneration for the activities of the Executive Board is provided in note (35) "Supervisory Board and Executive Board".

Schaltbau Holding AG has been leasing a previously acquired building to Albatros S.L.U, Madrid, Spain, with effect from the second half of 2018. Further information is provided in note (13) "iIvestment property".
Disclosures relating to key management personnel are provided in the note (35) "Supervisory Board and Executive Board".

(34) 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 increased by kEUR 3,558 to kEUR 97,406 thanks to net profit recorded for the fiscal year 2019. As a result of the 1.1% increase in the balance sheet total, the Group equity ratio improved slightly from 23.7% to 24.3%. Compared to the end of the previous fiscal year, the debt coefficient (net bank liabilities to banks / EBITDA) decreased, reflecting minimally lower net liabilities to banks and a higher EBITDA and now stands at 2.1 (2018: 4.4). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

(35) Supervisory Boardand Executive Board

The external mandates of former members of the Executive Board and Supervisory Board are only disclosed for the period in which they worked for Schaltbau.

Members of the executive board

Dr. Albrecht Köhler Chairman of the board, CEO (since 19 May 2018)	No external mandates	
Thomas Dippold Chief Financial Officer, CFO	No external mandates	
Volker Kregelin Board member for the Mobile and Stationary Transportation Technology segments (since 1 December 2018)	No external mandates	
Dr. Martin Kleinschmitt Member of the Executive Board Chief Restructuring Officer (CRO) (until 31 March 2019)	**Chairman of the Supervisory Board** G&H Bankensoftware AG (since 2017) SAF-HOLLAND GmbH (since 2014) **Member of the Board of Directors** SAF-HOLLAND S.A. (since 25 April 2013)	**Member of the Management Board** Noerr Consulting AG (since 14 December 2006) **Partner** Noerr LLP

Members of the supervisory board

Dr. Hans Fechner Chairman (since 7 June 2018) Business consultant	**Member of the Advisory Board** Auma Riester GmbH & Co KG (since 2017) Granulat GmbH (since June 2018) Deutsche Bank Düsseldorf (since 2004)	**Member of the Regional Advisory Council** Deutsche Bank, Düsseldorf (since 2004) **Administrative Board** RWTÜV e.V., Essen (since 2002)
Prof. Dr. Thorsten Grenz Deputy Chairman (since 24 May 2018) Business consultant	**Managing Director** KIMBIRIA Gesellschaft für Beteiligung und Beratung mbH (since 18 October 2013) **Member of the Advisory Board** Gpredictive GmbH (since 28 November 2013)	**Supervisory Board** Drägerwerk AG & Co. KGaA (since 9 May 2008) Drägerwerk Verwaltungs AG (since 9 May 2008) Dräger Safety AG & Co KGaA (since 9 May 2008) Dräger Safety Verwaltungs AG, Lübeck (since 9 May 2008) CREDION AG (since 28 February 2019)
Jeannine Pilloud Member (since 7 June 2018) Delegate for the development of the public transport sector in the Swiss Federal Railways (SBB)	**President of the Administrative Board** Ascom Holding (10 April 2019 to 7 November 2019) **Member of the Administrative Board** Salt Mobile SA (since June 2018) Innovation Process Technology ipt (since January 2018) Fehr Advice (since March 2019)	**Managing Director / CEO** Ascom Holding (since 2 August 2019)
Andreas Knitter Member (since 8 June 2017) Business consultant	**Member of the Supervisory Board** BEACON RAIL Ltd. (since September 2017) Dellner Couplers AB, Sweden (since April 2019)	**Member of Administrative Board** TMH International AG (since October 2017)
Achim Stey Member (since 26 June 2018) Employee representative	**Member** Works Council of Gebr. Bode GmbH & Co. KG, Kassel (since 30 January 2014) Group Works Council of Schaltbau Holding AG, Munich (since 18 May 2014)	
Herbert Treutinger Member (since 13 September 2017) Employee representative	**Chairman** Group Works Council of Schaltbau Holding AG, Munich (since 8 June 2017)	**Member** Works Council of Schaltbau GmbH

Remuneration of persons in key positions

In connection with the requirement to disclose terms and conditions of related party transactions (IAS 24.18), information is provided in Compensation Report in the Group Management Report.

Remuneration of members of the Executive Board
The following table shows the total remuneration of the current members of the Executive Board:

€k	2019	2018
Non-performance-related remuneration	1,255	1,502
Performance-related remuneration	1,391	350
Total remuneration	**2,646**	**1,852**

Total remuneration includes benefits-in-kind based on the value of company car usage pursuant to the tax authority's guidelines. The tax on these benefits-in-kind is borne by each individual Executive Board member. The contracts of the members of the Executive Board do not contain any commitments in the event of the termination of Executive Board activities which, in their legal form, deviate significantly from commitments made to employees. Total remuneration in the fiscal year relates exclusively to short-term employee benefits (IAS 24.17). An amount of kEUR 1,421 (2018: kEUR 370) was recognised as a provision at the end of the reporting period.

The following table shows the total remuneration of the former members of the Executive Board and their surviving dependants:

€k	2019	2018
Non-performance-related remuneration	82	82
Severance pay	0	256
Total remuneration	**82**	**338**

No provisions were recognised for severance payments at the end of the fiscal year 2019. Pension provisions for former members of the Executive Board totalled kEUR 442 (2018: kEUR 492).

Remuneration of Supervisory Board members
The following table shows the total remuneration of members of the Supervisory Board:

€k	2019	2018
Basic remuneration for previous year	225	225
Remuneration for work on committees	174	88
Remuneration for additional work (based on time spent)	57	106
Remuneration in connection with consultancy agreements	0	7
Reimbursement of out-of-pocket expenses (rental of office and use of secretariat)	0	0
Total remuneration	**456**	**426**

Total remuneration in the fiscal year relates exclusively to short-term employee benefits (IAS 24.17). During the fiscal year 2019, the Supervisory Board called in external consultants to provide supervisory board support services. In total, an expense of kEUR 178 (2018: KEUR 80) was incurred for these services.

The Company has taken out D&O insurance for the members of the Executive Board and Supervisory Board. In view of the amount paid as remuneration to the Supervisory Board, the insurance arrangements do not provide for a deductible. A deductible has been contractually agreed upon for the members of the Executive Board with effect from 2010.

Shares

Shares – Executive Board and Supervisory Board members
The following table shows the shares in Schaltbau Holding AG held by members of the Executive Board and the Supervisory Board:

Number	1.1.2019	Additions	Sales	31.12.2019
Executive Board	1,138	750	0	1,888
Dr. Albrecht Köhler	1,138	750	0	1,888

The current members of the Supervisory Board do not hold any shares in the Company. No stock options are in place and no holding agreements or sales restrictions have been agreed.

Notifications of securities transactions
The members of the Executive Board and the Supervisory Board of Schaltbau Holding AG as well as related parties are required, in accordance with the relevant legislation, to notify the Company of any trading with Schaltbau securities. During the year under report Schaltbau Holding AG received the following notifications, which are shown in the table below.

Notifications of securities transactions 2019

Person in key position subject to the notification requirement	Function	Date of transaction in 2019	Type of transaction	Aggregate price	Aggregate volume	Location
Dr. Albrecht Köhler	Chairman of the Executive Board	8 November	Purchase of 750 shares	EUR 26.00	EUR 19,650.00	Xetra

(36) Corporate governance

The Declaration of Compliance with the German Corporate Governance Code (GCGC) required by Section 161 of the German Stock Corporation Act (AktG) was issued most recently on 12 December 2019 and has been made available to shareholders on the Company's website at https://ir.schaltbaugroup.com/websites/schaltbau/English/5300/declaration-of-compliance.html.

(37) Events after the end of the reporting period

The outbreak of the COVID-19 crisis at the beginning of 2020 has a negative impact on the Schaltbau Group's operations worldwide. The absence of qualified staff, delays in the supply chain or unfavourable economic developments in certain regions or sectors have a negative impact the Schaltbau Group's net assets, financial position and results of operations which cannot be quantified yet. When the COVID-19 crisis broke out in January 2020, the production plant in XIAN, China, had to close for several weeks until the end of February. On March 23, 2020, the Italian subsidiary SPII also had to cease production activities completely. From today's perspective, it is not possible to estimate when business activities will resume. Due to the announcement by bus manufacturers MAN and Evobus to temporarily suspend production, Gebr. Bode GmbH & Co. KG is also preparing a partial closure of its bus operations. Furthermore, the possibility cannot be ruled out that further plant closures will occur at German production locations due to short-term disruptions in the supply chain or a decline in demand from end customers.

In connection with the economic impact on the Schaltbau Group, we refer to the outlook report in the combined company and Group management report.

Possible effects on the valuation of intangible assets cannot be ruled out from today's perspective. These may particularly affect goodwill at SPII or SBUS and own work capitalized at PTDE. Effects on inventories and receivables cannot be estimated at this time. There is a particular risk of bad debts and delayed payments resulting from customers' liquidity problems. Risks relating to inventories may result from project postponements or order cancellations.

Dr. Jürgen Brandes was appointed to the Executive Board on March 4, 2020, effective April 1, 2020. Dr. Brandes will be responsible for the Components segment. The appointment took three years. With effect from 1 January 2021, Dr. Brandes will succeed Dr. Köhler as Chairman of the Executive Board of Schaltbau Holding AG, whose appointment will expire due to age.

No other significant events have occurred after the end of the reporting period which have a significant impact on the Group's net assets, financial and results of operations.

(38) Fee expense for external auditors

The fee expense for the external auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (hereafter PwC GmbH) in the year under report comprises the following:

€k	31.12.2019	31.12.2019
Audit of separate financial statements and consolidated financial statements	559	555
Tax advisory services	183	93
Other attestation services	0	29
Other services	0	0
Total	**742**	**678**

The tax advisory services relate to project support in conjunction with the introduction of the "Tax Compliance Management System". In the previous year, other attestation services included services performed in connection with the share capital increase executed in 2018.

(39) Disclosures relating to notifications of changes in voting rights

The following notifications have been made by the Company pursuant to § 26 (1) and § 40 (1) of the Securities Trading Act (WpHG):

Voting right notifications

During the fiscal year under report, notifications pursuant to § 26 (1) WpHG were received which the Company is required to report on pursuant to § 160 (1) No. 8 of the German Stock Corporation Act (AktG):

- Stichting Administratiekantoor Monolith, Amsterdam (NL), informed the Company in a voluntary group notification that as at 2 February 2019, following the crossing of a threshold at subsidiary level, the percentage of voting rights of the shareholders Monolith N.V., Luxempart S.A., Hans-Jakob Zimmermann and Elrena GmbH (acting in concert) together amounted to 29.38% (2,600,976 voting rights). The voting rights of the shareholder Monolith N.V. amounted to 7.20% on that day.
- Teslin Capital Management BV, Maarsbergen (NL), notified the Company that the 5% threshold was exceeded on 1 March 2019. Accordingly, the share of voting rights held by the shareholder Midlin NV on that date amounted to 5.18% (458,977 voting rights).
- Florian Schuhbauer and Klaus Röhrig informed the Company in a correction notification that the 3%, 5% and 10% thresholds had been exceeded on 5 May 2017. Accordingly, the share of voting rights held by the shareholder SATORA Beteiligungs GmbH amounted to 11.21% (689,798 voting rights, out of a total of 6,152,190 voting rights) at that date.
- Gerlin NV, Maarsbergen (NL), notified the Company that the 3% threshold had been exceeded on 7 June 2019. Accordingly, the share of voting rights held by on that date amounted to 3.23% (286,238 voting rights).
- BayernInvest Kapitalverwaltungsgesellschaft mbH notified the Company that its share of voting rights had fallen below the 3% threshold on 9 July 2019. Accordingly, the share of voting rights held by on that date amounted to 2.96% (261,629 voting rights).
- Gerlin NV, Maarsbergen (NL), notified the Company that the 5% threshold was exceeded on 21 August 2019. Accordingly, the share of voting rights held by on that date amounted to 5.01% (443,610 voting rights).
- Luxunion S.A., Leudelange (LU), informed the Company in a voluntary group notification that as at 10 September 2019, following the crossing of a threshold at subsidiary level, the percentage of voting rights of the shareholders Luxempart S.A., Monolith N.V., Hans-Jakob Zimmermann and Elrena GmbH (acting in concert) together amounted to 29.38% (2,600,976 voting rights). The voting rights of the shareholder Luxempart S.A., as the ultimate controlling company, amounted to 29.38% on that day.
- Florian Schuhbauer and Klaus Röhrig each informed the Company in a voluntary group notification that as at 1 October 2019, following the crossing of a threshold at subsidiary level, the share of voting rights held by the shareholder Active Ownership Fund SICAV-FIS SCS, as the ultimate controlling company, amounted to 7.28% (644,133 voting rights).

Munich, 30 March 2020

Schaltbau Holding AG
The Executive Board

Dr. Albrecht Köhler
CEO

Thomas Dippold

Volker Kregelin

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the operating and financial review provided in the Group Management Report fairly presents business developments, including performance and position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

Munich, 30 March, 2020

Schaltbau Holding AG
The Executive Board

Dr. Albrecht Köhler
CEO

Thomas Dippold

Volker Kregelin

Independent auditor's report

To Schaltbau Holding AG, Munich

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Schaltbau Holding AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Schaltbau Holding AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

(1) Recoverability of intangible assets
(2) Accounting treatment of a new financing structure including new factoring arrangement
(3) Accounting treatment of deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

(1) Matter and issue
(2) Audit approach and findings
(3) Reference to further information

Hereinafter we present the key audit matters:

(1) Recoverability of intangible assets

(1) In Schaltbau Holding AG's consolidated financial statements as at December 31, 2019 intangible assets amounting to EUR 49.8 million (12% of total assets) are reported. The intangible assets include goodwill amounting to EUR 35.9 million and internally generated intangible assets from the capitalization of development costs amounting to EUR 8.9 million. During the reporting year no impairment losses were recognized in the reporting period. While goodwill and intangible assets not yet ready for use must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for (ready-for-use) intangible assets with definite useful lives if there are indications of impairment ("triggering events"). The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for goodwill or intangible assets with definite useful lives. Goodwill and internally generated intangible assets are tested for impairment at the level of the group of cash-generating units or the cash-generating unit to which the relevant goodwill or intangible asset is allocated. The carrying amount of the respective cash-generating units, including the corresponding goodwill and internally generated intangible assets, is compared with the recoverable amount in the context of the impairment test. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present value is calculated using discounted cash flow models. The starting point is the Group's planning, which is extrapolated using long-term rates of growth. An impairment is recognized if the recoverable amount is lower than the respective carrying amount of the cash-generating units. The discount rate used is the weighted cost of capital for the respective cash-generating unit or group of cash-generating units. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows, the discount rates used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

(2) As part of our audit, we examined whether any triggering event had occurred, as well as the methodological procedure adopted by Schaltbau Holding AG for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. In particular, we assessed whether the recoverable amounts had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We evaluated whether the underlying future cash inflows and the costs of capital used form, as a whole, an appropriate basis. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as the executive director's detailed explanations regarding key planning value drivers. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or long-term rates of growth can in some cases have a material impact on the values in use of cash-generating units calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We examined whether the necessary disclosures were made in the notes relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

(3) The Company's disclosures in the notes to the consolidated financial statements relating to the recoverability of goodwill and other intangible assets are contained in the section entitled "Accounting policies" and note "(12) Intangible assets".

(2) Accounting treatment of a new financing structure including new factoring arrangement

(1) On June 17, 2019 and August 12, 2019, Schaltbau Holding AG entered into a new syndicated loan agreement for a total of EUR 109 million. At initial recognition, this syndicated loan was measured at fair value taking into account transaction costs. Subsequent measurement is performed at amortized cost using the effective interest method. A further component of the financing was a factoring arrangement to sell trade receivables from certain customers of various Group companies. As at the balance sheet, receivables amounting to EUR 26.2 million had been sold under this contractual arrangement and recorded as a balance sheet disposal in receivables. Since substantially all of the opportunities and risks were neither transferred nor retained, the Group recognizes a continuing involvement of EUR 0.5 million. Due to the complex structure of the contractual arrangements in the case of both the syndicated loan and the factoring arrangement, and the high accounting and classification requirements under IFRS 9, the initial accounting treatment of the new financing structure, including the new factoring arrangement, was of particular significance in the context of our audit.

(2) As part of our audit, we first inspected the newly entered syndicated loan and on that basis evaluated whether, due to the agreement of the new syndicated loan the previous financing arrangement had to be derecognized and the new financing arrangement recognized as an addition. Furthermore, we examined the calculation of the effective interest rate carried out for the financing on the basis of the new syndicated loan agreement as well as the allocation of the costs. We

involved our internal specialists from Corporate Treasury Solutions for evaluating the factoring arrangement and verifying the determination and accounting treatment of the new factoring transactions. Together, we inspected, examined and evaluated the contractual arrangements, among other things. We dealt with the contractual details as well as the information provided by the Company and the derecognition and classification criteria for financial assets set out in IFRS 9. We also evaluated whether and to what extent the opportunities and risks associated with the receivables were transferred to the buyer. As part of this evaluation both qualitative and quantitative aspects were taken into consideration. Since substantially all of the opportunities and risks were neither transferred nor retained, we also examined the amount of the continuing involvement and the corresponding liability. Furthermore, we evaluated that there is no silo structure in place at the buyer of the receivables that could have potentially resulted in the consolidation of a so-called deemed separate entity.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure the proper accounting treatment of the new financing structure, including the new factoring arrangement.

(3) The Company's disclosures relating to the new financing structure, including the new factoring arrangement, are contained in the sections entitled "Accounting policies", as well as "Significant events", "(17) Trade receivables" and "(26) Liabilities" in the notes to the consolidated financial statements.

(3) Accounting treatment of deferred taxes

(1) In the consolidated financial statements of the Company deferred tax assets amounting to EUR 13.4 million and deferred tax liabilities of EUR 2.2 million after netting are reported. Deferred tax assets amounting to EUR 19.3 million were recognized before netting with matching deferred tax liabilities. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences, unused tax losses and interest carryforwards to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

(2) As part of our audit, we assessed, among other things, the methodology used for the calculation, recognition and measurement of the deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses and interest carryforwards on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

(3) The Company's disclosures on deferred taxes are contained in the sections entitled "Accounting policies" and "(10) Income taxes" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Management and control" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 18, 2019. We were engaged by the supervisory board on July 16, 2019. We have been the group auditor of Schaltbau Holding AG, Munich, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, 30 March, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	Michael Popp
German Public Auditor	German Public Auditor

Imprint

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