



THE SMART EVOLUTION **OF MOBILITY**

ANNUAL REPORT 2016

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SCHALTBAU GROUP
5-YEAR SUMMARY

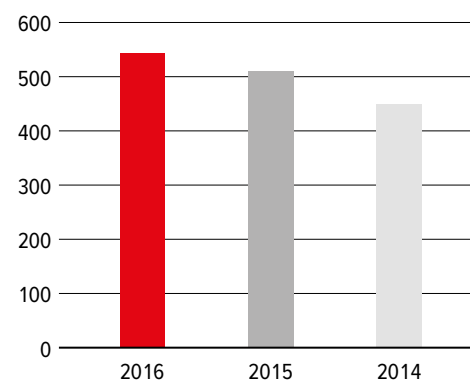
Order situation		2016	2015	2014	2013	2012
Order intake	€ m.	551.2	512.0	449.4	390.7	372.3
Order book	€ m.	429.8	334.3	281.9	228.1	229.8
Income statement						
Sales	€ m.	509.1	502.3	429.6	390.7	362.8
Total output	€ m.	506.4	506.4	440.3	389.9	367.9
EBITDA	€ m.	16.4	46.5	38.3	45.1	37.0
EBIT	€ m.	-14.5	33.4	27.3	36.0	29.5
EBIT margin	%	-2.8	6.7	6.4	9.2	8.1
Group net profit	€ m.	-12.0	22.5	29.1	24.7	22.2
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	-15.8	16.8	24.8	21.4	19.0
Return on capital employed	%	-4.2	10.0	10.6	18.2	15.8
Balance sheet						
Fixed assets	€ m.	179.2	184.8	134.1	92.4	80.7
Capital expenditure	€ m.	11.6	15.0	15.4	13.1	9.3
Amortisation and depreciation	€ m.	9.6	8.6	7.4	6.7	7.5
Working capital	€ m.	161.9	151.1	122.6	105.9	105.6
Capital employed	€ m.	341.1	335.9	256.7	198.3	186.3
Group equity	€ m.	107.1	124.8	112.5	89.4	71.1
Net financial liabilities	€ m.	148.0	129.6	79.7	48.9	55.7
Balance sheet total	€ m.	459.1	445.8	361.2	267.4	258.2
Cash flow statement						
Cash flows from operating activities	€ m.	25.8	29.4	26.5	36.5	7.0
Cash flows from investing activities	€ m.	-18.2	-49.0	-38.4	-20.1	-12.6
Cash flows from financing activities	€ m.	-8.7	25.2	24.1	-10.8	1.0
Change in cash funds	€ m.	-1.5	6.2	13	5.5	-4.6
Personnel						
Employees at 31 December	Number	3,370	3,050	2,651	2,044	1,972
Average number of employees	Number	2,924	2,706	2,270	1,839	1,742
Personnel expense	€ m.	171.3	159.3	138.2	119.4	112.1
Personnel expense per employee	€ 000	58.6	58.9	60.9	64.9	64.3
Total output per employee	€ 000	173.2	187.2	194.0	212.0	211.1
Key fin. figures for Schaltbau Holding AG		2016	2015	2014	2013	2012
Subscribed capital	€ 000	7,506	7,506	7,506	7,506	7,506
Equity of the AG	€ m.	41.1	58.0	67.2	72.9	79.9
Equity ratio of the AG	%	21.6	28.1	40	52.1	60.1
Stock market price at 31 December *	€	30.8	51.0	42.1	46.0	31.1
Market capitalisation at 31 December	€ m.	189.0	307.0	256.4	282.3	190.6
Earnings per share (undiluted) *	€	-2.61	2.8	4.04	3.48	3.09
Earnings per share (diluted) *	€	-2.61	2.8	4.04	3.48	3.09
Dividend per share *	€	0.00	1.00	1.00	0.96	0.77

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

SCHALTBAU GROUP AT A GLANCE

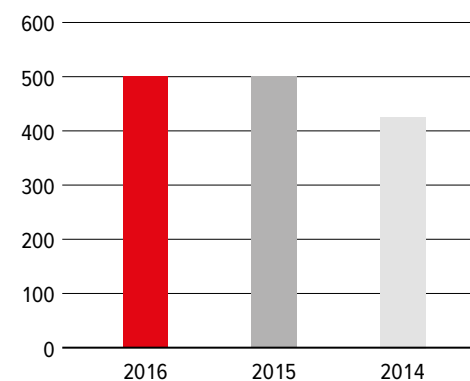
Order intake

In € m.



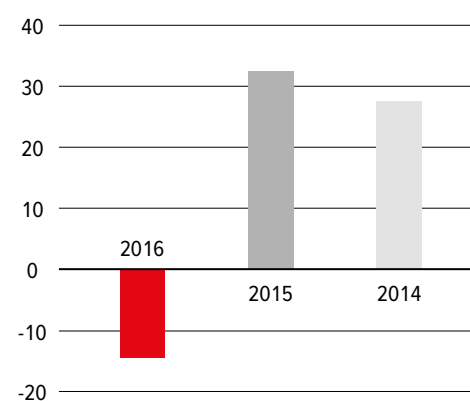
Sales

In € m.



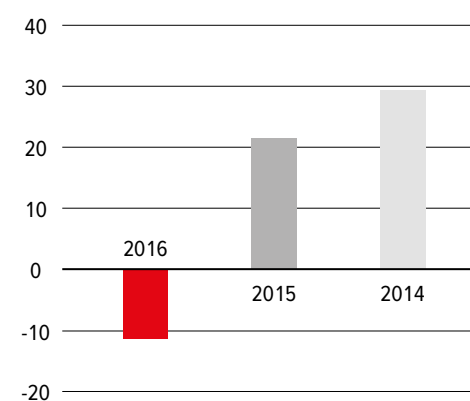
EBIT

In € m.



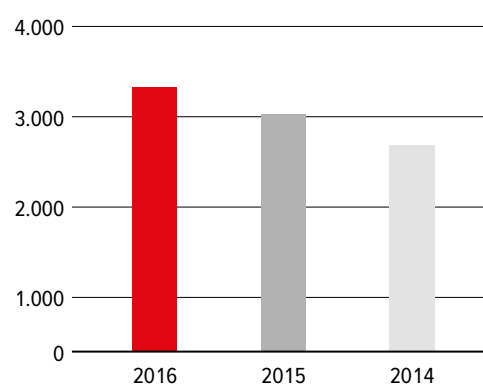
Group net profit

In € m.



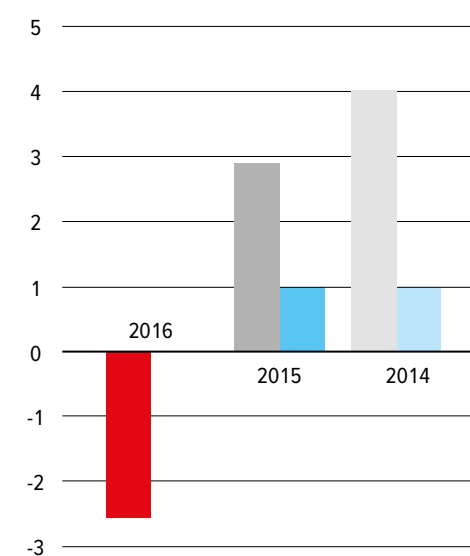
Employees

Number at 31.12.



EPS / Dividend

in €



2016 No dividend due to accumulated deficit
2015 Dividend paid in following year
2014 Dividend paid in following year

MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

Dr Bertram Stausberg

Spokesman of the Executive Board, CEO (from 01.04.2017)

Helmut Meyer

Spokesman of the Executive Board, CEO (from 01.12.2016 until 31.03.2017)

Member of the Executive Board (from 01.04.2017)

Thomas Dippold

CFO (from 01.01.2017)

Ralf Klädtke

Member of the Executive Board

Dr Jürgen Cammann

Spokesman of the Executive Board (until 30.11.2016)

Elisabeth Prigge

CFO (until 30.06.2016)

SUPERVISORY BOARD

Hans Jakob Zimmermann

Chairman

Supervisory Board

Dr Ralph Heck

Deputy Chairman (from 14.06.2016)

Helmut Meyer

(14.06.2016 - 30.11.2016)

Friedrich Smaxwil

President CEN (until 31.12.2016)

European Committee for Standardization, Brussels

Thomas Farnschläder *

Technical employee

Work Centre

Marianne Reindl *

Secretary

Peter Jahrmarkt

Deputy Chairman (until 14.06.2016)

Officer with general authority of heristo holding GmbH, Bad Rothenfelde

Dr Stefan Schmittmann

(until 14.06.2016)

* Employee representatives



From left to right

Thomas Dippold

Dr Bertram Stausberg

Helmut Meyer

Ralf Klädtke

DEAR SHAREHOLDERS

After a disappointing year in 2016, the Schaltbau Group is now setting its sights on the future. The newly formed Executive Board is tasked with rigorously dealing with problem areas, adjusting certain aspects of Group strategy, and realigning its profitable and high-potential business operations with a view to generating sustainable growth. After reporting a negative EBIT of € 14.5 million for the year just past, we are targeting a return to profitability in 2017 with sales in the region of € 520 – 540 million and an EBIT margin of three to four per cent. We also want to regain the trust and restore the confidence of our investors through transparent, prompt and honest communication.

There is no point in sugar-coating the Group's performance in the year under report. Any company that targets EBIT of € 41.5 million and then, twelve months and three profit warnings later, ends the year € 14.5 million in the red and in a tight financial situation, seriously needs to ask itself what went wrong and lay bare the adverse developments. Basically, the following factors led to the Schaltbau Group's negative earnings situation:

- First and foremost, the extremely high earnings risks involving international projects were not sufficiently considered over far too long a period. The reassessment of the platform screen doors project in Brazil, which had already been critical for a number of years, alongside two other projects involving level crossing technology in Egypt and Denmark, not only resulted in operating losses in 2016, they also exposed the need to recognise high levels of provisions for pending losses on onerous contracts and record impairment losses on capitalised development costs. Altogether, these losses amounted to over € 30 million. Accordingly, Schaltbau Pintsch Bamag's goodwill of € 1.6 million also needed to be completely written down at Group level.
- Increased quality costs following the receipt of complaints in the bus doors business line
- Expenditure for structural measures and severance payments
- Market-related declines in high-margin businesses in China and Poland

With the help of a management consulting firm, the current Executive Board has examined the Group's entire portfolio as well as its corporate strategy to date and taken the steps needed to extricate the Group from the unsatisfactory earnings and financial situation. In order to get back on track for success, we have mapped out a clear course of action. Above all, we shall put our faith in prudent organic growth, and not unbridled expansion via acquisitions. Going forward, we shall build on lean, simple structures instead of practically uncontrollable complexity. We intend to optimise the Group's range of products and services according to their potential to generate sales and margins. Moreover, we shall apply stringent procedures to manage and control the Group's investment portfolio, in order to detect risks at an early stage and swiftly take any countermeasures that may be required. These steps go hand in hand with a customer-oriented corporate culture in a spirit of partnership, both within the Executive Board and in close dialogue with the Supervisory Board, as well as with managers and employees in Germany and abroad.

Together we will make sure that the year 2016 remains a one-off mishap, followed by a turnaround. In order to achieve this aim, we need to position each of the Group's segments in terms of their strong and distinct technological capabilities and undisputed market potential and bolster their international competitiveness. In fact, the sales successes and market launches achieved in 2016 show that the Schaltbau Group is not at all in crisis mode but driven by a genuine pioneering spirit. Whether the latest major order for door systems for the Italian national railway or innovative body components for the next generation of electric parcel delivery vehicles, a recently acquired level crossing project in the Netherlands, promising international projects with master controllers, or the digitalisation of the Group's entire range of services: railway systems suppliers, infrastructure providers and industrial customers alike continue to place their trust in the quality and innovative strength of Schaltbau companies.

The lending banks also see our potential – and signed a new syndicated credit agreement with the Schaltbau Group in March 2017, which provides sufficient headroom to promote future growth. In this endeavour there is, of course, no question that the repayment of financial debt and the strengthening of equity capital has priority over expansion via acquisition. This option would only be considered if it were indispensable for the accomplishing of future technological challenges, which we will rise to meet with continued high expenditure on research and development.

Now that it has addressed problem areas in balance sheet terms and appointed new people to key positions, the Schaltbau Group has every opportunity to make a fresh new beginning, unburdened by past losses. Dear shareholders, we sincerely hope you will continue to accompany us along this path. We are not merely asking you to give us your trust. We intend to do everything in our power to regain it.

Kind regards

The Executive Board



Dr Bertram Stausberg
(Spokesman, CEO)



Helmut Meyer



Thomas Dippold



Ralf Klädtke

COMBINED COMPANY AND GROUP MANAGEMENT REPORT OF SCHALTBAU HOLDING AG, MUNICH, FOR THE FISCAL YEAR 2016

PROFILE OF THE SCHALTBAU GROUP STRUCTURE AND BUSINESS MODEL

The Schaltbau Group is a leading supplier of system solutions for the transportation of both people and goods. Partnering well-known 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, stations, buses and commercial vehicles
- Interior fittings, information, surveillance and communication systems, master controllers, driver's desk equipment and sanitary systems for rolling stock
- High- and low-voltage components for rolling stock and other applications
- Complete level crossing systems, shunting and signal technology
- Industrial brakes for container cranes and wind turbines

ORGANISATIONAL STRUCTURE

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

- The **Mobile Transportation Technology segment** comprises the Schaltbau Bode Group (Gebr. Bode GmbH & Co. KG and its subsidiaries), Schaltbau Alte (Alte Technologies S.L.U.) and Schaltbau Sepsa (Albatros S.L.U.), which has been fully consolidated since 30 September 2016 following the acquisition of the remaining shares (see section "Business performance")
- The **Stationary Transportation Technology segment** is headed by the Schaltbau Pintsch Group and sub-divided into the two business fields Rail Infrastructure (Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Pintsch Tiefenbach GmbH, Pintsch Aben B.V. and their respective subsidiaries) and Brake Systems (Pintsch Bubenzer GmbH and its subsidiaries)
- The **Components segment** comprises the Schaltbau GmbH Group (Schaltbau GmbH and its subsidiaries)

The segments work together closely with the aim of supplying customers comprehensively from one single source and leveraging synergies.

Schaltbau Holding AG is based in Munich and, as parent company of the Schaltbau Group, is responsible for strategy and the higher-level operational management of the Schaltbau 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, public relations and investor relations. Schaltbau Holding AG is also responsible for the Group's financial accounting, controlling, compliance, cash management and risk management, including internal auditing.

As the ultimate holding company of the Schaltbau Group, Schaltbau Holding AG is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

At the end of 2016, approximately 60.37 per cent of its shares were in free float.

MANAGEMENT AND CONTROL

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

On 1 March 2017, the Supervisory Board of Schaltbau Holding AG appointed **Dr Bertram Stausberg** as new Spokesman of the Executive Board for a period of three years with effect from 1 April 2017. Dr Stausberg is responsible for corporate development, marketing and sales, technology, and auditing. Furthermore, he is responsible for supporting subsidiaries in accordance with the board responsibility allocation plan, which has not yet been finally agreed upon.

With effect from 1 December 2016, **Helmut Meyer** was delegated from the Supervisory Board to the Executive Board for an initial period of six months, after Dr Jürgen Cammann resigned from his position as Chairman and Spokesman of the Executive Board with effect from 30 November 2016. Prior to the appointment of Dr Stausberg, Helmut Meyer was Spokesman of the Executive Board and responsible for Group strategy, the Stationary Transportation Technology segment, the Components segment, and investor relations. Helmut Meyer will remain a member of the Executive Board for the time being, in order to bring the corrective measures for a number of problem areas to a successful conclusion.

Thomas Dippold was appointed to the Executive Board as Chief Financial Officer (CFO) with effect from 1 January 2017 and is responsible for finance, controlling, personnel, IT, and compliance. He replaces Elisabeth Prigge, who resigned from her position as CFO of Schaltbau Holding AG with effect from 30 June 2016.

Ralf Klädtke continues to be responsible for the Mobile Transportation Technology segment.

The Supervisory Board, which now comprises five members since the delegation of Helmut Meyer to the Executive Board, cooperates closely with the Executive Board. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management.

Changes to the composition of the Supervisory Board are described in the Report of the Supervisory Board. 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.

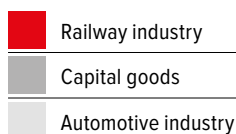
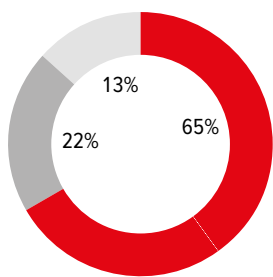
Corporate governance and control within the Schaltbau Group are based on generally accepted standards, which are summarised in the Corporate Governance Statement in accordance with Section 289a of the German Commercial Code (HGB). The Statement includes the Declaration of Compliance in accordance with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

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

BUSINESS MODEL, MARKETS AND INFLUENCING FACTORS

The Schaltbau Group's sales during the year under report were spread as follows: 65 per cent were generated in the railway industry, 13 per cent in the automotive industry and 22 per cent in the capital goods sector, including items such as port cranes and industrial trucks, which are mainly used in materials handling and logistics. As a supplier of technologically complex subsystems and components, Schaltbau is positioned among the leading companies worldwide in its primary fields of business. The Group continues to generate the majority of its sales within Germany (2016: 34 per cent) and the rest of Europe (2016: 43 per cent).

Sales by market



The Schaltbau Group features a high degree of added-value depth in the functions of research and development, production and sales. Schaltbau Group companies conduct intensive development work in order to meet increasingly strict requirements in terms of quality, safety and availability. Expenditure in this field corresponded to 6.7 per cent of total output during the year under report. A high percentage of systems and components are developed and manufactured at Group companies within Germany. Schaltbau's international locations enable it to react quickly and flexibly to changing market requirements and meet the generally growing demand for local content to the extent economically viable.

Schaltbau Group companies operate 37 (2015: 35) sales and production locations in 17 countries worldwide (2015: 17). Group companies operate their own sales offices in regions of strategic importance. Moreover, external sales partners ensure optimal market coverage in selected markets.

The Schaltbau Group's markets are shaped to a high degree by the long-term investment decisions of customers, who, in turn, as system manufacturers of rolling stock, commercial vehicles and control and safety technology, great depend on public-sector demand. The Group's presence in a broad range of customer sectors and regions means its dependence on economic conditions in individual market segments is relatively low.

In the rail sector, the most important market for the Schaltbau Group, sales volume is often indirectly dependent on the awarding of orders by railway companies to rolling stock manufacturers and directly impacted by investments in rail infrastructure. Demand for door systems for buses relies strongly on demand coming from communal transportation authorities and therefore on the financial situation of cities, towns and local councils. In the industrial sector, demand is more influenced by economic conditions in trade and the logistics industry, although the energy sector also plays a crucial role.

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

- Urbanisation and growing mobility are leading to a greater need for infrastructure for mass public transportation facilities.
- At the same time, there is a growing demand for greater safety and convenience, for instance with regard to boarding systems in trains as well as at stations
- The increasing digitalisation of rail infrastructure is leading to the development of new, fast-growing technology and market segments within the field of transportation technology
- The international division of labour and above-average growth rates in emerging markets are leading to increased demand for transportation infrastructure
- The limited availability of fossil fuels and increasingly strict climate protection measures call for energy-efficient methods and systems of transportation as well as the wider use of green energy

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

The Schaltbau Bode Group, which accounts for the majority of segment sales, is a leading supplier of door and boarding systems for buses, trains and commercial vehicles as well as interior fittings for rolling stock. Its range of products and services covers development, production, installation, commissioning and maintenance as well as after-sales service.

The Door Systems for Railway Vehicles product group comprises complete systems equipped with innovative safety technology and boarding aids for underground trains, metros, trams, regional trains and railcars as well as high-speed trains. Its range of products makes the Schaltbau Bode Group one of the leading manufacturers in its field in Europe and a key partner for train manufacturers and railway systems suppliers worldwide.

With its door systems for city 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 product group covers a broad range of complete door systems, including outswinging and inswinging plug doors, swinging-sliding, folding and revolving doors with electronic controls and boarding aids, which can be variously combined to suit customer requirements.

The Automotive product group comprises sliding doors with guide systems for box bodies as well as guide systems for the sliding side doors of commercial vans and cars. The customer base in this area consists of well-known manufacturers of commercial vehicles.

The Schaltbau 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 guarantee direct market access in each of these regions, including Schaltbau Rawag in Poland, which works in close partnership with Schaltbau Bode to sell door systems for railway vehicles and buses on the Central and Eastern European market. Moreover, Rawag's manufacturing range includes windows for rolling stock, a wide variety of interior fittings and aluminium components for passenger coaches. The UK-based entity Schaltbau Transportation UK Ltd. supplements the Group's range of services to include refurbishment, regular servicing and maintenance.

A network of sales and service partners provides support for Schaltbau Bode customers in their operations worldwide. Representative offices ensure the required proximity to important sales markets such as Hong Kong, Malaysia and Singapore.

Schaltbau Alte primarily manufactures complete sanitary systems (both standard and barrier-free toilet modules, shower cabins, vacuum systems and tanks), interior fittings made of composite fibres and air conditioning units for rolling stock. Most of its products are manufactured at its site in Lliça de Vall, near Barcelona (Spain).

Schaltbau Sepsa supplements the portfolio of the Mobile Transportation Technology segment with on-board information and communication systems as well as inverters. Its largest production plant is located in Pinto, near Madrid (Spain). Schaltbau Sepsa also has subsidiaries in the USA and Brazil. The entity Albatros UK, which primarily offers refurbishment services, was taken over and integrated by Schaltbau Transportation UK Ltd. on 29 April 2016.

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

The Rail Infrastructure business field supplies level crossing systems, control and safety systems for trains, train formation facilities, point heating systems, platform screen doors (PSD) and tunnel safety lighting equipment. The Schaltbau Pintsch Group is a key supplier to Deutsche Bahn AG as well as foreign infrastructure operators, which include numerous private, company and port railway systems. The computer-controlled RBUET and RBUEP railway crossing safety technologies are key operating components and widely used in all fields of control and safety technology, both in Germany and abroad.

The products made by the Brake Systems business field are deployed wherever bulky, heavy loads need to be moved safely and reliably, particularly in cranes for container terminals. Other fields of application are tunnelling and clearing machinery, conveyor systems, bucket-wheel excavators used in mining, steel industry applications, shipping and wind turbines.

Its outstanding technological expertise has made Schaltbau Pintsch Bubenzer a leading supplier of crane brakes for maritime applications. The company is internationally esteemed as a development partner and systems supplier. It operates its own local service centres in the strategically key markets of China, Singapore, Malaysia, the Gulf States and the USA.

THE COMPONENTS SEGMENT

The Components segment develops, manufactures and sells connectors, snap-action switches and contactors for a broad range of applications in the rail sector and various branches of industry. Connectors, for example, are vital in the fields of communications and railway transportation technology as well as for industrial trucks and mechanical engineering applications in general. Snap-action switches are key components particularly in the door systems of railway vehicles, a field in which Schaltbau is world market leader. Contactors are required wherever high-voltage applications need to be switched. They are installed, for example, in battery-driven industrial trucks, emergency power systems for telecommunications equipment and data centres, in the traction units of locomotives and electric trains and also in a wide range of applications in the renewable energy sector.

Moreover, Schaltbau GmbH and its Italian subsidiary SPII supply master controllers and fully integrated driver's desks for the safe, convenient operation of rolling stock.

In addition to its German sites in Munich, Velden and Aldersbach, the Components segment comprises SPII, based in Italy, eight further subsidiaries, two representative offices and over 60 sales partners who are locally based in practically all key international markets. Schaltbau operates large-scale production plants in Xian (China), which manufacture and distribute railway components (Xian Schaltbau Electrics) for the Chinese market, and a further plant in Shenyang (China) where contactors are produced for industrial customers. Schaltbau GmbH is also present on the growing Indian market with a participation. A Schaltbau subsidiary in the UK mainly produces contactors for industrial trucks. Markets in France, North America and Asia are served by nationally based subsidiaries and the Russian and Japanese markets have their own representative offices.

STRATEGY

STRATEGIC AIMS

Negative developments during the last fiscal year made it necessary to fundamentally examine the Schaltbau Group's strategy to date. Against this background and with the assistance of external consultants, during the first quarter 2017 the Executive Board conducted an analysis of the Group's existing portfolio of companies and products, taking into account the various entrepreneurial and market opportunities and risks, and introduced measures to enhance the Group's strategy on this basis. The short-term focus is on correcting problem areas within the Schaltbau Group, reducing complexity, reassessing specific undertakings and optimising the range of products and services the Group currently provides.

In the long term, this strategy is aimed at strengthening profitable and high-potential business operations, with a view to generating sustainable and largely organic growth. In the foreseeable future, however, strategic acquisitions will be focused primarily on strengthening our expertise and placing the Schaltbau Group in the best possible position to meet the technological challenges arising in the markets in which it operates. The list of challenges includes the digitalisation of rolling stock and rail infrastructure, the growing demand for local content, and the pressure on prices that accompanies increasingly tough market competition.

The Schaltbau Group intends to significantly expand the range of products and services it offers to rail systems suppliers through the coordinated interaction of its various product groups. This strategy includes the increased use of sensor-based solutions in door and boarding systems and the broadening of the Group's product range for interior fittings, lighting technology, on-board electrics and electronic systems for rolling stock as well as the integration of software and interfaces to various bus systems. At the same time, the product solutions offered by Schaltbau Refurbishment, which was founded on 1 January 2017, will be successively expanded to include regular servicing and maintenance work. In addition, new "smart products" and "smart solutions" that include digital features will help manufacturers cut costs and generate added value for operators.

In the field of Rail Infrastructure, in future Schaltbau will offer systems providers a range of products that focuses on level crossing and track-related technology that meets customer requirements in terms of safety, availability and energy efficiency. In addition to our anchor customer DB Netz AG, following a comprehensive risk assessment, we intend to gain further customers in the field of control and safety technology.

Schaltbau also intends to grow its business with manufacturers of commercial vehicles and capital goods going forward. In this respect, many of its proven products and system solutions from the rail sector can be adapted to suit the specific requirements of road vehicles and logistics companies. Conversely, products designed for the rail sector benefit from knowledge gained in other fields.

STRATEGIC MEASURES

The measures required to accomplish our strategic aims basically consist of four strategic initiatives:

- **Securing our global market position:** With due consideration to the accompanying opportunities and risks, the companies of the Schaltbau Group will endeavour to establish regional production and development units in order to react swiftly to market changes, enter new markets, benefit specifically from the advantages of certain countries or procurement markets, and satisfy the ever-growing requirement for local content. In 2016, the Brake Systems business field within the Stationary Transportation Technology segment formed new sales companies in Singapore and Dubai in order to expand business with locally based port operators.
- **Improving competitiveness:** The Schaltbau Group will seek to safeguard its technological edge with a high rate of investment. In particular, supplementing the Group's range with smart products and solutions that are in high demand due to the increasing digitalisation of the rail sector will help improve competitiveness. In the Mobile Transportation Technology segment, the key focus was on the new Boarding Management Unit during the year under report (see section "Research and development").
- **Operating excellence:** The Schaltbau Group continually strives to boost the efficiency of every link in the value-added chain with the aim of providing its customers with the best possible quality – on time and on budget. The Group has therefore increasingly adopted a lean approach in its efforts to optimise production processes, both in Germany and abroad. Efficiency can be further improved by bundling production and development activities.
- **Active cross-selling:** The solutions the Schaltbau Group develops for specific modes of transportation or logistics applications are systematically tested for suitability in other fields. For example, the Group's intelligent boarding and door systems, which were originally developed for rolling stock, are meanwhile also installed in buses, commercial vehicles and automobiles such as delivery vans (see section "Research and development"). With the forming of the new company Schaltbau Refurbishment, the Group's range in the field of refurbishment and service, which primarily covered door systems to date, will be successively expanded to include other product groups such as interior fittings and sanitary systems for rolling stock.

KEY PERFORMANCE INDICATORS

Key financial performance indicators for the Group and its segments are:

- Order intake as an early indicator of performance
- Sales
- Profit before financial result and taxes (EBIT)

Additionally, at Group level only:

- 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) are taken into account.

Order intake, sales and EBIT are reported within the Schaltbau Group on a monthly basis by both segment and Group entity.

The key financial performance indicator for Schaltbau Holding AG is profit before tax.

REPORT ON ECONOMIC POSITION

GENERAL ECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT

According to preliminary calculations made by the International Monetary Fund (IMF), the world economy grew by 3.1 per cent in 2016 and therefore somewhat more slowly than in the previous year (3.2 per cent). Economic pace in both the USA and the eurozone remained well below expectations during the first six months of the year. Growth in China also lost some momentum, although not to the degree expected, mainly due to government investment programmes. The recession in Brazil continued unabated, whereas the situation in Russia improved slightly, buoyed by the recent rise in oil prices.

Growth in key sales markets in % (IMF World Economic Outlook, January 2017)

in %	2016	2015
Eurozone	1.7	2.0
Germany	1.7	1.5
France	1.3	1.3
Italy	0.9	0.7
Spain	3.2	3.2
USA	1.6	2.6
Russia	-0.6	-3.7
China	6.7	6.9
Brazil	-3.5	-3.8

Apart from the numerous geopolitical crises, growing protectionist tendencies in various industrialised countries as well as the Brexit vote were sources of uncertainty and consequently weaker levels of investment.

Stronger growth in Germany was primarily attributable to higher state and private consumer spending, which increased by 2.0 per cent after price adjustments. Investments in equipment rose by 1.7 per cent.

The euro gained slightly in value against foreign currencies relevant for the Schaltbau Group. The average exchange rates of the euro to the Chinese renminbi and British pound were up by 5.4 per cent and 11.2 per cent respectively compared to 2015, whereas the average rate to the US dollar remained constant. Overall, the resulting exchange rate movements had only a minor impact on the Schaltbau Group's earnings situation.

SECTOR-SPECIFIC ENVIRONMENT

Sales markets

The rail sector and the automotive industry are among the most important markets for Schaltbau Group products, followed by the capital goods industry in the fields of materials handling, logistics, energy and production.

According to the German Railway Industry Association (VDB), sales in the domestic rail sector dropped to € 11.8 billion in 2016. Whereas exports grew by five per cent, domestic sales contracted by 12 per cent, mainly attributable to developments in the fields of rolling stock and components, which account for some 74 per cent of sector sales. Sales of digital control and safety technology, tracks, points, railway line electrification systems, signals and level crossing systems remained at the previous year's levels.

At € 11.5 billion, order intake in the German rail industry was 23 per cent down on the outstanding performance seen in 2015. Whereas domestic demand fell by around ten per cent, demand from foreign markets decreased by 38 per cent. According to VDB sources, the reasons for the strong decline in demand related to traditionally volatile business cycles in the sector on one hand and to the worldwide trend towards protectionism on the other, characterised by factors such as the commitment to localisation, restrictive joint ventures, a lack of transparency on procurement markets, voluminous governmental export financing and market foreclosure.

Overall, the order situation for rolling stock remained largely stable in Western Europe. Rail systems suppliers began insourcing some of their activities in isolated cases. In Eastern Europe, and particularly in Russia, opportunities to generate new business remain few and far between in the face of the economic situation and the EU sanctioning of Russia. In Poland, the expiry of an EU funding programme for the rail sector had a negative impact, causing local manufacturers to award considerably fewer orders.

Despite the growing need for renewal, investments in rail infrastructure remain low in many European countries. Furthermore, varying approval conditions from one country to the next give rise to an increased level of risk when taking on rail infrastructure business in foreign markets.

Although the rail market grew slightly worldwide, the order volume potentially accessible to German companies is declining. Particularly in China, growing protectionism is evident when it comes to awarding orders in the rail sector. Moreover, the Chinese government has shifted its focus of investment from locomotives and passenger coaches to urban metro systems, resulting in lower demand for certain systems and components.

At the same time, the Chinese railway group CRRC is increasingly moving into the world market. The company has announced its intention to establish plants in foreign countries and is actively in search of acquisition targets in Europe. In November it entered into takeover negotiations with the Czech transportation technology company Škoda Transportation. With its takeover of AnsaldoBreda in 2015, the Japanese rolling stock manufacturer Hitachi is also looking to gain greater market share in Europe. The resulting intensification of competition for projects in Europe is also likely to exert stronger downward pressure on prices.

European systems suppliers are responding by continually expanding the scope of their after-sales business, which meanwhile accounts for around half of worldwide sales in the sector, according to the management consulting company SCL.

The relocation of production capacities to sites outside the EU also continued unabated, particularly to India, China and the USA, in order to satisfy the ever-growing demand for local content. However, the trend is also considerably raising the cost of product certification and documentation.

According to the German Association of the Automotive Industry (VDA), the German automotive industry reported significant sales volume increases for both passenger cars and commercial vehicles. The number of new bus registrations in Germany also grew strongly, although registration numbers rose only slightly in Europe as a whole. Falling energy prices have had a moderately negative impact on the sale of electric vehicles in the short term. Overall however, the segment clearly remains a growth market. The sale of industrial trucks and other ground conveyors for storage technology applications profited in particular from the growth in online commerce. However, demand for contactors is dropping, in the face of technological change and stronger pressure on prices.

Low prices on raw materials markets continued to create difficult conditions for industrial customers operating in the raw materials sector. Moreover, in Russia, the EU embargo had a negative impact.

The market for renewable energy in Germany was slowed by the discontinuation of funding programmes and limitations in the choice of locations. At the same time, price erosion continued, as the options for boosting efficiency are practically exhausted. However, investment volumes grew in China, the USA, Japan, the UK, and India.

Strong demand for port infrastructure-related products resulting from the ongoing trend towards automation is, in turn, leading to a growing number of large-scale projects.

Procurement markets

Prices on procurement markets rose significantly in the course of the year, but were generally lower than in the previous 12-month period. The average price of copper fell by 17.3 per cent (upper DEL quotation) and 11.3 per cent (lower DEL quotation) respectively. The prices of rolled steel, stainless steel and cast iron were similar to one year earlier. The average price of aluminium dropped by 3.4 per cent (in US dollars).

The prices of precious metals, which Schaltbau mainly utilises to manufacture the contacts of switches and contactors, developed diversely. The price of nickel dropped by an average of 19.4 per cent (in US dollars), silver rose by 9.6 per cent (in US dollars) and gold by 8.0 per cent (in US dollars). Prices for electronic printed circuit boards went up slightly.

Although the average price of oil in US dollars was 16 per cent below the previous year's level, it picked up considerably, particularly in the last quarter after the OPEC countries had agreed to limit production volumes in September. Higher recycling rates kept plastics prices stable.

The Schaltbau Group enters into multi-year agreements with many of its suppliers in order to maintain purchase prices at stable levels and guarantee supply security. Schaltbau subsidiaries work together to achieve economies of scale and thereby reduce the cost of materials, particularly for printed circuit boards and castings. Inventory levels are kept as low as possible. Overall, Schaltbau purchases components and raw materials from over 2,500 different suppliers, but intends to systematically reduce the number of suppliers during the coming years.

Competitive environment

The consolidation being witnessed on the global market for railway transportation technology continued throughout the year under report. According to the management consulting company SCI, the ten largest systems suppliers serve around 75 per cent of the market, although the Chinese manufacturer CRRC in particular has gained market share in recent years. In the opinion of Schaltbau, this is likely to drive increasing market concentration among competitors and additionally intensify price competition in all three segments. However, opportunities can present themselves through the increased demand for system solutions provided from one single source.

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 the CEN/CENELEC and ETSI European standards stipulated in EU regulations and directives and are therefore fully EU-compliant.

In addition, the European rail sector is subject to the Technical Specifications for Interoperability (TSI) for railway transportation within the European Union. The TSI is 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 advertised for bids for the first time in 2016, which could lead to a considerable need for adaptation among rail systems manufacturers and their suppliers.

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 more attractive, innovative and competitive. The package also includes a new regulation 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 approval capacities, which were already very limited.

Furthermore, the increasingly international strategy of the Schaltbau Group calls for the adaptation of technical processes to meet global standards and take account of local-content requirements as well as market-specific standards. 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 rates required by governments have continually risen in recent years. Schaltbau responds to this development with the localisation of production resources and changed product structures, to the extent economically viable.

BUSINESS PERFORMANCE

Significant changes to the Group reporting entity

On 30 September 2016, Schaltbau Holding AG increased its shareholding in the Spanish company Schaltbau Sepsa (Albatros S.L.U.) by 5.2 percentage points to 100 per cent, therefore becoming sole owner, and included the company in the Group reporting entity. Previously, rules in the Articles of Incorporation and other agreements that still needed to be finalised did not give rise to “control” within the meaning of IFRS. The purchase price was paid in cash.

During 2016, Schaltbau Pintsch Bamag started the process of refocusing its operations towards rail infrastructure. With effect from 1 April, the Warning Systems product group was sold to the Sweden-based Standby Group, which is part of the Binar Group. The product group comprises optical and acoustic equipment for emergency and work vehicles. The company will continue to exist under the new name of Standby Pintsch GmbH at the same location in Dinslaken. The Warning Systems product group had only been of minor importance for the Schaltbau Group and its Stationary Transportation Technology segment for quite some time. With effect from 1 January 2017, the transportation technology activities, which consist of door systems for special-purpose applications, lighting systems and power supplies for rolling stock, were relocated to the new company Schaltbau Refurbishment, which coordinates modernisation business throughout the Group.

Furthermore, the shareholding in PINTSCH BAMAG Brasil Tecnologia Ferroviária Ltda., which is implementing the platform screen doors project in São Paulo, was increased from 75 to 100 per cent. The company was fully consolidated with retrospective effect from 1 January 2015. The majority of shares in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. were sold to a Chinese company, which means the Schaltbau Group now owns only 15 per cent. The company had not previously been part of the Group reporting entity due to its minor importance.

The companies Bode North America, Inc. and Shenyang Bode Transportation Equipment Co. Ltd., which had not been consolidated on the grounds of immateriality, were consolidated with retrospective effect from 1 January 2015, given that they now contribute substantially to Group earnings. With effect from 18 January 2017, Shenyang Bode Transportation Equipment was included in the newly formed joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., in which the Schaltbau Group indirectly holds 49 per cent of the shares.

The comparative figures for the fiscal year 2015 have been restated in conjunction with the retrospective consolidation of Bode North America, Inc., Shenyang Bode Transportation Equipment Co. Ltd. and PINTSCH BAMAG Brasil Tecnologia Ferroviária Ltda. For this reason the amounts shown are not identical with the figures reported in the Group financial statements for 2015.

BUSINESS AND EARNINGS POSITION

OVERALL ASSESSMENT OF FINANCIAL CONDITION

The Schaltbau Group finished the fiscal year 2016 with marginally higher sales (+1.4 per cent), negative EBIT of € 14.5 million and negative earnings per share of € 2.61. The Group failed to meet both its originally forecast sales and earnings targets and the revised figures announced in November 2016 by a considerable margin. This unsatisfactory performance was attributable to all three operating segments:

- Sales performance was negatively influenced by the severely delayed consolidation of the Spanish subsidiary Schaltbau Sepsa, a significant drop in business volumes at Schaltbau Rawag (Mobile Transportation Technology) in Poland due to the expiry of EU funding, sluggish growth in the field of level crossing systems (Stationary Transportation Technology), and a considerable drop in demand for components on the Chinese market. Encouraging performances, such as those reported in the Brake Systems business field or at Schaltbau Alte in Spain, were unable to compensate for these developments, resulting in a moderate decline in organic sales overall.
- In terms of earnings, alongside the negative impact of lower sales (in particular relating to the high-margin components business in China), a number of one-time, non-cash-relevant items also had an extremely negative impact. The significant variance compared with the revised forecast announced in November 2016 (EBIT € 10.2 million) resulted from the detailed risk assessment of the Schaltbau Group's project portfolio undertaken by the newly appointed Executive Board. The reassessment of the Platform Screen Doors (PSD) project in Brazil culminated in additional expenses totalling approximately € 14 million for impairment losses on capitalised development costs and provisions for pending losses on onerous contracts. The project, which was considerably delayed for customer-related reasons, is now scheduled for completion within the next three years. Further expenses totalling € 7.5 million resulted from impairment losses on capitalised development costs and provisions for pending losses on onerous contracts relating to two level crossing systems projects in Egypt and Denmark. The above-mentioned high losses relate to the Stationary Transportation Technology segment, which is headed by Pintsch Bamag. Accordingly, Pintsch Bamag's goodwill of € 1.6 million needed to be written down. The requirement to consolidate a number of subsidiaries due to their increased economic significance had an additional negative impact of almost € 3 million on EBIT.

On the positive side, the encouraging increase in order intake, which was 7.7 per cent up year-on-year, as well as the order book, which grew by nearly € 100 million, demonstrate that the Schaltbau Group with its range of technologies and services is well positioned in terms of its customer base and continues to display a great deal of market potential. Hence, in 2017 and the years that follow, it is the primary objective of management to exploit this potential and simultaneously improve the earnings, financial, and risk situation of the Schaltbau Group.

The pressure on earnings and costs in the wake of international growth, but also the under-performance of certain projects in recent years, have also led to a tense financial situation for the Schaltbau Group as a whole. At 31 December 2016, the Schaltbau Group reported net financial liabilities amounting to € 148.0 million and a debt ratio of 9.0 based on EBITDA. Following a financial review conducted by an external management consultancy, Schaltbau

Holding AG entered into a new syndicated credit agreement with the main banks at the end of March 2017. Accordingly, the syndicated credit agreement totalling € 100 million, which is due for final repayment at the end of 2019, will be supplemented by bridge financing with a volume of up to € 25 million that is available up to 28 February 2018. The conditions of the promissory note have also been adjusted (see “Events after the end of the reporting period”).

The agreement provides the Schaltbau Group with an improved capital and liquidity base, which will enable it to implement the measures required to safeguard sustainable, profitable growth without restriction.

Actual/budget comparison for fiscal year 2016

In € m.	Outlook reported on 10.03.2016	Outlook reported on 05.09.2016	Outlook reported on 09.11.2016	Actual 2016
Sales	550	530	Approx. 500	509.1
EBIT	41.5	21	10.2	-14.5
Group net profit for the year	27.3	11	5.4	-12.0
Earnings per share	3.50	0.80	0.28	-2.61

BUSINESS AND EARNINGS POSITION OF THE SCHALTBAU GROUP

Key performance figures for the Schaltbau Group

In € m.	2016	2015	Δ%
Order intake	551.2	512.0	7.7
Sales	509.1	502.3	1.4
EBIT	-14.5	33.4	

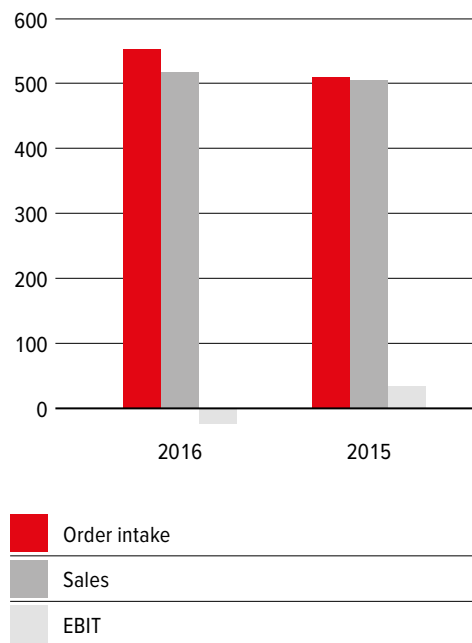
Order intake and order book

Order intake for the Schaltbau Group increased by 7.7 per cent to € 551.2 million in the fiscal year 2016 (2015: € 512.0 million). The primary factors contributing to the increase were major orders received by Schaltbau Bode and Schaltbau Alte in the Mobile Transportation Technology segment during the first six months of the year and the consolidation of Albatros (Schaltbau Sepsa) with effect from October. In the Components segment, it should be noted that the Italy-based subsidiary SPII, which was acquired in 2015, was only included in the previous year's figures from the third quarter onwards. However, just like the Stationary Transportation Technology segment, order intake only came in at the previous year's level.

In the course of the year, the order book grew by 28.6 per cent to stand at € 429.8 million at the end of the reporting period (2015: € 334.3 million). The growth was attributable to orders received for major projects that will be performed during the coming years as well as to the first-time consolidation of Schaltbau Sepsa.

Business and earnings position

In € m.

**Sales**

At € 509.1 million (2015: € 502.3 million), Group sales were only slightly up year-on-year, despite the consolidation of Schaltbau Sepsa and the full-year contributions to sales made by SPII. This performance was primarily due to the steady decline in the sale of components in China throughout the year and a significant drop in sales at Schaltbau Rawag, mainly related to the expiry of EU funding for the rail sector in Poland. In 2015, the Poland-based Schaltbau Group subsidiary had reported exceptionally high sales resulting from the implementation of a major order. The Stationary Transportation Technology segment achieved a moderate level of organic growth, as did the Components segment outside of China.

33.6 per cent (2015: 33.2 per cent) of sales were generated within Germany, 42.8 per cent (2015: 42.8 per cent) were attributable to other countries within Europe and a further 23.6 per cent (2015: 24 per cent) to the rest of the world. These figures reflect the international nature of the Schaltbau Group's strategy. In absolute terms, sales generated within Germany rose moderately to € 170.9 million (2015: € 166.6 million).

Group earnings performance

The Schaltbau Group reports negative EBIT of € 14.5 million for the financial year 2016 (2015: positive EBIT of € 33.4 million). The EBIT margin deteriorated from positive 6.6 per cent to negative 2.8 per cent year-on-year. The poor result was largely attributable to the negative impact of delays to the PSD project as well as to other international projects within the Rail Infrastructure business field of the Stationary Transportation Technology segment, coupled with decreases in volumes of high-margin business transacted with China. Furthermore, the Brake Systems business field within the Stationary Transportation Technology segment, as well as the Mobile Transportation Technology segment as a whole, reported declining margins. Segment EBIT for the Mobile Transportation Technology segment was also impacted by a negative effect in the region of € 2.5 million in conjunction with the first-time consolidation of the subsidiaries Bode North America and Shenyang Bode.

At € 253.9 million, the cost of materials was very similar to the previous year (€ 252.1 million). Expressed as a percentage of total output, the cost of materials ratio remained practically constant at 50.1 per cent (2015: 49.8 per cent). Personnel expense rose by 7.5 per cent from € 159.3 million to € 171.3 million, mainly due to the consolidation of SPII and Schaltbau Sepsa. Adjustments to collectively bargained wage and salary tariffs as well as severance payments also drove up personnel expenses. At 33.8 per cent, the personnel expense ratio (expressed as a percentage of total output) was higher than the 31.4 per cent recorded for the previous year. Total output per employee (productivity) dropped as a result to € 171,200 (2015: € 187,200).

Depreciation, amortisation and impairment losses on non-current intangible assets and property, plant and equipment increased sharply from € 13.1 million to € 30.8 million year-on-year. The rise was attributable firstly to impairment losses on capitalised development costs relating to the above-mentioned projects within the Stationary Transportation Technology segment and the necessary write-down of goodwill allocated to Schaltbau Pintsch Bamag. Secondly, purchase price allocations, particularly those relating to SPII and Schaltbau Sepsa, had a negative impact.

Other operating expenses increased to € 72.9 million (2015: € 55.7 million). Provisions for pending losses on onerous contracts were the main causes of higher expenses in the Stationary Transportation Technology segment, principally relating to the PSD project in Brazil and, to a lesser extent, foreign projects in Denmark and Egypt. These other operating expenses contrasted with other operating income totalling € 8.0 million (2015: € 7.1 million), including income from the reversal of provisions and exchange gains.

The result from ordinary activities (EBT) deteriorated from the previous year's profit of € 30.1 million to a loss of € 15.9 million in 2016. The result from investments includes a gain of approximately € 7 million due to the revaluation of the 94.8 per cent of shares previously held in the Spanish company Albatros S.L.U. Madrid (Schaltbau Sepsa), which was fully consolidated for the first time with effect from 30 September 2016. In 2015, the revaluation of the shares previously held in RDS had generated a gain of € 2.5 million. The result from companies accounted for using the equity method was a net negative amount of € 3.5 million (2015: net negative amount of € 66,000). The amount includes a negative contribution of approximately € 3.8 million from Schaltbau Sepsa from the first three quarters of the year under report and a positive contribution from the Turkey-based entity BoDo Bode-Dogrusan A.S.

The financial result was a net negative amount of € 5.2 million (2015: net negative amount of € 5.7 million). The higher interest expense, reflecting the greater volume of credit lines utilised as well as higher credit margins, was offset by an increase in interest income and other financial result. The derecognition of unused options in conjunction with the acquisition of the remaining shares in Schaltbau Sepsa had a moderately positive impact.

Taxes on income gave rise to a tax benefit of € 3.8 million (2015: tax expense € 7.7 million). The tax expense recorded for the Schaltbau Group's foreign subsidiaries contrasted with deferred tax income, primarily related to the recognition of provisions for pending losses on onerous contracts.

The Group net loss of € 12.0 million represented a significant deterioration compared to the previous year's reported net profit of € 22.5 million. The loss attributable to the shareholders of Schaltbau Holding AG totalled € 15.8 million (2015: profit attributable of € 16.8 million), equivalent to negative earnings per share of € 2.61 (diluted and undiluted – 2015: positive earnings per share of € 2.80).

Appropriation of results

The accumulated deficit of Schaltbau Holding AG as reported at 31 December 2016 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

In € m.	2016	2015	Δ%
Order intake	263.2	224.9	17.0
Sales	222.2	225.0	-1.3
EBIT	5.2	16.0	-67.7

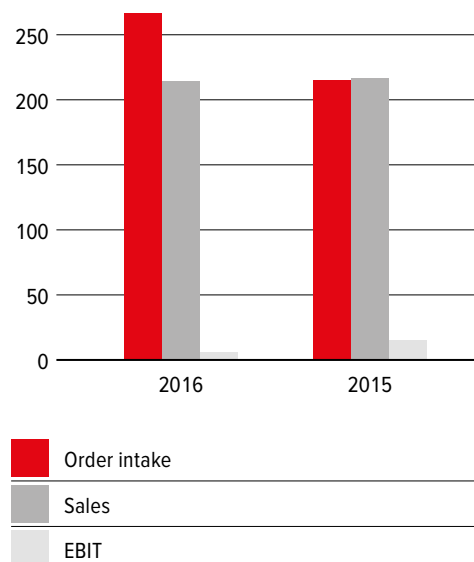
Order intake for the Mobile Transportation Technology segment rose by 17 per cent to € 263.2 million (2015: € 224.9 million), mainly driven by growing demand from the rail sector.

In June, the Spanish subsidiary Schaltbau Alte was awarded a major contract to deliver complete sanitary modules for new SNCB double-deck coaches in Belgium, which are being jointly built by Bombardier Transportation and Alstom Transport. The consortium has entered into a framework agreement to build up to 1,362 passenger vehicles, 445 of which are already contractually binding. The order is scheduled for implementation over a period of almost ten years.

The Schaltbau Bode Group successfully obtained several significant orders for railway door systems in Germany, Switzerland and Spain, including an initial order for the revised BIDS system. Order volumes also grew in the refurbishment and service business in the United Kingdom, additionally supported by the integration of the British site of Schaltbau Sepsa with effect from 29 April 2016. In contrast, order intake for the Group's Poland-based subsidiary Schaltbau Rawag was below the figure reported one year earlier, due to the expiry of EU funding.

Key performance figures (in € m.)

Mobile Transportation Technology segment



A major order from Hitachi Rail Italy for the Trenitalia, Caravaggio project is not yet included in order intake figures. The contract to deliver the first 39 trains was signed in January 2017. Including options, the project comprises up to 300 trains. In the foreseeable future, the newly developed Boarding Management Unit (BMU) is set to be installed in the iLint emission-free regional trains manufactured by Alstom, which were first tested in practice during the year under report.

Order volumes for the Door Systems for Buses product group were slightly up on the previous year, enabling Schaltbau Bode to successfully assert its strong market position.

The Automotive product group registered an increase in order volume, which resulted from steady demand in the commercial vehicles sector and new orders for both sliding door fittings and the linear door system.

Overall, segment sales fell marginally by 1.3 per cent to € 222.2 million (2015: € 225 million). The operating rate of change was a negative 9.2 per cent. Cutbacks were mainly seen at Schaltbau Rawag, where the major projects implemented in the previous years were largely completed at the beginning of the year under report. The BIDS standardised door drive system for rolling stock continued to be the best-selling product group. Sales of bus doors were slightly lower than one year earlier, whereas sales in the Automotive field rose significantly. Sales in both of these product fields were mainly generated by series deliveries to well-known manufacturers of commercial vehicles, both in Germany and abroad. Sales of the linear sliding door system in the Automotive field generated additional growth.

At € 5.2 million, EBIT was perceptibly down on the previous year (€ 16.0 million). Schaltbau Alte, Bode North America, and Shenyang Bode all contributed negatively to the segment's EBIT. Schaltbau Sepsa's contribution to EBIT in the fourth quarter 2016 was more or less break-even. The EBIT margin for the segment as a whole deteriorated from 7.1 per cent to 2.3 per cent year-on-year.

The Stationary Transportation Technology segment

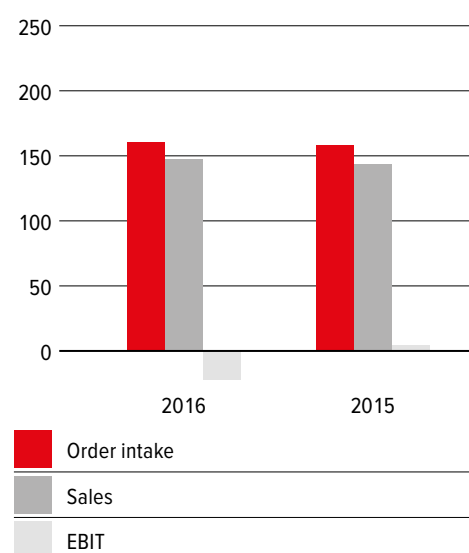
Key performance figures for the Stationary Transportation Technology segment

In € m.	2016	2015	Δ%
Order intake	157.8	155.5	1.5
Sales	149.3	144.0	3.7
EBIT	-28.1	1.2	

At € 157.8 million, order intake for the Stationary Transportation Technology segment was slightly up on the previous year's figure of € 155.5 million. Growth in the Rail Technology product group was partly due to a major e-mobility order received at the beginning of the year as well as various refurbishment projects. In 2016, a new module contract was signed with DB Netz AG, which guarantees seamless order processing. Nonetheless, call-off volumes remained low. The majority of funds for replacement investments were utilised for building bridges and tunnels. Private rail infrastructure operators in Germany were reluctant to invest. The segment continued to expand business successfully in foreign markets and was awarded a project of significant size for level crossing systems in the Netherlands

Key performance figures (in € m.)

Stationary Transportation Technology segment



halfway through the year. Business volumes in Denmark also continued to grow. Demand for signal technology components developed positively. Order intake rose strongly on the back of two major projects in Germany and the Netherlands as well as growing order volumes in China. The segment sold its Warning Systems business with effect from 1 April 2016. However, the impact on order intake and sales was negligible. Demand for point heating systems remained at the previous year's level.

After a good start to the year, demand for Brake Systems products fell perceptibly during the second six-month period. Order volumes from Asia in particular, where China is the largest single market, failed to meet expectations. Business in South America grew slightly, despite the current economic difficulties in the region.

Segment sales rose moderately by 3.7 per cent to € 149.3 million (2015: € 144.0 million). The Brake Systems business field reported higher sales figures based on good order intake figures from the previous year and an additional major order from Asia. The Rail Technology product group also recorded growth. The Platform Screen Doors (PSD) project in Brazil again failed to generate sales, due to considerable delays for which the customer is responsible. However, the prospects of continuing the project have improved, partly due to the fact that the development of the latest PSD system is soon expected to be completed and approved for use. The level crossing technology projects in Egypt and Denmark were also delayed, with the consequence that they will not contribute to sales until 2017.

Segment EBIT deteriorated significantly to a negative amount of € 28.1 million, (2015: positive EBIT of € 1.2 million), primarily attributable to the negative impact on earnings caused by the new risk assessment of the international project portfolio. Earnings were further negatively impacted by restructuring measures and warranties in the Brake Systems business field. The residual costs resulting from the sale of the Warning Systems business were offset by gains in efficiency as well as cost improvements. The EBIT margin came in at negative 18.8 per cent (2015: positive 0.8 per cent).

The Components segment

Key performance figures for the Components segment

In € m.	2016	2015	Δ%
Order intake	130.1	131.5	-1.1
Sales	137.5	133.1	3.3
EBIT	17.2	23.4	-26.7

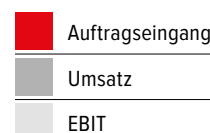
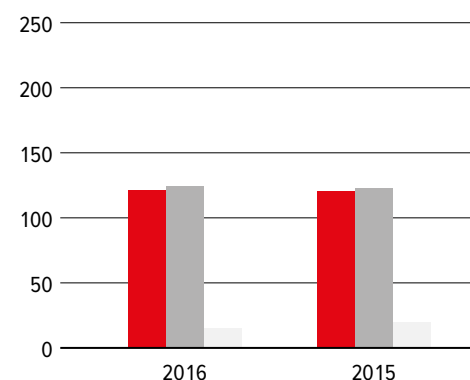
At € 130.1 million, order intake for the Components segment was marginally below the previous year's figure (€ 131.5 million). The Italy-based subsidiary SPII, which was consolidated for a full twelve-month period for the first time in 2016, contributed approximately € 19 million to order intake, compared with approximately € 9 million during the period from July to December 2015. Moreover, joint project acquisitions were initiated at international level at the beginning of 2016. On the downside, business in China was dampened by a major reduction in orders for locomotives and passenger coaches placed by the Chinese railway authority. Both the joint venture in Xian, in which Schaltbau GmbH has a 50 per cent shareholding, and Schaltbau's export business from Germany are affected. Demand in France grew strongly, in terms of both core business and the supply of goods for resale.

Segment sales increased by 3.3 per cent year-on-year from € 133.1 million to € 137.5 million on the back of greater demand for connectors and contactors. Sales of switches and electrics for rolling stock, however, fell slightly. Lower order volumes in China had a negative impact on sales, particularly in the second half of the year. In a contrasting trend, sales in Russia showed signs of improvement. SPII contributed sales in the region of € 26 million in 2016, which compares well with the approximately € 11 million of sales generated in the period from July to December 2015.

Segment EBIT decreased to € 17.2 million (2015: € 23.4 million). SPII made a positive contribution to earnings. The EBIT margin deteriorated from 17.6 per cent in 2015 to 12.5 per cent in 2016.

Key performance figures (in € m.)

Components segment



NET ASSETS AND FINANCIAL POSITION

Principles of financial management

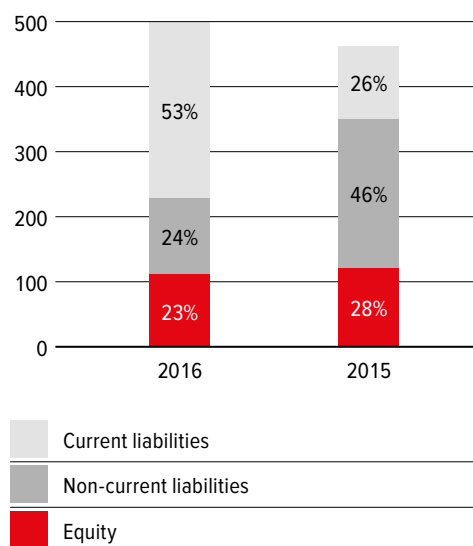
Schaltbau Holding AG controls and monitors the financial management of the Schaltbau Group. It provides the Group's entities with the necessary liquid funds, thus ensuring their ability to organise operations and develop business as planned. In addition to its liquidity management activities, Schaltbau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

In order to limit external financing, the Schaltbau Group uses internal sources of financing to the greatest extent possible. Cash flow surpluses of individual entities are used, wherever it makes sense, to cover liquidity requirements at the level of other subsidiaries and participations. In this context, working capital management is subject to regular monitoring throughout the Group.

External financing at the end of the fiscal year 2016 was based on a Syndicated Credit Agreement with a volume of € 100 million on the one hand, and two promissory notes, placed in 2015, with a total volume of € 70 million and maturities of 7 and 10 years. The loans were subject to various assurances, guaranties and conditions as well as defined key financial performance indicators (covenants). These covenants related to the equity capital ratio and the debt-to-EBITDA ratio. As a consequence of the Group's business performance, the covenants could not be complied with in all respects in 2016. These developments resulted in the restructuring of external financing at the end of March 2017, including conditions relating to financing volumes, collateral, financial covenants, maturities and interest rates (see the section "Events after the end of reporting period").

Balance sheet structure

Equity and liabilities



Matching maturities re-established by the date on which the group management report was authorised for issue, see "Events after the end of the reporting period"

Further financing was also available to the Group at 31 December 2016, for which collateral – in the form of mortgages totalling € 35.1 million – were provided. An equity ratio of between 30 per cent and 35 per cent has been set as the target for the Schaltbau Group. This target ratio was not achieved at the end of 2016.

Derivative financial instruments are employed as a hedge against interest rate and foreign currency risks, and, in exceptional cases, to hedge commodity risks. It is not permitted within the Group to use such instruments for speculative purposes. Interest rate hedges totalled € 8.8 million (nominal) at the end of the reporting period. Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

Capital measures undertaken during the year under report

In September 2016, Schaltbau Holding AG sold 125,000 treasury shares (corresponding to approximately 2.03 per cent of the Company's share capital), with the subscription rights of existing shareholders excluded. The shares were placed with long-term orientated investors in Germany. Proceeds of the sale amounting to approximately € 4.05 million contributed to the Company's financial flexibility.

Analysis of capital structure

At € 111.1 million, non-current liabilities were significantly lower than at the end of the previous fiscal year (2015: € 203.6 million). This was due on the one hand to the significantly lower amount of non-current financial liabilities, which decreased over the twelve-month period from € 146.7 million to € 43.3 million. Working in the opposite direction, other provisions rose sharply from € 0.4 million to € 14.6 million, mainly reflecting newly recognized provisions for pending losses on onerous contracts which are long-term in character, while pension provisions went up from € 37.4 million to € 40.2 million due to actuarial factors.

Current liabilities jumped to € 240.9 million (31 December 2015: € 117.4 million). The main reason for this development was the amount reported as financial liabilities, which increased from € 15.4 million to € 134.7 million. Further reasons were the higher level of trade accounts payable due to timing factors around the year end as well as provisions for pending losses on onerous contracts (included in other provisions) which are short-term in character. The net expense for allocations to personnel-related provisions reflects the impact of cost reduction measures initiated prior to the year-end. The significant shift from non-current to current financial liabilities was primarily due to non-compliance at the year-end with additional contractual conditions relating to key financial performance indicators (financial covenants).

As explained in the section "Events after the end of the reporting period", matching maturities had been re-established by the date on which the group management report was authorised for issue.

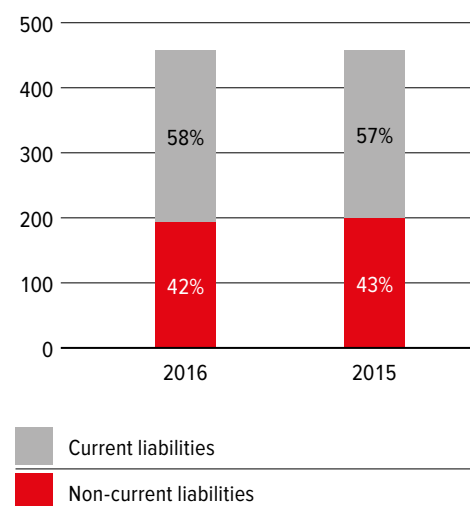
Net financial liabilities (current and non-current bank liabilities plus other financial liabilities less cash and cash equivalents) amounted to € 115.1 million at the end of the reporting period (31 December 2015: € 129.6 million). The debt ratio (based on annualised EBITDA) was 9.0 compared to 2.8 at the end of the fiscal year 2015.

At 31 December 2016, along a syndicated credit of € 100 million and the promissory notes issued in 2015 with a volume of € 70 million, the Group had access for further credit lines totalling € 81.1 million (31 December 2015: € 76.2 million). Of these amounts, including the promissory notes, € 104.4 million were drawn down as loans at the end of the reporting period (31 December 2015: € 109.8 million). Current account and fixed date credit facilities totalled € 146.7 million (31 December 2015: € 136.4 million), of which – including guarantees – € 111.1 million were being utilised at the end of the reporting period (31 December 2015: € 83.2 million).

Group equity decreased to € 107.1 million (31 December 2015: € 124.8 million) as a result of the net loss for the year and the dividend paid for the fiscal year 2015. The sale of treasury shares on the other hand resulted in an increase in equity. At the end of the reporting period, the equity ratio stood at 23.3 per cent (31 December 2015: 28 per cent).

Balance sheet structure

Assets



Liquidity analysis

Cash flows from operating activities decreased from € 29.4 million to € 25.8 million. The moderate decrease reflects the fact that the expenses recognised for future risks did not generally result in cash outflows during the year under report. For this reason, the significant deterioration in EBIT was offset set by the positive contribution of depreciation, amortisation and impairment losses (all with no cash impact) and other non-cash expenses. In addition, net cash outflows in conjunction with changes in current assets and current liabilities were lower than in the fiscal year 2015.

Cash outflows for investing activities totalling € 18.2 million were mainly attributable to investments in intangible assets and property, plant and equipment. Acquisitions of other entities – in particular the purchase of the outstanding shares of Schaltbau Sepsa – only gave rise to outflows of € 1.5 million in total. By contrast, the sale of Warning Systems operations gave rise to a cash inflow. Cash outflows of € 49.0 million reported one year earlier reflected the higher level of investments in other entities, most notably the increased shareholding in Schaltbau Sepsa, non-current loans receivable from Albatros and the acquisition of shares in SPII and RDS.

Cash flows from financing activities in 2016 came in at a net negative amount of € 8.7 million (2015: net positive amount of € 25.2 million), mainly reflecting higher interest payments, the repayment of loans and the disbursement of a dividend of approximately € 6.0 million. These items exceeded the cash inflows relating to the change in other financial liabilities and the sale of treasury shares. The positive amount reported for the previous year (€ 25.2 million) was significantly influenced by the successful placement of the promissory notes.

Overall, cash and cash equivalents decreased by € 1.5 million to € 31.2 million over the twelve-month period.

Net assets

Non-current assets amounted to € 194.6 million at the end of the reporting period (31 December 2015: € 190.4 million). Goodwill increased to € 55.2 million (31 December 2015: € 52.2 million) as a result of the full takeover of Schaltbau Sepsa. Write-downs and impairment losses recorded as a result of recent developments impacted the Stationary Transportation Technology segment. These negative factors items more than offset the positive effect of gains arising on consolidation and own work capitalised.

Property, plant and equipment increased to € 88.4 million (31 December 2015: € 77.3 million) mainly as a result of the consolidation of Schaltbau Sepsa. Additions of € 11.6 million compared with depreciation of € 9.6 million. Changes in the group reporting entity meant that net additions amounted to € 9.5 million.

Investments decreased to € 7.2 million at the end of the period under report (31 December 2015: € 24.5 million). The main reason for the decrease was the consolidation of Schaltbau Sepsa, as a result of which investments in at-equity accounted companies decreased from € 11.5 million to € 3.1 million and the fact that non-current loan receivable amounting to € 9.5 million disbursed to Schaltbau Sepsa in the previous year is now eliminated on consolidation. The loan was reported in the previous year in other non-current investments.

Current assets grew to € 264.4 million (31 December 2015: € 255.4 million), mainly reflecting increases in inventories and receivables as a result of the inclusion of Schaltbau Sepsa. By contrast, advance payments received and trade accounts payable went up only slightly. Overall, working capital rose by 7.1 per cent to € 161.9 million (31 December 2015: € 151.1 million).

The average receivables period increased from 79.7 days to 81.5 days, mainly reflecting the growing volume of overseas business.

Capital employed edged up by 1.6 per cent to € 341.1 million (31 December 2015: € 335.8 million) as a result of the higher level of working capital. The return on capital employed (ROCE) deteriorated from positive 10.0 per cent in 2015 to negative 4.2 per cent in 2016.

Deferred tax assets amounting to € 15.5 million were recognised at the end of the reporting period (31 December 2015: € 5.7 million). This figure is stated after the offset of deferred tax liabilities amounting to € 8.4 million (31 December 2015: € 9.0 million). In addition to € 18.3 million (31 December 2015: € 12.0 million) recognised on timing differences, deferred tax assets amounting to € 5.6 million (31 December 2015: € 7.5 million) were recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences totalled € 3.5 million (31 December 2015: € 3.3 million).

EARNINGS, FINANCIAL AND NET ASSETS POSITION OF SCHALTBAU HOLDING AG

The annual financial statements of Schaltbau Holding AG for the fiscal year 2016 were drawn up, as in the previous year, 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 direction and overarching operational management of the Schaltbau Group. It also provides services on behalf of its subsidiaries. Its earnings position is primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries, and the net interest result relating to its financing function. Profit and loss transfer agreements are in place between Schaltbau Holding AG and both Schaltbau GmbH and Pintsch Bamag GmbH. In turn, Pintsch Bamag GmbH has profit and loss transfer agreements in place with Pintsch Bubenzer GmbH, Pintsch Aben geotherm GmbH (renamed Schaltbau Refurbishment GmbH with effect from 1 January 2017) and Pintsch Tiefenbach GmbH.

Schaltbau Holding AG and its German operating subsidiaries are financed primarily by funds received in conjunction with the Syndicated Credit Agreement, which was renegotiated during the first quarter of 2017, and promissory notes placed on the capital market at the end of June 2015.

Sales revenue of € 3.6 million (2015: € 3.5 million) resulted from the provision of services, in particular relating to the recharging of the cost of centralised IT systems to subsidiaries.

The net positive result from investments amounting to € 10.0 million (2015: € 6.0 million) reflects the high level of earnings generated by Gebr. Bode GmbH & Co. KG in the fiscal year 2015.

By contrast, income from profit transfers amounting to € 5.9 million was lower than one year earlier (€ 10.6 million), mainly due to the sharp decrease in earnings at the level of Schaltbau GmbH. The expense recorded in conjunction with loss transfers was once again significantly higher than in the previous year, rising from € 7.9 million in 2015 to € 21.4 million in 2016. This deterioration mainly reflects losses relating to the PSD project as well as level crossings projects in Egypt and Denmark, which had a substantial negative impact on Pintsch Bamag's earnings.

The € 0.4 million increase in personnel expense to € 5.6 million was attributable to a severance payment made in 2016. Pension expense, on the other hand, was lower than one year earlier.

Other operating expenses, comprising mainly expenses for legal and advisory services, IT services, sales and marketing coordination and financing, decreased marginally compared to the previous year.

The interest result deteriorated from a net positive amount of € 0.2 million in 2015 to a net negative amount of € 0.3 million in 2016. The sharp increase in interest expense was attributable to the higher volume of credit lines utilised and the fact the promissory notes issued in 2015 were subject to interest in 2016 for a full twelve-month period. More onerous financing conditions in conjunction with the amendment of covenants also had an impact.

The pre-tax loss deteriorated significantly from € 0.2 million to € 14.9 million year-on-year. With taxes on income having little bearing on earnings in 2016, the net loss for the year also finished at the same level.

Schaltbau Holding AG's balance sheet decreased on both sides by € 16.7 million to € 189.7 million. The main reason for the decrease was the loss transfer due to the poor earnings performance of the Pintsch Group and the resulting decrease in financing receivables due from Group entities, which more than offset a number of items working in the opposite direction, namely higher non-current receivables from Alte Technologies and the higher carrying amount of the investment in Schaltbau GmbH. At € 71.5 million, current assets were significantly lower than one year earlier (€ 94.7 million).

Financial investments increased by € 6.4 million from € 109.7 million to € 116.1 million, mainly as a result of higher non-current loans receivable from Schaltbau Alte. Financial investments include non-current loans receivable from Schaltbau Sepsa. After conversion of € 1.1 million into equity, non-current loans receivable from Albatros amounted to € 8.2 million at the end of the reporting period (2015: € 9.5 million).

Liabilities totalled € 140.8 million at 31 December 2016, similar to their level at the end of the previous year (2015: € 138.7 million). Included in those figures, liabilities to banks increased from € 117.6 million to € 135.2 million.

Schaltbau Holding AG's equity fell from € 58.0 million to € 41.1 million as a result of the net loss for the year and the dividend payment. The sale of treasury shares had the effect of increasing equity. The equity ratio fell from 28.1 per cent to 21.6 per cent.

RESEARCH AND DEVELOPMENT

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

During the year under report, the Schaltbau Group spent the equivalent of 6.7 per cent of total output on research and development (2015: 6.0 per cent) and was therefore within the budgeted target range. 16.5 per cent of total expenditure was recognised as assets (2015: 16.1 per cent). Scheduled amortisation amounting to € 1,063,000 (2015: € 869,000) was recorded on capitalised development costs. Furthermore, impairment losses amounting to € 10.3 million (2015: € 200,000) for the PSD project and two projects in the field of level crossing systems were recognised. A total of 529 employees were engaged in the various R&D departments at the end of the fiscal year 2016 (2015: 391 employees). Overall, 15.7 per cent of the workforce was therefore engaged in continually developing the Schaltbau Group's technological base.

The Mobile Transportation Technology segment successfully launched the Boarding Management Unit it has developed over the past few years. The smart doors, which are controlled by a sensor system being used for the first time in the rail sector, are installed, for example, in the new Coradia iLint fuel cell-powered train manufactured by Alstom. The innovative sensor technology replaces the previous system comprising push buttons, light barriers and switches. It reduces manufacturing costs, makes the doors easier to maintain and is also capable of taking on additional functions, such as counting passengers and automatic ticket sales. In the Automotive field, among other advances, the product portfolio for electrically powered delivery vehicles was expanded during the year under report.

In the Rail Infrastructure business field of the Stationary Transportation Technology segment, the focus was on further developing and obtaining approval for the switching mechanism for computer-controlled level crossing technology in Germany, designing a stand-

ardised LED signal lighting family and various developments for ongoing projects outside Germany. When updating the Components range, the main emphasis was placed on establishing additional interfaces to take into account the increasing digitalisation in the sector.

The Brake Systems business field supplemented the BUEL® equipment range to include an electro-mechanical wheel brake and continued to develop numerous other products.

In the Components segment, the master controllers series were revised with the aim of reducing overall costs and maintenance requirements and improving flexibility. Emergency brake switches were improved to make them remotely resettable, a feature required in particular for fully automated metro trains. Furthermore, a new generation of HMI screens featuring high-performance processors was developed to the series maturity stage. The ranges of contactors and snap-action switches were specifically supplemented and expanded in the normal course of product maintenance. Moreover, in collaboration with the University of Ilmenau, work was conducted to improve the short-circuit making capacity and the short-term withstand current of contactors. In the field of connectors, a number of adaptations were implemented for foreign projects and a new product was launched featuring interchangeable adapters.

EMPLOYEES

The Schaltbau Group's workforce grew to a total of 3,370 employees at 31 December 2016 (2015: 2,973 employees).

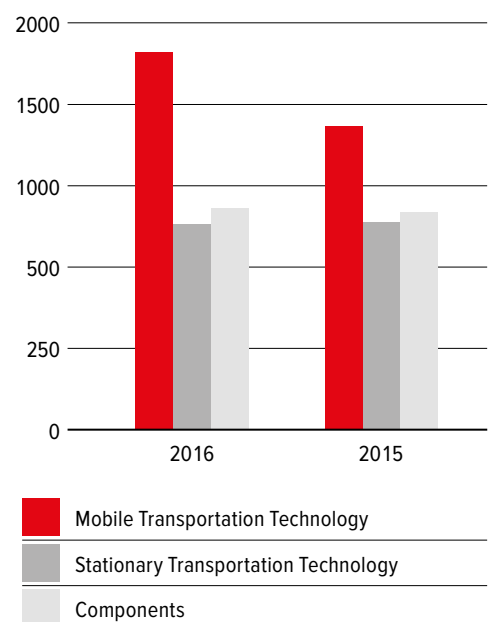
The number of people working in the Mobile Transportation Technology segment rose from 1,320 to 1,721 during the period under report. A total of 312 employees joined the Group through the consolidation of Schaltbau Sepsa. In the Stationary Transportation Technology segment, staff numbers fell slightly from 776 to 762, mainly due to job cuts in the field of level crossing systems. The number of people employed in the Components segment increased from 853 to 863. On an annual average, the Group employed 2,925 people on a full-time basis, compared with 2,706 in 2015.

Schaltbau views the additional qualification of its employees as an important investment in the future. The Schaltbau Group therefore again invested considerably in 2016 to the tune of € 1.1 million (2015: € 1.2 million) on both in-house and external basic and further training measures. The principal focus was on technical training, product training and additional courses covering legal and regulatory topics.

Needs-based training plays a crucial role in ensuring that qualified staff are capable of meeting the market challenges of the future. At 31 December 2016, a total of 103 young people were undergoing vocational training in various Schaltbau Group companies (31 December 2015: 93), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician.

Development of employee figures

Number at 31.12.



At the end of the reporting year, across the Schaltbau Group, 26 people (2015: 26) were in pre-retirement part-time working arrangements, 10 of whom had already entered the non-working phase. Pre-retirement part-time working arrangements are offered by three German Schaltbau Group companies and one foreign subsidiary.

CUSTOMER RELATIONSHIPS

Schaltbau Group companies are regularly represented at important trade fairs, with the aim of fostering good relationships to customers and partners and exhibiting their latest innovations. Events of this nature are also a good opportunity to carry out various customer satisfaction surveys.

In September 2016, the entire Schaltbau Group presented itself at the InnoTrans rail sector trade fair in Berlin, showcasing its complete range of products and services for rolling stock at one common stand for the first time. Among other innovations, the spotlight was on the new Boarding Management Unit from Schaltbau Bode and the smart driver's desks manufactured by the Group's Italy-based subsidiary SPII, as well as a number of new products from the Components segment. The joint marketing approach was enhanced by a group-wide unified brand identity and the launching of the new Schaltbau Group website. The Stationary Transportation Technology segment operated its own separate stand at the InnoTrans.

Moreover, the Mobile Transportation Technology segment presented its products and services at the Eurasia Rail in Istanbul and the Expo Ferroviaria in Turin as well as the IAA Commercial Vehicles in Hanover, Germany. During the year under report, Schaltbau also continued to develop a separate sales group, with the aim of systematically opening up and expanding its after-sales business.

The Rail Infrastructure business field (Stationary Transportation Technology segment) exhibited its range not only at the InnoTrans in Berlin, but also at the Railway Systems Suppliers Exhibition in Grapevine, USA and the Eurasia Rail in Istanbul. The Brake Systems business field presented itself at the TOC port technology trade fairs and at the MINExpo mining trade show in Las Vegas.

The Components segment additionally showcased its products for the rail sector at the ElectroTrans in Moscow. It also presented its range of components for the energy sector at the PV Expo in Tokyo and the SolarPower in Las Vegas. Moreover, the segment exhibited its portfolio of mining products at the Ugol Mining in Novokuznetsk, Russia and the MINExpo in Las Vegas and its materials handling range at the CeMAT in Hanover and the IMHX in Birmingham as well as at the Hannover Messe.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 31 March 2017, Schaltbau Holding AG restructured its financing arrangements in cooperation with the other financing parties. The term of the secured Syndicated Credit Agreement with a volume of € 100 million expires on 31 December 2019, without options to either extend or increase the volume. In addition, a bridge financing up to an amount of € 25 million is available until 28 February 2018. Moreover, Schaltbau now has greater financial headroom, due to an adjustment of the financial covenants. The credit margins have been increased at the same time. Interest payable to the promissory note holders has been raised by one percentage point during the period from 1 April 2017 to 31 December 2019. They also have the option to terminate the promissory note agreement with six months' notice with effect from the end of 2019. More information on this topic is available in the Group notes.

No other events of particular significance have taken place since 31 December 2016.

REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

OUTLOOK REPORT

FORWARD-LOOKING STATEMENTS

This Management Report contains facts and forecasts that reflect the future performance of the Company and the Group, based on the assessments of the Executive Board of Schaltbau Holding AG. These assessments are considered to be realistic for the purposes of this report. Underlying assumptions may, however, possibly prove to be incorrect and 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 CONDITIONS

Expected macroeconomic environment

In its January outlook, the International Monetary Fund (IMF) predicted a slight increase in the pace of world economic growth in 2017, for both the developed economies (1.9 per cent) and the emerging markets (4.5 per cent), giving rise to a global growth rate of 3.4 per cent in comparison to 3.1 per cent for 2016.

The stronger dynamic expected in the developed economies is primarily attributable to growth in the USA, despite the rate in the eurozone being likely to drop marginally to 1.6 per cent. At 1.5 per cent, the outlook for the German economy is somewhat below average.

Predictions for 2017 can only be made with a great deal of uncertainty, mainly due to the political risks surrounding the change of administration in the USA and upcoming elections in Europe. An escalation of the banking crisis in Italy could also endanger economic performance in Europe.

At the beginning of the year, prices for oil and industrial metals continued to rise and in 2017 are generally likely to be higher than the previous year's averages. Prices for electronic assemblies and components are predicted to increase moderately.

In view of the expansive monetary policy of the European Central Bank, the euro is likely to remain weak, whereas the dollar recently gained strength significantly.

Expected sector-related environment

The management consulting company SCI forecasts an average of 2.3 per cent expansion in the global rail sector over the coming five years, the strongest growth rate being expected in Western Europe at 3.2 per cent. Demand coming from the Chinese market is likely to remain weak and there are signs of significant overcapacity, particularly in goods transportation. After-sales business is expected to be the primary growth driver across all regions. New business, however, is likely to see a downward trend.

In the field of rail infrastructure, which is strongly influenced by demand within Germany, the implementation of the new service and financing agreement (LuFV II) between the Republic of Germany and German Railways should provide a slight upturn in demand.

For 2017, the European Automobile Manufacturers Association expects nothing more than a stable market performance, subject to a great deal of uncertainty regarding the macroeconomic and political environment. Schaltbau expects demand for city buses to contract in 2017.

Industrial business is also fraught with uncertainty. Business in mining and oil production could benefit from rising raw materials prices, while the expansion of renewable energy production, particularly in the USA, is likely to depend on the political strategy adopted going forward.

EXPECTED BUSINESS AND EARNINGS POSITION

The Schaltbau Group is targeting an order intake volume similar to the previous year's figure and sales between € 520 million and € 540 million for the fiscal year 2017. The contributions of Schaltbau Sepsa, which was newly consolidated in the fourth quarter 2016, will have a full impact on a 12-month period for the first time. The EBIT margin is forecast to come in at between three and four per cent.

As a percentage of total output, expenditure for research and development should be at a similar level to the year under report.

The Mobile Transportation Technology segment is targeting significantly higher sales than in the previous year, primarily based on the full-year consolidation of Schaltbau Sepsa, the improved order situation at Schaltbau Alte and the first-time consolidation of Schaltbau Refurbishment, which was part of the Stationary Transportation Technology segment up to 2016.

According to the forecast, the Stationary Transportation Technology segment is unlikely to match the sales figures achieved one year earlier. Firstly, sales figures for Pintsch Bamag are predicted to be down on the previous year, due to the sale of the Warning Systems product group during the year under report and the reallocation of the refurbishment business. Secondly, the Brake Systems business field expects a drop in both order intake and sales compared with the exceptionally high figures recorded one year earlier.

The Components segment forecasts a moderate drop in sales, mainly attributable to the expected lower contribution from SPII, which is attributable to the changed market situation in Italy.

Due to the lower income from investments forecast for Schaltbau Bode, a difficult market situation for Schaltbau GmbH in China, and a generally unsatisfactory project situation at Schaltbau Pintsch Bamag, the Executive Board only expects a moderately positive profit before taxes for Schaltbau Holding AG in the fiscal year 2017.

EXPECTED FINANCIAL SITUATION

Without taking possible changes to the Group reporting entity into account, the Schaltbau Group does not expect any major changes to its overall financial situation in 2017 in comparison to 31 December 2016. The financing of Schaltbau Holding AG and its subsidiaries is guaranteed for 2016.

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 commercial losses with suitable measures and avoid risks that could jeopardise the going-concern status of the Group's entities. The risk management system therefore makes a vital contribution towards achieving the strategic, operating and financial targets of the Schaltbau Group and towards sustainable growth in the value of the business as a whole.

The risk management system is described and defined in guidelines that apply across the Schaltbau Group. It includes an appropriately comprehensive system of documentation and reporting. 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 Holding company. All potential causes of damage are recorded according to the probability of occurrence and their possible consequences. The risk management officers at Group Holding level and in the various lead companies of the operating segments are responsible for this task.

Irrespective of their probability of occurrence, any risks capable of causing at least a medium level of damage require notification. For these purposes, "damage" is considered by the Schaltbau Group to mean a perceptible negative impact on the net assets, financial position and results of operations of the relevant individual company, including Schaltbau Holding AG. The Group's risk management guidelines stipulate a threshold of €0.1 million. Amounts are not aggregated at Schaltbau Group level in view of the different business models applied and the related risk situations.

Maximum damage (earnings/liquidity)

in T€

low	< 100,000
medium	100,000 to 500,000
high	> 500,000

Risks with the potential to cause damage in excess of € 0.5 million 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.

In addition, specific thresholds have been stipulated for significant individual entities regarding levels of damage that could potentially jeopardise their going-concern status. In the event that these entity-specific thresholds are exceeded, the risk involved must be notified without delay by means of in-house ad hoc reports. Risks are categorised as jeopardising the going-concern status of an entity if they have a significant impact on the assets, financial and earnings position of that entity. Risk concentrations and possible consequences (secondary risks) must also be appropriately considered.

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

Probability of occurrence	
low	0% to 10%
medium	10% to 30%
high	above 30%

Once identified, risks are subsequently monitored on a continuous basis and mitigated by 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 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 at majority-held subsidiaries and the risk management officers. In this context, all necessary organisational measures must be documented as part of the quarterly reporting process.

Risk reporting

In addition to internal ad hoc reporting, the various Group companies are required to report on a quarterly basis on the entire spectrum of risks, as well as on any changes in the risk profile, to the responsible 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 sales, 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 description of the risk situation shows risks on a net basis, i.e. taking risk-mitigating measures into account. The risk reporting entity is always identical with the Group reporting entity in the Consolidated Financial Statements. Apart from the risks described below, no further significant risks have been identified. All medium and high risks of the major individual entities are considered to be significant (threshold for risks that could jeopardise the going-concern status > €350,000). Risks are measured on the basis of a combination of the probability of occurrence and the potential amount of damage (see risk matrix). The period for which risks are considered corresponds to the period covered by the outlook. The risk situation is described as at 31 December 2016.

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, Gebr. Bode GmbH & Co. KG and Alte Technologies S.L. Similar functions are currently being established for the Schaltbau Pintsch Group and the Schaltbau Sepsa Group. Compliance officers at the subsidiaries report to their own management and to the Compliance Officer at the Holding company.

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

RISK CATEGORIES IN THE SCHALTBAU GROUP

Category	high	medium risk	high risk	high risk
	medium	low risk	medium risk	high risk
	low	low risk	low risk	medium risk
		low	medium	high
		Probability of occurrence		

The following table shows risks that have been assessed as medium and high. The comments provided below the table additionally address selected risks which are assessed as low.

SIGNIFICANT RISKS OF SCHALTBAU HOLDING AND THE SEGMENTS

Risk category	Segments primarily affected	Assessment from segment perspective
Macroeconomic and sector-specific risks		
Currency risks	Components	medium
Government sanctions	Components	high
Receipt of subsidies by competitors	Mobile Transportation Technology	medium
Declining demand	Mobile Transportation Technology, Components	high
Pressure on selling prices	Mobile Transportation Technology, Components	high
Greater concentration of competition	Components	medium
Purchasing risks		
Shortages of raw materials and intermediate products	Mobile Transportation Technology	high
Supply delays/ failure to deliver	Stationary Transportation Technology (Rail Infrastructure)	medium
Development and design risks		
Market launch of new products	Mobile Transportation Technology	high
Delayed regional market launch	Mobile Transportation Technology, Components	medium - high
Design risks	Stationary Transportation Technology	medium
Production and quality risks		
Warranty risks	Stationary Transportation Technology, Mobile Transportation Technology	medium
Reputational damage	Components	medium
Market viability of production processes and product design	Components	medium - high

Risk category	Segments primarily affected	Assessment from segment perspective
Sales volume and selling risks		
Project delays caused by customer	Components	high
Dependence on individual customers	Stationary Transportation Technology (Brake Systems)	medium
Insourcing by customers	Stationary Transportation Technology (Brake Systems)	medium
Fluctuating sales volumes	Stationary Transportation Technology (Brake Systems)	medium
IT risks		
IT-related business interruptions	Mobile Transportation Technology	high
Personnel risks		
Payroll increases at low-wage locations	Mobile Transportation Technology	medium
Shortage of skilled personnel	Mobile Transportation Technology	medium
Financial risks		
Covenants	Schaltbau Holding, Components	low - high
Financing expense	Schaltbau Holding	high
Liquidity	Schaltbau Holding	medium
Restrictive lending by banks	Schaltbau Holding	medium
Risks arising from investments		
Integration costs	Schaltbau Holding	high
Operational performance of subsidiaries/participations	Schaltbau Holding	high
Integration delays	Schaltbau Holding	high
Contractual risks	Stationary Transportation Technology	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 are all highly relevant for the Schaltbau Group's order book situation and earnings performance. As a consequence of its 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. Accordingly, there is no significant risk in this area in the short term. Based on the Company's assessment, the Brexit procedure initiated in March 2017 does not entail any significant risks for the Schaltbau Group. This also applies to the Group's entities with operations in the United Kingdom.

The devaluation of other **currencies** against the euro could also have a negative impact on competitiveness in certain sales regions, bring down profit margins for existing projects or even trigger the insolvency of business partners. Particularly in the case of Russia, any further fall in the value of the ruble and ongoing adverse economic and business conditions could result in lower margins and increased bad debt levels for the Component segment. The Schaltbau Group counters currency risks by means of geographical diversification and interconnecting operations on a global basis in order to remain competitive, irrespective of currency developments. The Group endeavours to apply so-called "natural hedging" by selectively managing the volume of goods sold and purchased in the same currency. Moreover, exchange rate effects are minimised by means of hedging contracts, to the extent considered appropriate. During the period under report, business in Russia was conducted on a cash-in-advance basis wherever possible. Nevertheless, a medium risk remains for the Components segment.

Political instability and **sanctions** as well as changes in **economic policy** could impair the sale of products in certain regions. Furthermore, increased protectionism – in the form of the increasing call for local content or the preferential treatment of domestic suppliers in the case of public-sector contracts – may also complicate the acquisition of overseas projects.

The Components segment is exposed to the risks associated with sanctions imposed by the EU on Russia on the one hand and with the Russian government's efforts to squeeze out western suppliers on the other. The Mobile Transportation Technology segment is faced with the medium risk that EU subsidies for the Polish market will expire.

A **decline in demand** in major areas, such as the rolling stock, rail infrastructure, bus and automotive sectors could have a negative impact of individual segments or business fields. Governmental and investment decisions in the rail sector are both of particular significance for the Schaltbau Group. Spending cuts or a shift of investments into areas that are not covered by the Schaltbau Group could adversely affect the order situation. Components business in China is exposed to high levels of risk due to the sharp drop in demand for locomotives and passenger coaches on the one hand and delays in awarding public-sector contracts on the other.

The performance of the Door Systems for Buses product group within the Mobile Transportation Technology segment is directly reliant on the business performance of bus manufacturers and demand patterns, which in turn depend to a large extent on the economic situation of the various communal transport authorities. There is a high risk in this customer segment that orders are delayed or withdrawn.

The number of potential customers in the rail and bus sector is limited. The existing structures put power in the hands of the customer, resulting simultaneously in increased downward pressure on **selling prices**. During the year under report, this situation applied particularly to Components business in China and the market for rolling stock in Europe, with growing calls for sales rebates (high risk).

Greater concentration of **competition**, caused, for example, by new providers entering the market, may result in lower selling prices and the loss of market share. For instance, Schaltbau is increasingly finding itself in competition against local providers to win Components business in China. With their increasingly sophisticated and competitive products, these local providers could go on to gain market share (medium risk).

Competitive disadvantages in terms of product range, product quality, selling prices, development and/or supply 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 long delivery times could entail risks for individual product groups within the Components segment (high risk).

Risks along the value-added chain

Purchasing risks can arise as 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, due to economic difficulties or for other reasons. Both of these scenarios could result in production delays and impair the ability of the Schaltbau Group to deliver the required volumes, which could in turn lead to sales losses and possible long-term damage to the Group's reputation as 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 line with supplier management. Sometimes, it is also possible to find internal solutions.

Various medium to high risks also exist for the Mobile Transportation Technology and Stationary Transportation Technology segments, particularly in connection with electronic components.

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.

Risks of a high to medium nature exist for the Mobile Transportation Technology and Components segments in connection with planned introduction of products in the USA, Germany and Asian markets. The Mobile Transportation Technology segment is also exposed to a high risk in connection with the marketing of a new product. Design risks identified by the Stationary Transportation Technology segment are now classified as “medium” now that the PSD-related risks have materialised.

Production breakdowns or interruptions can put pressure on costs and additionally 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). The occurrence of quality problems 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 and industrial safety. Quality risks are covered partly by warranty provisions.

Production and quality risks have been identified for the Stationary Transportation Technology and Components segments in connection with malfunctions and defects in individual products. These risks are classified as medium.

Sales volume and sales risks arise in conjunction with project delays or cancellations on the part of the customer and sales volume fluctuations. Business can also be lost as a result of insourcing by customers. A concentrated customer base exacerbates these risks.

Sales volume and sales risks of a medium nature exist for the Brake Systems business field (Stationary Transportation Technology segment) as a result of the high degree of dependence on a single major customer, which could potentially develop its own product, and fluctuating order levels generated within the wind power sector. The Mobile Transportation Technology segment is exposed to a high level of risk in conjunction with project delays in Italy.

The insolvency of individual customers could also have a significant negative impact on the net assets, financial position and results of operations as well as on liquidity. However, given its large percentage of public-sector and major industrial customers, the risk of incurring large-scale bad debt losses is currently considered to be low.

IT risks

Downtimes or a malfunction of IT systems that support business processes could have a serious impact on operations. Schaltbau Group companies mitigate IT in terms of the availability, confidentiality and reliability of IT systems by taking the appropriate technical and organisational precautions and by ensuring that their IT infrastructure is continuously modernised and subjected to regular external reviews.

The inventories management system of the Mobile Transportation Technology segment is currently still exposed to the risk of downtimes. It is, however, planned to replace the IT system in the very near future.

Personnel risks

Personnel risks arise as a result of bottlenecks in the area of staff recruitment, a shortage of skilled personnel and employee fluctuation as well as sickness and periods of absence. These risks are mitigated by further training activities, needs-based vocational training and greater in-house cooperation. Moreover, sharply rising payroll levels in a country or region may contribute to higher employee fluctuation.

Risks of a medium nature apply to the Mobile Transportation Technology segment in Poland in connection with a shortage of skilled personnel and sharply rising wage levels.

Legal risks

The international operations of Schaltbau Group entities involve legal risks. These can arise principally from legal disputes, patent law infringements and/or claims for damages. Appropriate levels of provision have been recognised to cover identifiable legal risks. Based on the assessment of the Company and its legal advisors, there are currently no significant risks.

Financial risks

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

In order to safeguard its ability to grow, both organically and by means of acquisition, Schaltbau Holding AG makes use of a Syndicated Credit Agreement and funds from a promissory note issued in 2015. The terms of the credit agreement are linked to a number of assurances, guarantees and conditions that must be complied with. The agreement also requires compliance with certain covenants, which give the banks an extraordinary right of termination if they are not fulfilled. The covenants in place for Schaltbau Holding AG were renegotiated in March 2017, due to the fact that they could not be complied with for the financial year 2016. Accordingly, the risk pertaining to covenants is now considered to be low.

Financing arrangements of subsidiaries based on stand-alone credit agreements also require compliance with covenants. One subsidiary of the Mobile Transportation Technology segment is exposed to a high risk due to non-compliance with covenants. Changes in key financial performance indicators are monitored continuously and as part of the monthly reporting process. **Liquidity problems** can arise from operations and/or as the consequence of more restrictive lending policies of banks. At the date on which the Group Management Report was authorised for issue, the Schaltbau Group had access to credit lines to finance working capital totalling € 100 million (due 31 December 2019) as well as bridge financing totalling € 25 million which runs until 28 February 2018.

Overall, the liquidity position of the Schaltbau Group remains satisfactory. Accordingly, liquidity risks are classified as “medium”.

Any increase in **financing amounts and interest rates** would lead to an increase in interest expense in the long term. At 31 December 2016, interest swaps for a nominal amount of €6 million were being used to hedge a variable-interest credit volume of € 64.2 million within the cash pool. The market value of the interest swaps fluctuates, depending on market conditions. The hedging transactions entered into are regularly monitored by management. The promissory note issued in 2015 is subject to a fixed interest rate.

In view of the Group's business performance, an increase in the interest rate is considered likely, so that the risk is classified as "high".

Tax risks, for example in conjunction with tax field audits, could also arise. These risks are mitigated by seeking advice from external consultants at an early stage. No significant risks have been identified.

Risks arising from investments

Within the scope of its financial possibilities, the Schaltbau Group is playing an active role in the consolidation process of the rail sector and thus selectively exploiting any opportunities for external growth. In pressing ahead with this strategy, there is a risk that previously identified synergy benefits or enhanced geographical presence will not be realised to the expected extent or within the planned time frame. It is also possible that the cost of integration will be higher than planned. If business performance does not develop as expected, the recognition of impairment losses on goodwill 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.

The integration of the companies acquired in recent years in Spain nevertheless involves high risks in terms of equity and liquidity levels and operations of the companies concerned as well as the actual process of integration, which is proving to be more difficult than envisaged. The restructuring of Chinese companies within the Stationary Transportation Technology segment entails a medium risk.

OVERALL RISK SITUATION

The overall risk situation of the Schaltbau Group deteriorated in 2016. The Executive Board has therefore taken measures to reduce the impact of risks which could jeopardise the going-concern status of the Group. It is unlikely, however, that the risks identified up to the date on which the Management Report was authorised for issue could actually jeopardise the going-concern status of the Group.

OPPORTUNITIES REPORT

OPPORTUNITIES MANAGEMENT

Opportunities are identified in the course of the strategy process and recorded at subsidiary level in a similar way to risks. When assessing opportunities, Schaltbau does not utilise a management system similar to that used for risk management purposes. However, the integration of the risk management system in operating processes also helps to identify and exploit any opportunities that present themselves. Opportunities are reported on as part of the monthly reporting process and in quarterly risk reports, and are also the subject of regular review processes and one-on-one oral reports to the Executive Board. The decision to exploit opportunities is taken by the Executive Board of Schaltbau Holding AG on the basis of thorough analysis.

OPPORTUNITIES SITUATION

The Schaltbau Group sees opportunities as positive deviations from the basic scenario portrayed in the outlook report. These deviations can arise from market developments, but also from strategic and operational measures. In the following section, opportunities – which also apply to the separate financial statements of Schaltbau Holding AG – are listed in the order of the relevance attached to them by management.

Entering new markets

The companies of the Schaltbau Group are looking to exploit growth opportunities outside their European core markets on a targeted basis and are in the process of strengthening their international presence through acquisitions and joint ventures.

Significant opportunities from expanding international operations are arising in particular for the Brake Systems business field (Stationary Transportation Technology segment), which has already established new business locations in Dubai and Singapore. These locations could help to generate greater volumes of business in the Middle East and South-East Asia in the coming years.

In the medium and long term, opportunities will arise from successfully integrating the companies acquired in recent years, increasing business on the back of the resulting expanded product range, and taking advantage of the Schaltbau Group's expanded geographical presence.

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, digitalisation in the rail sector, high demand for energy-efficient solutions, and increasing system integration. New market segments are emerging, in which the Schaltbau Group – as a leading player in the market for rail technology – will be able to play a decisive role.

Rail vehicle-related products that can be used across segments include door systems, on-board electronics and 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 will also create additional business potential for the companies of the Schaltbau Group.

Further integration of rolling stock products, combined with the development of “smart” products and solutions, will strengthen the Schaltbau Group’s position with regard to rail systems manufacturers and could generate business at levels higher than currently planned.

Medium- and long-term prospects for the Schaltbau Group are favoured by global megatrends such as increasing urbanisation, the growing mobility of the population as a whole, the long-term upward tendency in world trade and above-average growth rates in emerging markets, which, in turn, lead to an increasing need for mass transportation facilities and infrastructure.

Currency impact

Favourable exchange rate developments generally have a positive impact on competitiveness in certain regions and could contribute to improved margins on current projects. The principal currencies involved are the US dollar and the Chinese renminbi.

Political stability

Greater political stability in the principal sales markets could encourage higher investment levels and thus contribute to order intake growth for the Schaltbau Group.

This applies in particular to Components business in Russia, where order levels are currently being negatively impacted by EU sanctions and the continuing decline in the value of the ruble. Business could benefit significantly if sanctions were eased or lifted.

An improvement in the political and economic situation in Turkey could also open up opportunities for the Mobile Transportation Technology segment in this country.

Warranty expense

A favourable outcome in terms of legal disputes or warranties could result in lower levels of provision, with a corresponding positive impact on the Schaltbau Group’s earnings.

OTHER DISCLOSURES

COMPENSATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD (COMPENSATION REPORT)

The compensation system at Schaltbau Holding AG is based on the principles of performance and earnings and 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 parts of the compensation include annually recurring components that depend on the development of Group net profit (before minority interests in accordance with IFRS) or segment profit. A pension plan is not in place for active 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 oriented on the basis of 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 active members of the Executive Board totalled € 1,372,000 for the fiscal year 2016 (2015: € 2,027,000). 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 € 997,000 (2015: € 1,028,000) for fixed components and € 375,000 (2015: € 999,000) for performance-related components. Furthermore, a severance payment of € 980,000 (2015: € 0) was paid to an Executive Board member who resigned. The amount is included in the total compensation for former Executive Board members. A total of € 397,000 was recognised as a provision at 31 December 2016.

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

Including the severance payment of € 980,000, the total compensation received by former members of the Executive Board and their surviving dependents amounted to € 1,062,000 in 2016. Pension provisions for this category of people totalling € 575,000 (IFRS) have been recognised.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2016.

The basic compensation for a Supervisory Board member totals € 15,000 per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount, resulting in basic compensation totalling € 112,500 in 2016.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds four per cent of share capital. The dividend paid in 2016 was above this threshold and therefore a total of € 199,000 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, two members of the Supervisory Board received a total of € 151,000 for additional work performed in 2016.

In accordance with a resolution passed at the Annual General Meeting held on 6 June 2013, since July 2013 the Chairman of the Supervisory Board has been paid a monthly fixed expense allowance of € 2,500 to cover office and secretarial expenses as well as general administrative costs, assuming the Chairman of the Supervisory Board does not utilise offices and secretarial services provided by Schaltbau Holding AG or its subsidiaries on a time-apportioned basis. Costs for the fixed expense allowance totalled € 30,000 in the year under report.

Taking into account the basic compensation, the additional compensation, the additional work performed and the fixed expense allowance paid to the Chairman of the Supervisory Board, compensation totalled € 492,500 in 2016. However, additional compensation totalling € 199,000 included in this amount was previously recognised as a provision in 2015.

The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view 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 289 SUBSECTION 4 AND SECTION 315 SUBSECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

1. The subscribed capital comprises the following: The Company's share capital totals € 7,505,671.80. It is divided into 6,152,190 bearer shares (shares without nominal value).
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.

3. The only major shareholder owning either a direct or an indirect share of capital exceeding 10 from 100 share voting rights is Dr Jürgen Cammann, to whom the investment in SATORA is attributable.
4. There are no shareholders with special controlling rights.
5. There are no voting right controls relating to shares held by employees.
6. Article 6 of the Articles of Incorporation of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, to appoint deputy members to the Executive Board and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Incorporation. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Incorporation.
7. The Company's subscribed capital (share capital) is divided into 6,152,190 non-par value shares. From this total, 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 per cent of the share capital in place at the date of the resolution for purposes other than trading. No Schaltbau shares were bought back during the fiscal year 2016. 125,000 Schaltbau shares were sold during the fiscal year 2016.

Based on the resolution taken at the Extraordinary Shareholders Meeting on 19 December 2003, a conditional capital of € 234.24 was still in place on 31 December 2016 (2015: € 234.24). The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable the servicing of option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase should only be implemented to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been accordingly increased by € 1,829,765.76. No options were exercised in 2016.

Based on a resolution of the Annual General Meeting taken on 14 June 2016, a (new) Conditional Capital II was in place at 31 December totalling € 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 € 3,294,000 was in place at 31 December 2016. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 5 June 2018 by issuing new shares in return for either cash deposits or investments in kind, which may not exceed a total of € 3,294,000. With the approval of the Supervisory Board, the Executive Board may decide to exclude subscription rights.

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

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP'S ACCOUNTING AND FINANCIAL REPORTING PROCESS PURSUANT TO SECTION 289 SUBSECTION 5 AND SECTION 315 SUBSECTION 2 (5) OF THE GERMAN COMMERCIAL CODE (HGB) AND THE EXPLANATORY REPORT OF THE EXECUTIVE BOARD

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

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

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

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

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

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

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

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

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

Munich, 21. April 2017

The Executive Board



Dr Bertram Stausberg
(Spokesman, CEO)



Helmut Meyer



Thomas Dippold



Ralf Klädtke

THE SCHALTBAU SHARE

SHARE PRICE DEVELOPMENTS

The Schaltbau share finished the year 2016 at € 30.76 and therefore 39.7 per cent down on the price recorded one year previously. Beginning at € 50.37 on 4 January and reaching its high for the year of € 52.35 on 5 January, the share traded more or less parallel to the market during the first six-month period. However, in the second half of the year it lost ground considerably, particularly after sales and earnings targets were adjusted downwards. On 9 November, at € 26.50 the Schaltbau share reached its lowest point of the year before recovering slightly and moving in line with the general market trend.

After the Annual General Meeting on 14 June 2016, Schaltbau paid shareholders a dividend of € 1.00 per share. Taking the dividend into account, the total shareholder return was a negative 38.2 per cent for 2016 (2015: a positive 23.6 per cent). During the same period, the DAXsector Industrial Performance Index gained 18.8 per cent and the SDAX 4.5 per cent.

TRADING VOLUME

The share capital of Schaltbau Holding AG remained unchanged at € 7,505,671.80 at 31 December 2016 and is distributed over 6,152,190 shares.

On 28 September 2016, Schaltbau Holding AG sold 125,000 treasury shares (2.03 per cent of share capital) excluding the subscription rights of shareholders. The shares were placed with long-term investors within Germany. The gross proceeds of the emission for Schaltbau Holding AG totalled approximately € 4.05 million. At 31 December 2016, Schaltbau therefore held 7,645 treasury shares, equivalent to 0.12 per cent of share capital.

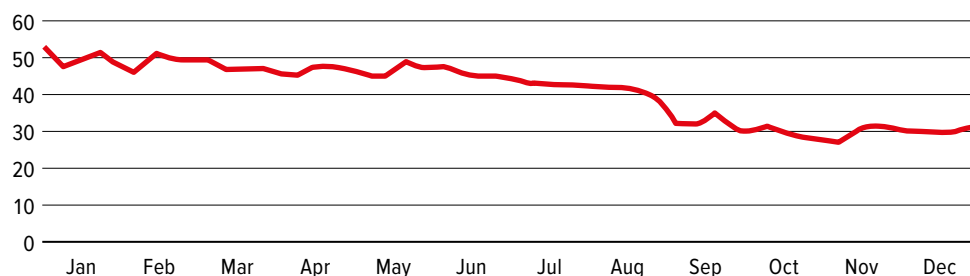
The volume of Schaltbau shares traded increased during the year under report. A total of 2.7 million Schaltbau shares were traded across all German stock exchanges, 8.9 per cent more than in the previous year. At the same time, however, the total value of Schaltbau shares traded across all German stock exchanges dropped by 19.3 per cent from € 122.0 million to € 98.4 million.

On 21 March 2016, the Schaltbau share dropped out of the SDAX. Measured in terms of the SDAX criterion 'trading volume', at the end of 2016 the Schaltbau share occupied rank 109 (end of 2015: rank 101) and rank 114 in terms of market capitalisation (end of 2015: rank 102).

The Schaltbau Share

		2016	2015	2014
High (Xetra, closing price)	€	52.35	54.45	56.14
Low (Xetra, closing price)	€	26.50	41.59	38.50
End-of-year price	€	30.76	51.00	42.07
Earnings per share (undiluted)	€	-2.61	2.90	4.04
Earnings per share (diluted)	€	-2.61	2.90	4.04
Number of shares		6,152,190	6,152,190	6,152,190
Share capital	€ m.	7.51	7.51	7.51
Market capitalisation as at 31 December	€ m.	189.0	307.0	256.4
Trading volume (on all exchanges)	€ m.	98.4	122.0	192.0
Shares traded		2,735,616	2,511,938	4,202,055

Share price development during year under report



SHAREHOLDER STRUCTURE

The shareholder structure continues to be dominated by family shareholdings. Most recently, via SATORA Beteiligungs GmbH, the Cammann family held a total of 11.62 per cent of Schaltbau Holding AG shares and the Zimmermann family held 10.67 per cent. The Amsterdam-based Monolith Duitsland B.V. held 7.03 per cent of Schaltbau shares, BNY Mellon Service Kapitalanlage-Gesellschaft mbH increased its shareholding from 4.88 per cent to 5.17 per cent (voting rights notification dated 13 April 2016). Since 2 July 2016, the German savings bank 'Kreissparkasse Biberach' has held 5.02 per cent of Schaltbau shares (voting rights notification dated 21 July 2016). The remaining shareholders own 60.37 per cent of Schaltbau shares.

INVESTOR RELATIONS

Both the Executive Board and the Schaltbau Group's investor relations team again maintained an active dialogue with investors and analysts throughout 2016. Among other venues, Schaltbau presented itself at the German Equity Forum in Frankfurt. In addition, the Schaltbau team regularly arranges roadshows, conference calls and numerous personal talks with investors and analysts. The Schaltbau share is currently assessed by four different research institutes.

Around 180 shareholders attended the Annual General Meeting, which was held in Munich in June 2016. The Schaltbau company website serves as an additional platform for distributing information. All relevant documents are promptly published on www.schaltbau.com, where detailed information is presented on the Schaltbau Group and its subsidiaries as well as the latest details regarding the share, the shareholder structure, directors' dealings and key financial dates. Furthermore, annual and interim reports, analysts' recommendations, ad hoc announcements and press releases, important information regarding the Annual General Meeting, the Corporate Governance Statement and other key documents are available to download from the website in both German and English.

Shareholder structure



Cammann family	11.62 %
Zimmermann family	10.67 %
Monolith Duitsland B.V.	7.03 %
BNY Mellon	5.17 %
Kreissparkasse Biberach	5.02 %
Treasury shares	0.12 %
Other shareholders	60.37 %

Disclosures based on most recently available notifications and market estimates

CONSOLIDATED INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2016

In € 000	Notes	2016	2015
1. Sales	(1)	509,097	502,268
2. Change in inventories of finished goods and work in progress	(2)	-9,378	-1,627
3. Own work capitalised	(2)	6,662	5,792
4. Total output		506,381	506,433
5. Other operating income	(3)	7,997	7,136
6. Cost of materials	(4)	253,910	252,095
7. Personnel expense	(5)	171,252	159,255
8. Amortisation and depreciation		30,837	13,065
9. Other operating expenses	(6)	72,862	55,734
Profit before financial result and taxes (EBIT)		-14,483	33,420
a) Result from at-equity accounted investments		-3,518	-66
b) Sundry other result from investments		7,383	2,465
10. Results from investments	(7)	3,865	2,399
a) Interest income		1,275	402
b) Interest expense		6,505	5,827
c) Other financial result		-5	-278
11. Financial result	(8)	-5,235	-5,703
12. Profit before tax		-15,853	30,116
13. Income taxes	(9)	-3,834	7,661
14. Group net loss/profit for the year		-12,019	22,455
Allocation of net loss/profit for the year			
attributable to minority interests		3,803	5,642
attributable to shareholders of Schaltbau Holding AG		-15,822	16,813
Group net loss/profit for the year		-12,019	22,455
Earnings per share - undiluted	(10)	€ -2.61	€ 2.80
Earnings per share - diluted		€ -2.61	€ 2.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF SCHALTBAU HOLDING AG, MUNICH
1 JANUARY - 31 DECEMBER 2016

In € 000	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the year			-12,019			22,455
Items which will not subsequently be reclassified to profit or loss						
Actuarial gains / losses relating to pensions	-3,445	1,022	-2,423	2,535	-761	1,774
Acquisition of minority interests			0			245
Items which may subsequently be reclassified to profit or loss						
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			-3,338			2,885
- from at-equity accounted companies			-616			-197
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	-47	14	-33	-620	186	-434
- Realised gains (-) / losses (+)	650	-195	455	1,094	-328	766
	603	-181	-3,532	474	-142	3,020
Other comprehensive income			-5,955			5,039
Group comprehensive income			-17,974			27,494
attributable to minority shareholders			2,769			6,650
attributable to the shareholders of Schaltbau Holding AG			-20,743			20,844
			-17,974			27,494

CONSOLIDATED CASH FLOW STATEMENT OF SCHALTBAU HOLDING AG, MUNICH

1 JANUARY – 31 DECEMBER 2016

In € 000	Notes	2016	Restated 2015	2015
Profit before financial result and taxes (EBIT)		-14,483	33,420	36,639
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		30,837	12,998	12,763
Gains/losses on the disposal of intangible assets and property, plant and equipment		-249	108	101
Change in current assets		5,379	-11,646	-12,645
Change in provisions		15,567	-2,931	-2,931
Change in current liabilities		-8,688	3,262	2,958
Dividends received		268	0	0
Income taxes paid		-7,645	-8,614	-8,614
Other non-cash income / expenses		4,815	2,842	2,842
Cash flows from operating activities	a)	25,801	29,439	31,113
Payments for investments in:				
- Intangible assets and property, plant and equipment		-19,276	-22,105	-21,939
- Financial investments		-687	-13,583	-15,858
- Acquisitions of fully consolidated entities less cash acquired		-1,508	-13,326	-13,326
Proceeds from disposal of:				
- Property, plant and equipment		67	60	60
- Investments		190	0	0
- Business units		2,991	0	0
Cash flows from investing activities	b)	-18,223	-48,954	-51,063
Share buy-backs		4,057	-5,086	-5,086
Dividend payment by Schaltbau Holding AG		-6,020	-5,988	-5,988
Distribution to minority interests		-3,224	-3,329	-3,329
Promissory note issued		0	69,619	69,619
Loan repayments		-6,601	-7,087	-7,087
New loans raised		540	0	0
Interest paid		-5,666	-3,924	-3,924
Interest received		432	196	196
Change in current financial liabilities		7,831	-19,212	-20,270
Cash flows from financing activities	c)	-8,651	25,189	24,131
Change in cash funds due to exchange rate fluctuations		-425	565	579
Change in liquid funds due to changes in the group reporting entity		0	0	0
Change in cash funds	d)	-1,498	6,239	4,760
Cash funds at the end of the year		31,177	32,675	30,964
Cash funds at the beginning of the year		32,675	26,436	26,204
		-1,498	6,239	4,760

Cash funds include cash fund of Shenyang Bode Transportation Equipment Co. Ltd.

ASSETS

EQUITY AND LIABILITIES

In € 000	Notes	31.12.2016	31.12.2015	1.1.2015
A. EQUITY	(16)			
I. Subscribed capital	(17)	7,506	7,506	7,506
II. Capital reserves	(18)	16,126	16,126	15,872
III. Statutory reserves	(18)	231	231	231
IV. Revenue reserves	(18)	62,344	44,520	38,108
V. Reserve for income/expenses recognised directly in equity	(18)	212	3,132	1,208
VI. Revaluation reserve	(18)	3,041	3,041	3,041
VII. Group net profit attributable to shareholders of Schaltbau Holding AG		-15,822	16,813	24,780
VIII. Equity attributable to shareholders of Schaltbau Holding AG		73,638	91,369	90,746
IX. Minority interests	(19)	33,435	33,407	19,038
		107,073	124,776	109,784
B. NON-CURRENT LIABILITIES				
I. Pension provisions	(20)	40,154	37,351	39,073
II. Personnel - related accruals	(21)	4,888	4,040	3,924
III. Other provisions	(21)	14,628	439	535
IV. Financial liabilities	(22)	43,304	146,658	94,204
V. Other liabilities	(22)	4,557	11,832	160
VI. Deferred tax liabilities	(9)	3,535	3,292	543
		111,066	203,612	138,439
C. CURRENT LIABILITIES				
I. Personnel - related accruals	(21)	8,432	7,501	7,708
II. Other provisions	(21)	20,679	18,179	22,325
III. Income taxes payable	(22)	337	1,748	965
IV. Financial liabilities	(22)	134,719	15,401	12,429
V. Trade accounts payable	(22)	42,034	38,829	31,780
VI. Advance payments received	(22)	12,684	12,596	12,284
VII. Other liabilities	(22)	21,508	22,648	16,632
VIII. Liabilities relating to assets held for sale		542	510	0
		240,935	117,412	104,123
		459,074	445,800	352,346

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF SCHALTBAU HOLDING AG, MUNICH

In € 000

Attributable to shareholders of Schaltbau Holding AG

	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves	Revaluation reserve	
				Other	Derivative financial instruments	
Balance at 31.12.2014	7,506	15,872	231	41,997	-1,309	3,041
Impact of the retrospective first-time consolidation of group companies	0	0	0	-2,580	0	0
Stand 01.01.2015	7,506	15,872	231	39,417	-1,309	3,041
Profit brought forward	0	0	0	24,780	0	0
Dividends	0	0	0	-5,988	0	0
Other changes	0	254	0	-14,487	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	1,774	333	0
Group comprehensive income	0	0	0	1,774	333	0
Balance at 31.12.2015	7,506	16,126	231	45,496	-976	3,041
Balance at 01.01.2016	7,506	16,126	231	45,496	-976	3,041
Profit brought forward	0	0	0	16,813	0	0
Dividends	0	0	0	-6,020	0	0
Other changes	0	0	0	9,032	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-2,423	422	0
Group comprehensive income	0	0	0	-2,423	422	0
Balance at 31.12.2016	7,506	16,126	231	62,898	-554	3,041

				Minority interests			Group equity
Reserve for income/expenses recognised directly in equity		Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
relating to fully consolidated entities	relating to at- equity accounted entities						
1,722	-514	24,780	93,326	14,865	4,348	19,213	112,539
0	0	0	-2,580	-175	0	-175	-2,755
1,722	-514	24,780	90,746	14,690	4,348	19,038	109,784
0	0	-24,780	0	4,348	-4,348	0	0
0	0	0	-5,988	-2,169	0	-2,169	-8,157
0	0	0	-14,233	-224	0	-224	-14,457
0	0	16,813	16,813	0	5,642	5,642	22,455
2,121	-197	0	4,031	763	245	1,008	5,039
2,121	-197	16,813	20,844	763	5,887	6,650	27,494
3,843	-711	16,813	91,369	27,520	5,887	33,407	124,776
3,843	-711	16,813	91,369	27,520	5,887	33,407	124,776
0	0	-16,813	0	5,887	-5,887	0	0
0	0	0	-6,020	-3,225	0	-3,225	-9,245
0	0	0	9,032	474	10	484	9,516
0	0	-15,822	-15,822	0	3,803	3,803	-12,019
-2,304	-616	0	-4,921	-1,034	0	-1,034	-5,955
-2,304	-616	-15,822	-20,743	-1,034	3,803	2,769	-17,974
1,539	-1,327	-15,822	73,638	29,622	3,813	33,435	107,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SCHALTBAU HOLDING AG, MUNICH FOR THE FISCAL YEAR 2016

DESCRIPTION OF BUSINESS

Schaltbau Holding AG is a stock market-listed corporation, based in Munich, Germany. It is the ultimate parent company of the Schaltbau Group, a leading supplier of components and systems for the transportation technology and capital goods sectors. Schaltbau Group entities complete level crossing systems, shunting and signals technology, door systems for buses, trains and commercial vehicles, sanitary systems and interior fittings for railway vehicles, industrial braking systems for container cranes and wind power plants, 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.

CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8

Schaltbau Holding AG tests the scope of the group reporting entity annually, thereby determining on a regular basis whether non-consolidated companies, taken individually and in aggregate, are immaterial both in qualitative and quantitative terms. The basis for quantitative considerations is the ratio of balance sheet and income statement figures of the non-consolidated companies to Group figures. For this reason, the entities Bode North America Inc., Spartenburg, USA, Shenyang Bode Transportation Equipment Co. Ltd., Shenyang, China, and Pintsch Bamag Brasil Tecnologia Ferroviária LTDA, Sao Paulo, Brazil were not fully consolidated in 2015. They have been included for the first time using the retrospective method, with a third column added to the relevant components of the consolidated financial statements. We refer to our comments in the section “**BUSINESS COMBINATIONS / GROUP REPORTING ENTITY**”. In addition, an option to acquire minority interests with a value of € 1,402,000 (deemed to be immaterial at that stage) was reported at 31 December 2015 within liabilities, as a result of which Group equity decreased by the same amount. The promissory note liability reported under “Other financial liabilities” was reclassified to “Liabilities to banks” since all of the promissory note creditors are banks. Non-current and current financial liabilities in total did not change as a result, it was only necessary to reclassify the following amounts at 31 December 2015: non-current € 69,641,000 and current € 796,000. Deferred tax assets and liabilities were not offset in previous years on the basis of their maturity. The presentation was changed accordingly in the accompanying Consolidated Financial Statements. In addition, the fair value disclosures made for non-current and current financial instruments, their allocation to the fair value hierarchy and the measurement method applied (see note on disclosures on financial instruments in accordance with IFRS 7) and the quantitative data relating to the currency risk at 31 December 2015 (see note on risk management policies and hedging practises) were either provided for the first time or restated. Information on the impact of the retrospective first-time consolidation on the cash flow statement is provided in the section “Cash flow statement”. Repayments and new debt in conjunction with restructuring of financing have been presented in the cash flow statement for 2015 on an offset basis, since there were no actual cash flows. The restatements have all been made in accordance with IAS 8.49.

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 § 315a (1) HGB. All IFRSs issued by the International Accounting Standards Board (IASB) in London, United Kingdom, applicable at the balance sheet date and endorsed by the EU, and all Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory for the fiscal year under report, have been applied (see also the disclosure below on “Standards, Interpretations and Amendments issued but not yet applied”).

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

The consolidated financial statements and group management report will be published electronically in the Federal Gazette.

CONSOLIDATION PRINCIPLES

The financial statements of the companies included in the consolidated financial statements of Schaltbau Holding AG have been drawn up to 31 December using uniform accounting policies.

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

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

In the event that write-downs have been recognised in the separate company financial statements on the cost of investment of consolidated companies or on intra-group receivables, these write-downs are reversed in the consolidated financial statements.

Intragroup 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 intra-group provisions are also eliminated with income statement effect (net of the related deferred taxes).

When additional shares of a fully consolidated subsidiary are acquired, the difference between the purchase price and the Group's share of the subsidiary's equity are offset against group revenue reserves.

A subsidiary is deconsolidated when Schaltbau Holding AG ceases to have control over it.

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

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.

In addition to **Schaltbau Holding AG** the following 8 (2015: 8) German and 16 (2015: 15 – before restatement: 12) foreign companies are included in the consolidated financial statements of **Schaltbau Holding AG**:

Company	Registered office	Shareholding
Gebr. Bode GmbH & Co. KG ¹⁾	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (PL)	89,3%
Shenyang Bode Transportation Equipment Co. Ltd. ³⁾	Shenyang (P.R.CH.)	100%
Schaltbau Transportation UK Ltd.	Milton Keynes (UK)	65%
Bode North America Inc. ³⁾	Spartanburg (USA)	100%
ALTE Technologies S.L.U.	Barcelona (ES)	100%
Albatros S.L.U. ²⁾	Madrid (ES)	100%
Albatros North America Inc.	Ballston Spa (USA)	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH ¹⁾	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH ¹⁾	Dinslaken	100%
Pintsch Bamag Brasil Tecnologia Ferroviária LTDA. ³⁾	Sao Paulo (BR)	100%
Pintsch Tiefenbach GmbH ¹⁾	Sprockhövel	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	100%
Pintsch Bubenzer GmbH ¹⁾	Kirchen	100%
Schaltbau GmbH ¹⁾	Munich	100%
Schaltbau Austria GmbH	Vienna (AT)	100%
Schaltbau France S.A.S.	Argenteuil (F)	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	100%
Schaltbau North America Inc.	Hauppauge (USA)	100%
SPII S.P.A.	Saronno (IT)	65%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%

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

2) Still accounted for as an associated company in the previous year

3) Not yet accounted for as a consolidated company in the previous year

Xi'an Schaltbau Electric Corporation Ltd. is fully consolidated due to the fact that Schaltbau holds the majority of the voting rights in that entity's Board.

Associated companies are defined as companies over which Schaltbau Holding AG exercises significant influence and of which it holds as a general rule between 20% and 50% of the shares. Associated companies are accounted for using the equity method.

The following associated companies are included in the consolidated financial statements at 31 December 2016 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%
Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.	Shenyang (P.R.CH.)	15%

The following subsidiaries and equity investments are not consolidated and are reported as other financial investments, since, on the basis of their low business volumes, they are not material, in aggregate, for the fair presentation of the Schaltbau Group's net assets, financial position and earnings:

Company	Registered office	Shareholding
Albatros Servicos Industriais Ltda.	Sao Paulo (Brazil)	100%
Sepso do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda.	Sao Paulo (Brazil)	100%
Albatros Railway Equipment Co. Ltd.	Shanghai (P.R.CH.)	100%
Albatros Electromechanical Equipment Co. Ltd.	Shanghai (P.R.CH.)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (P.R.CH.)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (P.R.CH.)	100%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Xi'an SPII Electric Co. Ltd. ¹⁾	Xi'an Shaanxi (P.R.CH)	32.5%
Bubenzler Bremsen America LLC	Flemington (USA)	100%
Pintsch Bubenzler Industrial Brakes (Shenyang) Ltd.	Shenyang (P.R.CH.)	100%
Pintsch Bubenzler MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bubenzler Middle East FZE	Dubai (AE)	100%
Pintsch Bubenzler Singapore PTE. LTD.	Singapore (SG)	100%
Bode Korea Co. Ltd.	Seoul (KOR)	100%
BODO Pro-Last Profil San. Ve Tic. A.S. ¹⁾	Bursa (Turkey)	30%
Kineco Alte Train Technologies Pvt Ltd	Bardez (India)	51%
GEZ Unterstützungsgesellschaft mbH	Munich	100%

1) not accounted for using the equity method

Furthermore, the companies listed below are also not consolidated and are either in the process of being wound up or have no operations:

Company	Registered office	Shareholding
Albitren Mantenimiento y Servicios Industriales, S.A. ¹⁾	Ciudad Real (Spain)	43%
JB Albatros Renovables, S.L. ¹⁾	Ciudad Real (Spain)	50%
Técnicas Avanzadas de Equipamientos TAQUIP, S.L. ¹⁾	Madrid (Spain)	90.8%
Conservacion Ferroviária, S.A. ¹⁾	Madrid (Spain)	100%
Machine Electrics Ltd.	Cwmbran (UK)	100%
Trukaids Ltd.	Cwmbran (UK)	100%
Direct Contact Ltd.	Cwmbran (UK)	100%
Electrical Spare Parts & Accessories Ltd.	Cwmbran (UK)	100%
Fabriscon Ltd.	Cwmbran (UK)	100%
Bubenzler-MyPort Sdn. Bhd.	Johor (Malaysia)	100%

1) in Liquidation

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

On 3 May, Rail Door Solutions Ltd., based in Milton Keynes, United Kingdom, a subsidiary of Gebr. Bode & Co. Beteiligungs GmbH, Kassel, (with a 65% shareholding) acquired 100% of the shares of Albatros UK Ltd., Milton Keynes, United Kingdom, for a purchase price of € 299,000. This company was previously a subsidiary of Albatros S.L., Madrid, (with a 70% shareholding), itself a subsidiary of Schaltbau Holding AG (with a 91.74% shareholding). Subsequent to the acquisition, the acquired company was merged with Rail Door Solutions Ltd. Albatros UK specialises in the maintenance and repair of air conditioning systems and inverters in railway vehicles, primarily for customers in the United Kingdom and Ireland. The acquisition is part of Rail Door Solutions' response to the current trend for maintenance and repair contracts to be awarded to general contractors, thus enabling it to offer a broader range of services to the same customer. In 2015, Albatros UK generated sales in the region of € 2.0 million, a loss of approximately € 0.2 million and has a workforce of 11 people. Rail Door Solutions Ltd. changed its name Schaltbau Transportation UK Ltd. on 14 October 2016.

With effect from 19 July, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH sold 90% of the shares of Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd., Shenyang, China, to BEIJING BILLOW TECHNOLOGY CO., Beijing, China, for a consideration of € 190,000. Both shareholders subsequently participated in a share capital increase, following which the Group's new shareholding in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. amounts to 15%. Based on the contractual arrangements in place, the investment is accounted for as an associated company. The rationale behind the decision to transfer the majority of the company's shares was to help accelerate expansion on the Chinese market. The company is allocated to the Stationary Transportation Technology segment.

With effect from 30 September, Schaltbau Holding AG acquired the remaining 5.2% of the shares in Albatros S.L.U., Madrid, Spain, for a purchase consideration of € 1,200,000, triggering the transfer of control and a change to full consolidation. In accordance with IFRS accounting requirements, the carrying amount of the investment in Albatros S.L. (previously accounted for using the equity method at an amount of € 6,926,000) was increased to the Group's share of the fair value of the company's assets and liabilities (€ 12,651,000) and the increase reported as a gain within other results from investments. In addition to Albatros S.L.U., the Consolidated Financial Statements of Schaltbau Holding AG also include Albatros North America Inc., Ballston Spa, USA, which with a workforce of 36 people, generated sales amounting to approximately € 8.9 million and a profit in the region of € 0.2 million in 2015. The remaining participations are not material, either individually or in aggregate, and, in some cases, are in the process of being liquidated. Albatros North America Inc. manufactures on behalf of Albatros S.L. and sells the latter's products on the North American market. The companies continue to operate as part of the Mobile Transportation Technology segment. The fair values of the assets and liabilities of the two Albatros entities were identified in conjunction with the purchase price allocation. Goodwill relates primarily to the workforce of the two entities which cannot be specifically valued.

With effect from 15 December, Schaltbau America Ltd. Partnership, Wilmington, USA, was merged with Schaltbau North America Inc. Hauppauge, USA.

As a result of the changes in the group reporting entity, the figures reported in the consolidated financial statements are not fully comparable with the previous year. The principal effects on the consolidated balance sheet at 31 December 2016 attributable to the acquisition of the additional Albatros S.L.U. shares are disclosed in the table below. In order to achieve better comparability, the amounts shown must be deducted from (or, in the case of amounts shown with a negative sign, added to) the corresponding line items in the consolidated balance sheet as at 31 December 2016.

Balance Sheet at 31.12.2016

In € 000			
Intangible assets and property, plant and equipment	21,651	Revenue reserves including translation differences	195
At-equity accounted investments	-5,776	Group net profit after minority interests	7,443
Other investments	-7,905	Deferred tax liabilities	384
Deferred tax assets	623	Other provisions	1,927
Inventories	15,869	Liabilities to banks	3,889
Trade receivables	14,910	Other financial liabilities	6,877
Receivables from associated companies	-9,363	Trade payables	7,868
Other assets	591	Other liabilities	2,594
Cash and cash equivalents	577		
	31,177		31,177

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

Income statement 01.01. – 31.12.2016

In € 000	
Sales	18,337
Change in inventories	-452
Own work capitalized	835
Other operating income	663
Cost of materials	9,189
Personnel expense	4,172
Depreciation and amortization	4,402
Other operating expenses	1,655
Result on investments	7,088
Net interest result	-39
Income taxes	-428
Group net profit	7,442
Attributable to minority interests	-
Attributable to Schaltbau Holding AG	7,442
Group net result	7,442

The acquisition of Albatros UK Ltd. is not material from a Group perspective and is not included in the amounts shown above.

For the purposes of fully consolidating Albatros, the following fair values were used at the relevant acquisition dates:

In € 000	Carrying amounts at acquisition date	Fair value adjustments	Fair values at acquisition date
Intangible assets	2,164	7,006	9,170
Property, plant and equipment	5,424	4,049	9,473
Investments	19	325	344
Deferred tax assets	240	312	552
Inventories	17,748	-382	17,366
Trade receivables	10,077	-	10,077
Receivables from Schaltbau Group entities	109	-	109
Other assets	862	-	862
Cash and cash equivalents	493	-	493
Total assets acquired	37,136	11,310	48,446
Deferred tax liabilities	-	762	762
Other provisions	1,825	-	1,825
Liabilities to banks	2,945	-	2,945
Other financial liabilities	7,420	-	7,420
Trade payables	7,983	-	7,983
Payables to Schaltbau Group entities	15,595	-	15,595
Other liabilities	3,345	-	3,345
Total liabilities acquired	39,113	762	39,875
Net assets acquired			8,571
Acquisition cost	1,200		
Fair value of own shares of acquired entities	12,651		13,851
Goodwill			5,280

There were no indications of any impairment of the value of recognised goodwill during the period under report.

The first-time consolidation of Albatros UK Ltd. involved the following items: goodwill (€ 192,000), inventories (€ 148,000), trade receivables (€ 248,000), other assets (€ 97,000), financial liabilities (€ 424,000), trade payables (€ 178,000) and other liabilities (€ 87,000).

As part of the process of allocating the purchase price to the assets and liabilities acquired, fair values at acquisition date were derived from existing carrying amounts. Fair value adjustments were identified in particular for the order-book, technology, land and buildings, and plant and machinery. The corresponding expenses from rolling these items forward systematically are included in amortisation. A corresponding deferred tax benefit works in the opposite direction. The investment in Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda. was measured at its fair value. The corresponding adjustments to carrying amounts and the related deferred tax effects are shown in the restatements column. Overall, goodwill amounted to € 5,280,000 and is not deductible for tax purposes. Following the full takeover of this entity, the Schaltbau Group has added inverters, passenger information and communication systems, and train surveillance and diagnostics to its product portfolio. In addition, the Group's regional presence will be expanded, particularly in Spain and the Americas.

If the business acquisitions had taken place with effect from 1 January, Group sales would have been € 20,639,000 higher. Group profit after minority interests would have been € 268,000 lower and minority interests would have been € 36,000 lower. The additional impact of eliminating intragroup profit cannot be quantified, since the necessary information is not available.

The retrospectively applied restatements explained in the section “CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IAS 8” had the following impact on the consolidated balance sheet and consolidated income statement.

Balance Sheet as of Dec. 31, 2015

In € 000	31.12.	01.01.		31.12.	01.01.
Intangible assets	42	46	Revenue reserves including translation differences	-2,252	-2,581
Property, plant and equipment	1,685	1,584	Group net loss after minority interests	-629	0
Investments	-2,664	-2,810	Minority interests in equity	-474	-175
Deferred tax assets	34	34	Deferred tax liabilities	235	234
Inventories	2,617	3,109	Liabilities to banks	708	662
Trade accounts receivable	1,821	573	Other financial liabilities	1,876	616
Receivables from affiliated companies	-5,006	-3,827	Trade payables	639	272
Other assets	399	669	Other liabilities	536	582
Cash and cash equivalents	1,711	232			
	639	-390		639	-390

Income statement 01.01. – 31.12.2015

In € 000	
Sales	5,567
Change in inventories	-326
Other operating income	-654
Cost of materials	4,703
Personnel expense	1,883
Depreciation and amortisation	235
Other operating expenses	984
Result on investments	1,421
Net interest result	751
Income taxes	-25
Group net loss	-1,021
Attributable to minority interests	-392
Attributable to Schaltbau Holding AG	-629
Group net loss	-1,021
Earnings per share - undiluted:	-€ 0.10
Earnings per share - diluted:	-€ 0.10

Bode North America Inc., based in Spartanburg, USA, a wholly owned subsidiary of Bode Beteiligungs GmbH, was previously reported under investments in non-consolidated subsidiaries. It manufactures door systems for the North American bus and rail market and employed 28 people at the reporting date. The company is allocated to the Mobile Transportation Technology segment.

Shenyang Bode Transportation Equipment Co. Ltd., based in Shenyang, China, a wholly owned subsidiary of Bode Beteiligungs GmbH, was previously reported under investments in non-consolidated subsidiaries. It manufactures door systems for the Chinese rail market and employed 45 people at the reporting date. The company is allocated to the Mobile Transportation Technology segment.

Pintsch Bamag Brasil Tecnologia Ferroviária LTDA., based in Sao Paulo, Brazil, a subsidiary of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH (100%), was previously reported under investments in non-consolidated subsidiaries. It performs assembly-related services for platform screen door systems in Brazil and employed 3 people at the reporting date. The company is allocated to the Stationary Transportation Technology segment.

USE OF ESTIMATES

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

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

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

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

Other significant estimates include capitalised development costs, long-term construction contracts, 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 (see explanatory comments on the consolidated balance sheet, Note 17. 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:

	Closing rate		Average rate	
	31.12.2016	31.12.2015	2016	2015
Chinese renminbi yuan	7.3202	7.0608	7.3489	6.9164
US dollar	1.0541	1.0887	1.1064	1.1105
British pound	0.8562	0.7339	0.8190	0.7266
New Turkish Lira	3.7072	3.1765	3.3429	3.0222
Polish zloty	4.4103	4.2639	4.3634	4.1836
Brazilian real	3.4305	4.3117	3.8595	3.6951

ACCOUNTING PRINCIPLES AND POLICIES

The principal accounting policies used to prepare consolidated financial statements for the financial year 2016 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 with a limited useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trademarks and software are amortised over a period of 3 to 10 years and capitalised development costs over a period of 3 to 10 years, or in individual project-related items, over the period of the project. Intangible assets with an indeterminable useful life and capitalised development costs are measured at cost. They are not subjected to systematic amortisation. Instead, they are tested for impairment annually and, where necessary, the carrying amount is reduced to the recoverable amount. This also applies to all intangible assets whenever there is an indication of impairment. The carrying amount of these assets is reduced if the recoverable amount (defined as the higher of an asset's fair value less costs to sell and its value in use) is lower than the carrying amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost.

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This is carried out at the level of the cash-generating unit to which the goodwill was allocated. If the carrying amount of the cash-generating unit exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a cash-generating unit is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations of the use in value per cash-generating unit are based on forecasts approved by the Management Board and by the Supervisory Board for the following three-year period and which are also used for internal company purposes. For the purposes of the calculation it is assumed for all items that growth of one percent will be achieved after the third year. The forecast assumptions applied for impairment tests performed in 2016 are shown below. For this purpose, sales growth and cost increases have been calculated – on the basis of the fiscal year 2016 – as average amounts for the forecast period 2017 to 2019. Cost increases include the relevant materials and personnel costs and other operating income:

In %	Revenue growth		Cost increases	
	2016	Vj.	2016	Vj.
Components segment				
SPII S.P.A.	-6.3	-4.7	-4.1	-3.8
Schaltbau North America Inc.	12.9	7.2	12.4	6.6
Stationary Transportation Technology segment				
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	-0.2	0.5	-4.8	-5.4
Pintsch Bubenzer GmbH	-3.2	-2.3	-2.9	-2.6
Pintsch Tiefenbach GmbH	1.2	1.3	2.1	1.0
Pintsch Tiefenbach US Inc.	-4.2	-10.9	-4.1	-10.4
Mobile Transportation Technology segment				
Gebr. Bode GmbH & Co. KG	3.1	0.6	1.8	0.6
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	16.7	-7.6	15.9	-6.7
Schaltbau Transportation UK Ltd.	6.4	0.9	3.5	2.1
ALTE Technologies S.L.U.	19.1	19.5	11.3	10.8
Albatros S.L.U.	16.9	-	11.8	-

The following discount rates, analysed by country, were applied:

In %	WACC after-tax		WACC pre-tax	
	2016	2015	2016	2015
SPII S.P.A.	7.9	6.8	10.8	9.3
Schaltbau North America Inc.	5.5	7.2	8.5	11.1
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	5.0	5.8	6.6	7.7
Pintsch Bubenzer GmbH	5.0	5.8	6.6	7.7
Pintsch Tiefenbach GmbH	5.0	5.8	6.8	7.9
Pintsch Tiefenbach US Inc.	5.5	7.2	8.7	11.4
Gebr. Bode GmbH & Co. KG	5.0	5.8	6.6	7.7
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	7.0	6.7	9.6	9.2
Schaltbau Transportation UK Ltd.	6.2	6.4	8.3	8.6
ALTE Technologies S.L.U.	8.1	6.4	10.2	8.1
Albatros S.L.U.	8.1	-	10.7	-

In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and the Group's capital structure are taken into account when measuring the recoverable amount of a cash-generating unit.

Research costs are recognised immediately as an expense. Development costs are capitalised if the criteria specified by IAS 38.57 are met. After market introduction of the newly developed products, capitalised development costs are amortised over their expected useful life.

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets comprise all costs directly attributable to the asset and an appropriate portion of indirect overheads. Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Moveable assets are generally depreciated using the straight-line method. Impairment losses are determined, in accordance with IAS 36, by comparing the carrying amount of an asset with its recoverable amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost. Depreciation is based on the following useful lives: buildings 10 to 50 years, plant and machinery/other equipment, office fixtures and fittings 3 to 15 years. Investment subsidies and grants received are generally offset against the cost of the relevant asset, resulting in a subsequent lower depreciation expense. This is the case unless the overall circumstances require the subsidies and grants received to be recognised as deferred income. In general, public sector grants are not recognised until all conditions attaching to them have been complied with and there is reasonable assurance that the grants will be received. Current maintenance and repair costs are recognised as expense in the period in which they are incurred.

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as investments are stated at the lower of cost or, in if there is no active market, at their fair value at the balance sheet date.

Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 5.2% and 7.6% for each individual investment. Specific country risks include rates of between 8.3% and 12.7% for India, Malaysia and Brazil. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment. Impairment losses on equity instruments recognised through profit or loss are not reversed even if the reason for the impairment loss no longer exists. Non-current loans are stated at their amortised cost.

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

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

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

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

Derivative financial instruments are primarily employed as cash flow hedges to hedge foreign exchange risks arising from operations (forward exchange contracts) and to hedge interest rate risks (interest rate swaps). The interest rate swaps are structured as cash flow hedges. The Group applies hedge accounting to hedge against interest rate risks and significant currency exposures. All other derivative financial instruments qualify as "held for trading". Derivative financial instruments are measured at their fair value which corresponds to the market value. The market value reflects the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. The market values of derivative financial instruments calculated at the end of the reporting period may differ from currently realisable amounts due to the volatility of the market data used for measurement purposes. The market value of forward exchange contracts is calculated on the basis of the foreign exchange spot rates prevailing at the end of the reporting period and on the basis of the amount of forward premiums and discounts payable in comparison with the contracted forward rate. Fair value gains and losses are recognised as other operating income or expenses. Forward exchange contracts are presented in the balance sheet under the headings "Other receivables and assets" or "Other liabilities".

The fair values of interest rate swaps are determined on the basis of valuation models developed by the Group's banks; fair value gains or losses are recognised, net of deferred taxes, directly in equity (hedge accounting). The conditions for the application of hedge accounting are fulfilled in the form of a formal documentation of the relationship between the hedged item and the hedging instrument. The relevant hedging instrument offsets the risk from the underlying transaction highly effectively, as measured prospectively using the Dollar-Offset method and retrospectively on the basis of a hypothetical derivative.

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

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

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

Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. In accordance with IAS 19 (revised 2011), 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 (2005G) were used as the basis for mortality probabilities. The interest rate applied to calculate pension provisions is based on current capital market interest rates.

Other provisions are recognised when the Group has a present obligation (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. They are measured on the basis of the best estimate of the expenditure required to settle the obligation, taking into account all identifiable risks, and – with the exception of entitlements from reinsurance contracts for early retirement part-time working obligations – are not offset against any recourse claims. Warranty provisions are measured on the basis of past warranty expenditure, the length of the warranty period and the volume of sales still subject to warranty. In addition, specific warranty provisions are recognised for known damages. Provisions for pending losses on 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 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 working 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.

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.

In the case of **leasing arrangements**, 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.

Contingent liabilities reflect the extent of potential liabilities as of the reporting date. They have been recognised in conjunction with a business combination in accordance with IFRS 3.

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

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

With the exception of **borrowing costs** recognised as a component of the cost of qualifying assets, all interest and other borrowing costs are recognised immediately as expense. No borrowing costs were capitalised during the year under report on the grounds of immateriality.

Standards, Interpretations and Amendments applied for the first time in the fiscal year 2016

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

The amendments are mandatory for annual periods beginning on or after 1 February 2015.

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

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

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

The “**Amendments to IFRS 11** - Accounting for Acquisitions of Interests in Joint Operations” set out the requirements for the balance sheet and income statement treatment of joint ventures and joint operations. Whereas joint ventures are required to be accounted for using the equity method, the treatment envisaged for joint operations is comparable with the proportionate consolidation method described in IFRS 11.

The amendments to IFRS 11 address the accounting treatment of an acquisition of an interest in a joint operation, which constitutes an operation as defined by IFRS 3 Business Combinations. In such cases, the acquirer is required to apply the requirements of IFRS 3 to account for the business combination. The disclosure requirements contained in IFRS 3 must also be complied with.

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

The “**Amendments to IAS 1 - Disclosure Initiative**” address various disclosure issues, including clarification that information does not require to be disclosed if it is not material. This also applies explicitly, if an IFRS requires a list of minimum disclosures. In addition, explanatory rules for aggregating and disaggregating items in the balance sheet and the statement of comprehensive income are provided. The presentation of an entity’s share of other comprehensive income of equity-accounted entities is also clarified. Finally, it is stressed that there is no standard template for the notes and that the emphasis should be on structuring the notes based on the relevance for the specific reporting entity.

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

In its “**Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation**”, the IASB provides further guidance on determining acceptable methods of depreciation and amortization. Revenue-based depreciation methods will no longer be permitted for property, plant and equipment and will only be permitted in specified exceptional cases for intangible assets (rebuttable presumption of inappropriateness).

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

The “**Amendments to IAS 27 - Equity Method in Separate Financial Statements**” reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in their separate financial statements. The existing options to account for such entities at cost or in accordance with IAS 39/IFRS 9 remain unchanged. Since 2005, it has not been permitted to apply the equity method in the separate financial statements of a parent in accordance with IAS 27.

The IASB has issued the amendment to IAS 27 in response to various points raised by users, including the high level of expense caused by the requirement to measure investments at their fair value at each reporting date, in particular in the case of associates which are not listed on a stock exchange.

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

The “**Improvements to IFRS 2012 – 2014**” amended four Standards in conjunction with the IFRS Annual Improvement Project. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs/ IASs. The Standards affected are IFRS 5, IFRS 7, IAS 19 and IAS 34.

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

Standards, Interpretations and Amendments issued but not yet applied

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

Already endorsed by the EU:

The new version of **IFRS 9** issued in July 2014 replaces the current requirements contained in IAS 39 Financial Instruments. It changes the accounting requirements for the classification and measurement of financial assets, for impairment losses of financial assets and for hedge accounting.

IFRS 9 is mandatory for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted.

The Group currently intends to apply the new version of IFRS 9 for the first time with effect from 1 January 2018.

The application of IFRS 9 is expected to have an impact on the classification and measurement of the Group's financial assets as a result of the introduction of new measurement categories. It is not, however, expected to have any impact on the classification and measurement of financial liabilities. The new requirements relating to impairment losses of financial instruments will generally result in higher levels of provision as a result of the use of the "expected loss model" rather than the previously used "incurred loss model". In the area of hedge accounting, IFRS 9 will provide greater opportunities to designate hedging relationships, result in more complex measurement methods and allow more simplified testing of effectiveness. In particular, reclassification procedures will change under IFRS 9. The changed requirements for hedge accounting are not expected to have a significant impact. In addition, disclosure requirements will be more extensive.

IFRS 15 "Revenue from Contracts with Customers" sets out a comprehensive framework for the measurement and timing of recognition of revenue. It replaces the current requirements for revenue recognition, including those contained in IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The new Standard is mandatory for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted.

It is not currently possible to comment on the impact on the consolidated financial statements of Schaltbau Holding AG, since a review of the likely impact on orders will be made in the course of 2017.

Similarly, the Group has not yet decided which of the available transition methods and exemptions will be applied.

Not yet endorsed by the EU:

During 2016 or earlier, the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

The "Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

In accordance with IFRS 10, a parent company is required to recognise the gain or loss arising on the sale of a subsidiary in profit or loss in full as soon as the ability to control that entity is lost. By contrast, the currently applicable IAS 28.28 requires that gains or losses on sale transactions between an investor and an entity accounted for at equity – irrespective of whether it is an associated company of a joint venture – are recognised to the extent of unrelated investors' interests in that entity. In future, the whole of the gain or loss arising on a transaction will only be recognised, if the sold or contributed assets represent an operation within the meaning of IFRS 3. This will apply irrespective of whether the transaction is structured as a share deal or an asset deal. If the assets do not represent an operation, it is only permitted to recognise the proportionate amount of the gain or loss.

The mandatory effective date for the amendments has been deferred by the IASB for an indefinite period.

In January 2016, the IASB published IFRS 16. IFRS 16 results in a uniform accounting model requiring leases to be recognized in the lessee's balance sheet. A lessee recognises a right-of-use asset, representing the lessee's right to use the underlying item, and a liability for the leasing relationship, representing the lessee's liability to make lease payments. Exemption regulations apply for short-term leases as well as for leases of low-value assets. Accounting at the level of the lessor is similar to the current Standard i.e. the lessor continues to classify the lease either as a finance lease or an operating lease.

IFRS 16 supersedes the existing requirements for accounting for leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The Standard – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that adopt IFRS 15 Revenue from Contracts with Customers at the same time (or earlier) that they adopt IFRS 16.

The “Amendment to IAS 7 - Disclosure Initiative” prescribes additional disclosures. The amendments are aimed at improving the information provided to users of financial statements about changes in liabilities arising from financing activities. In accordance with the amendments, an entity is required to provide disclosures relating to changes in financial liabilities, for which inflows and outflows are reported as cash flows from financing activities in the cash flow statement. Any related financial assets must also be included in the disclosures (e.g. assets arising from hedging contracts).

All cash-relevant changes, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes are required to be disclosed.

The IASB suggests that the disclosures may be provided in the form of a reconciliation between the opening and closing balances in the balance sheet. Other forms of presenting the necessary information are also permitted.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2017, with early adoption also permitted.

The “Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses” clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2017, with early adoption also permitted.

Three IFRSs have been amended by the “Annual Improvements to IFRSs (2014-2016)”. IFRS 12 clarifies that disclosure requirements contained in IFRS 12 also apply as a general rule to interests in subsidiaries, joint ventures and associated companies that are classified as “held-for-sale” in accordance with IFRS 5; one exception from this general rule is the disclosure of information required by IFRS 12.B10-B16 (financial information). IAS 28 clarifies that the election to measure an investment in an associated company or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available on an investment-by-investment basis. In addition, the time-limited exemption regulations for first-time IFRS adopters contained in IFRS 1.Appendix E (IFRS 1.E3-E7) were deleted.

Subject to EU endorsement, the amendments to IFRS 12 are mandatory for the first time for annual periods beginning on or after 1 January 2017, and the amendments to IFRS 1 and IAS 28 are mandatory for the first time for annual periods beginning on or after 2018. Earlier adoption is permitted.

The amendments are not expected to have a significant impact on the consolidated financial statements.

The “Amendments to IFRS 15 - Clarifications to IFRS 15” sets out clarifications for various requirements contained in IFRS 15 as well as transition relief when the new Standard is adopted.

In addition to the clarifications, the amendment contains two additional practical expedients aimed at reducing the complexity and cost of adopting the new Standard. These relate to the available options for presenting contracts which are either completed at the beginning of the earliest period presented or modified before the beginning of the earliest period presented. The amendments – subject to EU endorsement – are mandatory for the first time at 1 January 2018.

The “Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions” addresses the consideration of exercise conditions for the purposes of measuring cash-settled share-based payments, the classification of share-based remuneration with a net settlement feature for withholding tax obligations and the accounting treatment is reclassified from “cash-settled” to “equity-settled”.

The amendments – subject to EU endorsement – are mandatory for the first time for remuneration granted or modified in annual periods beginning on or after 1 January 2018. Earlier application is permitted. Retrospective adoption is only permitted if any subsequent better information is not taken into account in earlier periods.

The amendments are not expected to have a significant impact on the consolidated financial statements.

The “Amendment to IAS 40 - Transfers of Investment Property” helps to clarify in which cases the classification of an “investment property” begins and ends when the property is under construction or development. The previous exhaustive list contained in IAS 40.57 did not clarify the classification of property under construction. It is now explicitly stated the list is not exhaustive, with the consequence that property under construction is also covered by the rules.

The amendment – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted.

The amendments are not expected to have a significant impact on the consolidated financial statements.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” addresses an application issue relating to IAS 21 The Effects of Changes in Foreign Exchange Rates. IFRIC 22 clarifies which exchange rate is to be used when foreign currency transactions include payments or receipts in advance. The date of the transaction, for the purpose of determining the exchange rate for the underlying asset, income or expense, is the date of initial recognition of the asset or liability.

The Interpretation – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted.

The IASB has published a raft of other pronouncements. Unless stated otherwise, financial reporting pronouncements recently endorsed by the EU or not yet been endorsed have not been investigated to determine their likely impact on the consolidated financial statements of Schaltbau Holding AG.

RISK MANAGEMENT AND HEDGING ACTIVITIES

Risk management for the entire Group is managed centrally by the parent company. Regulations regarding risk management policies, hedging activities and documentation requirements are laid down in guidelines issued by the corporate compliance/finance department and have been incorporated into relevant processes and procedures. The regulations are reviewed and updated at regular intervals. The guidelines are approved by the Executive Board.

Derivative financial instruments are employed as a hedge against foreign currency risks and in individual cases as a hedge against commodity price and interest rate risk exposures. The Schaltbau Group does not hold derivative financial instruments for speculative purposes nor does it issue such instruments.

Forward currency contracts were in place with banks at 31 December 2016 to hedge cash flows from foreign customers amounting to US \$ 4,061,000 (2015: US \$ 5,934,000), of which US \$ 2,061,000 (2015: US \$ 4,624,000) have been designated as cash flow hedges. The forward currency contracts comprise entirely sales contracts. These contracts gave rise to an unrealised fair value loss of € 116,000 (2015: € 310,000) which has been recognised in the income statement.

At the end of the reporting period, the Group had the following currency risk exposures (after offsetting receivables and payables): USD: € 5,927,000 (2015: € 6,040,000), GBP: € 311,000 (2015: € 221,000) and CNY: € 8,000 (2015: € 26,000).

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

Foreign currency risk	USD		CNY		GBP	
In € 000	2016	2015	2016	2015	2016	2015
Trade accounts receivable	-375	-141	-	-	-32	-213
Receivables from affiliated companies	-181	-436	-	-3	-	-
Other assets	-	-	-	-	-	-13
Financial liabilities	-	-	-	-	-	-29
Trade accounts payable	-14	-5	-	-	-4	-15
Payables to affiliated companies	-11	-19	1	-	-	-
Other liabilities	-	-	-	-	-	-
Gross risk exposure	-531	-553	-1	-3	-28	-182
Currency hedging	134	105	-	-	-	-
Net risk exposure	-397	-448	-1	-3	-28	-182

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

In addition, the following 5 (2015: 6) interest rate swaps were in place at the end of 2016:

Nr.	Nominal amount in €000	Fair value in €000 31.12.2016	Fair value in €000 31.12.2015	Maturity date
1	-	-	-272	30.12.2016
2	6,000	-702	-930	28.06.2019
3	1,200	-14	-26	31.08.2017
4	600	-8	-16	31.08.2017
5	500	-8	-15	31.08.2017
6	500	-6	-11	31.08.2017
Σ	8,800	-738	-1,270	

As a result of obligations relating to interest-rate swaps, an amount of € 415,000 (2015: € 390,000) was reclassified from revenue reserves to interest expense in the income statement.

As a result of the termination of hedging relationships (hedge accounting), € 455,000 (2015: € 766,000) of amounts previously recognised directly in OCI were reclassified to other operating expenses, interest expense and deferred taxes (see Group Statement of Comprehensive Income).

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

Sales by segment	2016	2015
In € 000		
Mobile Transportation Technology	222,164	225,020
Stationary Transportation Technology	149,336	144,022
Components	137,498	133,149
Holding	99	77
	509,097	502,268

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Sales include an amount of € 3,647,000 (2015: € 4,522,000) recognised using the percentage-of-completion method. The corresponding expenses recognised in 2016 amounted to € 2,792,000 (2015: € 2,470,000). The income statement impact of using the percentage-of-completion method in 2016 was a profit of € 890,000 (2015: € 1,494,000). Advance payments received from customers at the end of the reporting period was € 139,000 (2015: € 0).

Contract costs comprise costs that are directly and indirectly attributable to the contract as well as costs that can be charged to the customers under the terms of the contract. The stage of completion of a project is determined on the basis of milestones achieved, as measured in conjunction with project controlling. Sales revenue is recognised accordingly. Positive balances on customer contracts at the end of the reporting period amounted to € 129,000 (2015: € 41,000), while negative balances amounted to € 0 (2015: € 0).

Sales by market	2016	2015
In € 000		
Germany	170,872	166,554
Other EU countries	186,232	184,998
Other European countries	31,821	29,890
China / Hong Kong	78,569	85,292
North America	29,993	23,881
Other countries	11,610	11,653
	509,097	502,268

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

83.5% (2015: 74.1%) of sales were billed in euros, 5.9% (2015: 9.3%) in Chinese renminbi yuan, 2.4% (2015: 9.6%) in Polish zloty and 5.6% in US dollars (2015: 4.8%); other currencies accounted for 2.6% (2015: 2.2%). On the expense side, 86.1% (2015: 84.3%) of personnel, material and other non-personnel expenditure were settled in euros, 4.1% (2015: 6.5%) in Polish zloty, 3.1% (2015: 4.6%) in renminbi yuan, 4.1% in US dollars (2015: 2.0%).

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

In € 000	2016	2015
Change in inventories	-9,378	-1,627
Own work capitalized	6,662	5,792
	-2,716	4,165

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

(3) OTHER OPERATING INCOME

In € 000	2016	2015
Reversal of allowances	814	484
Reversal of provisions	2,158	2,613
Public-sector grants	89	13
Exchange rate gains	1,862	1,790
Sundry other operating income	3,074	2,236
	7,997	7,136

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

The other operating income includes income of € 3,419,000 (2015: € 3,513,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

In € 000	2016	2015
Cost of raw materials, supplies and purchased goods	215,310	214,097
Cost of purchased services	38,600	37,998
	253,910	252,095

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

(5) PERSONNEL EXPENSE / EMPLOYEES

In € 000	2016	2015
Wages and salaries	142,570	133,324
Social security, pension and welfare expenses	28,682	25,931
	171,252	159,255

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Number of employees	2016	2015
Development	434	377
Purchasing and logistics	268	255
Production	1,583	1,478
Sales and marketing	351	314
Administration including Executive Board members and group company directors	264	258
Trainees	25	24
	2,925	2,706

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

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

(6) OTHER OPERATING EXPENSES

In € 000	2016	2015
Operating costs	7,320	6,349
Administrative costs	21,171	19,369
Selling expenses	20,590	18,955
Employee-related costs	2,222	2,240
Losses on the sale of non-current assets	163	118
Allowances on receivables	322	1,861
Exchange rate losses	1,889	1,925
Other taxes	970	951
Allocation to provisions for pending losses on onerous contracts	16,397	2,000
Sundry other expenses	1,818	1,966
	72,862	55,734

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Expenses relating to prior periods totalled € 554,000 (2015: € 584,000). The expense for provisions for pending losses on onerous contracts relates primarily to provisions for the platform screen door (PSD) project in Brazil and for 2 level crossing system projects in Egypt and Denmark. Sundry other expenses contain mainly penalty payments.

Research and development expenditure in 2016 amounted to € 34,113,000 (2015: € 30,133,000), and the corresponding expense was € 28,485,000 (2015: € 25,288,000). Accordingly, a total of € 5,628,000 (2015: € 4,845,000) was capitalised as development costs.

The Group has various rental and leasing agreements in place – in particular for property, electronic data processing, vehicles and other office equipment – that are due to expire in the coming years. Rental and lease expense in 2016 and 2015 was € 5,296,000 and € 4,667,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 4,494,000 (2015: € 3,905,000) payable in up to one year, € 7,278,000 (2015: € 7,817,000) payable in up to five years and € 272,000 (2015: € 859,000) payable later than five years.

Purchases from the five largest suppliers accounted for 4.3% (2015: 5.6%) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

In € 000	2016	2015
Result from at-equity accounted investments	-3,518	-66
Other results from investments	7,383	2,465
	3,865	2,399

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

The result from equity accounted investments relates to the Group's share of the profits (reporting period ended 31 December 2016) of BoDo Bode-Dogrusan A.S. (Turkey) and, on a time-apportioned basis, of Albatros S.L. (Spain). In the previous year, the time-apportioned share of earnings of Rail Door Solutions Ltd (UK) was also included. Entities accounted for using the equity method did not make any distributions during the year under report.

Other results from investments includes investment income from two non-consolidated companies (€ 267,000) and a gain arising on the sale of 90% of the shares in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (€ 190,000). Also included are gains of € 6,926,000 arising on the increase in the shareholding in Albatros S.L. (Spain). The amount reported for the previous year related to the gain arising on the increase in the shareholding in the former Rail Door Solutions Ltd (UK).

If the relevant exchange rates had been 10% more favourable or less favourable, the result from equity-accounted companies would have been a loss of € 3,483,000 / loss of € 3,547,000 (2015: loss of € 8,000 / loss of € 114,000).

(8) FINANCIAL RESULT

In € 000	2016	2015
Other interest and similar income	1,275	402
(of which from affiliated companies)	(505)	(99)
Interest and similar expenses	-6,505	-5,827
(of which to affiliated companies)	(0)	(-95)
Other financial result	-5	-278
(of which to affiliated companies)	(0)	(0)
	-5,235	-5,703

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Interest income include € 488,000 (2015: € 63,000) resulting from the discounting of liabilities and the unwinding of discounting of receivables. The derecognition of the put option relating to the acquisition of the remainder of the shares in Albatros S.L. gave rise to income of € 409,000.

Interest expenses include the interest portion amounting to € 922,000 (2015: € 807,000) arising on the allocation to personnel-related provisions and an interest expense of € 218,000 (2015: € 160,000) in conjunction with writing down receivables to their net present value. The interest expense was increased by € 592,000 (2015: € 558,000) as a result of the deployment of interest rate swaps. The derecognition of the call option relating to the acquisition of the remainder of the shares in Albatros S.L. gave rise to a expense of € 134,000.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1% in the interest rate), would have the following impact on the balance sheet as at 31 December 2016 (assuming for cash flow purposes that there would be no other changes to balances of cash at, and liabilities to, banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In € 000	Balance at 31.12.2016		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	-739	3.35%	155	3	109	-155	-3	-109
Bank interest				-407			407	
Sundry other interest				6			-6	
Total CF sensitivity				-399			399	

In € 000	Balance at 31.12.2015		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swap	-1,270	3.57%	88	57	62	-284	-57	-199
Bank interest				-341			341	
Sundry other interest				13			-13	
Total CF sensitivity				-272			272	

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

(9) INCOME TAXES

In € 000	2016	2015
Income tax expense	5,420	6,238
Deferred tax income (2015: expense)	-9,254	1,423
	-3,834	7,661

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

Deferred taxes related to the following balance sheet items:

In € 000	31.12.2016			31.12.2015		
	Deferred tax assets	Deferred tax liabilities	Result	Deferred tax assets	Deferred tax liabilities	Result
Fixed assets	1,47	11,362	3,83	1,172	11,765	-922
Inventories	3,474	132	257	3,049	113	1,033
Other current assets	925	11	162	1,092	322	-81
Pension provision	5,675	-	-72	4,724	-	-85
Other provisions	6,343	-	5,203	1,146	-	-484
Liabilities	386	447	-597	848	130	35
Tax losses available for carryforward	5,596	-	471	2,687	-	-919
Offset	-8,417	-8,417	-	-9,038	-9,038	-
	15,452	3,535	9,254	5,68	3,292	-1,423

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

No deferred tax assets are recognised on corporation tax and municipal trade losses available for carryforward amounting to € 7,701,000 (2015: € 0) and on foreign tax losses available for carryforward amounting to € 63,353,000 (2015: € 18,764,000). These tax losses can be carried forward indefinitely. The increase was attributable primarily to the first-time inclusion of the additional fully consolidated companies. No deferred tax liabilities were recognised at 31 December 2016 for planned dividend payments in connection with so-called “outside basis differences” since these are not considered to be significant. A computation of all relevant temporary differences was not made on the grounds of disproportionate expense.

Reconciliation of expected and actual expense in the income statement

In € 000	2016	2015
Profit before tax	-15,853	30,116
Expected tax expense (30%)	-4,756	9,035
- different computation of taxes outside Germany	-1,434	-2,565
- tax-exempt income	-944	-664
- non-deductible expenses	2,229	766
- associated companies and interests accounted for using the equity method	-954	-698
- tax expense and reimbursements for prior years	70	-556
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	1,497	1,836
- foreign withholding taxes	276	308
- other differences	182	199
Income tax expense	-3,834	7,661
Effective tax rate	24.2%	25.4%

Prior year figures restated (see comments in the section “Business combinations / Group reporting entity”)

The line item “non-deductible expenses” includes the impact (€ 494,000) of recognising an impairment loss on goodwill relating to Pintsch Bamag Antriebs- und Verkehrstechnik GmbH.

(10) EARNINGS PER SHARE

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

Share capital comprises 6,152,190 shares at the end of the reporting period (2015: 6,152,190 shares). The Company began to repurchase own shares in 2014 (see explanatory comments in note 18 Capital/ Revenue/ Other Reserves).

	2016	2015
Shares in circulation at beginning of year	6,152,190	6,152,190
Shares bought back at the year end	-7,645	-132,645
Calculated weighted number of shares at end of fiscal year	6,050,966	6,008,446
Further potential shares from share options (diluted)	192 (186)	192 (187)
Actual and potential shares at end of year (diluted)	6,051,152	6,008,633
Weighted shares - undiluted	6,050,966	6,008,446
Weighted shares - diluted	6,051,152	6,008,633

Earnings per share	2016	2015
Group net profit for year (€000)	-12,019	22,455
Profit attributable to minority shareholders (€000)	3,803	5,642
Profit attributable to shareholders of Schaltbau Holding AG (€000)	-15,822	16,813
Earnings per share - undiluted	- €2.61	€2.80
Earnings per share - diluted	- €2.61	€2.80

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

	2016	2015
Weighted shares - undiluted	6,050,966	6,008,446
Weighted shares - diluted	6,051,152	6,008,633
Earnings per share - undiluted	- €2.61	€2.80
Earnings per share - diluted	- €2.61	€2.80

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Reconciliation between undiluted and diluted weighted shares	2016	2015
Weighted shares - undiluted	6,050,966	6,008,446
192 (2015: 192) share options not exercised by 31.12.2016; weighted	186	187
Weighted shares - diluted	6,051,152	6,008,633

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

Goodwill can be analysed as follows:

In € 000	2016	2015
SPII S.P.A.	14,813	14,813
Schaltbau North America Inc.	6,444	6,248
Components segment	21,257	21,061
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	0	1,645
Pintsch Bubenzer GmbH	3,415	3,415
Pintsch Tiefenbach GmbH	696	696
Pintsch Tiefenbach US Inc.	214	214
Stationary Transportation Technology segment	4,325	5,970
Gebr. Bode GmbH & Co. KG	381	381
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	11,289	11,677
Schaltbau Transportation UK Ltd.	4,386	4,912
ALTE Technologies S.L.	8,172	8,172
Albatros S.L.U.	5,342	0
Mobile Transportation Technology segment	29,570	25,142
	55,152	52,173

As a result of business developments during the financial year under report, it was necessary to recognise an impairment loss of € 1,645,000 on goodwill allocated to Pintsch Bamag Antriebs- und Verkehrstechnik GmbH (Stationary Transportation Technology segment). A 10% reduction in forecast free cash flows for sensitivity analysis purposes would result in an impairment loss of € 4,436,000 (2015: € 1,645,000) at the level of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. The recoverable amount (value in use) calculated for the Pintsch Bamag Antriebs- und Verkehrstechnik GmbH cash-generating unit totalled € 789,000.

Apart from goodwill, there are other assets with an indefinite useful life.

Intangible assets include **capitalised development costs** with a carrying amount of € 15,119,000 (2015: € 17,580,000) and relate primarily to the Stationary Transportation Technology segment. Capitalised development costs totalling € 9,649,000 were written down for impairment in 2016. The impairment loss relates to the Stationary Transportation Technology segment (specifically to the Pintsch Bamag Antriebs- und Verkehrstechnik GmbH cash-generating unit). The impairment loss was recognised on the basis of the risk assessment of the new Executive Board, given that overseas level crossing system projects are not expected to generate positive cash flows and the decision has been taken to discontinue platform screen door business.

Measurement at fair value was only applied to land at the time when IFRS were adopted for the first time. This can be reconciled to the carrying amount before revaluation as follows:

In € 000	31.12.2016	31.12.2015
Carrying amount including fair value adjustments	10,295	10,253
less revaluation reserve	3,041	3,041
less acquired minority interest in revaluation reserve	7	7
less deferred taxes	1,307	1,307
Carrying amount before revaluation	5,940	5,898

including land purchases in the year under report

The debit balances arising on the consolidation of associated companies 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, goodwill is tested for impairment whenever events warrant it. No impairment losses were recognised in the year under report.

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

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

In € 000	2016				2015			
	BODO	ALBA	PBTE	Σ	BODO	ALBA	BOUK	Σ
Carrying amount at 1.1.	3,045	8,423		11,468	2,955	1,643	1,381	5,979
Profit / loss	319	-3,837		-3,518	410	-566	90	-66
Other comprehensive income						162		162
Change in capital		1,302		1,302		7,184		7,184
Currency adjustment	-503			-503	-320		10	-310
Consolidation / Other		-5,888	268				-1,481	-1,481
Carrying amount at 31.12.	2,861	0	268	5,620	3,045	8,423	0	11,468

In € 000	31.12.2016			31.12.2015		
Name	Shareholding	Carrying amounts	thereof goodwill	Shareholding	Carrying amounts	thereof goodwill
BODO	50.0%	2,861	-	50.0%	3,045	-
PBTE	15.0%	268	146			
ALBA	-	-	-	91.7%	8,423	1,391
		3,129	146		11,468	1,391

BODO: BoDo Bode-Dogrusan A.S.
BOUK: Schaltbau Transportation UK Ltd.
PBTE: Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.
ALBA: Albatros S.L

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

BoDo Bode-Dogrusan A.S. In € 000	31.12.2016		31.12.2015	
	100 %	Group's share	100 %	Group's share
Non-current assets	5,475	2,738	4,867	2,434
Current assets	6,370	3,185	5,595	2,797
Non-current liabilities	-	-	-	-
Current liabilities	6,123	3,061	4,189	2,095
Sales	13,434	6,717	12,149	6,075
Profit for year	639	319	820	410
Other comprehensive income	-	-	-	-
Total comprehensive income	639	319	820	410
Distributions	-	-	-	-

Albatros S.L. (Group values) In € 000	31.12.2016		31.12.2015	
	100 %	Anteilig	100 %	Anteilig
Non-current assets	-	-	7,415	6,803
Current assets	-	-	27,934	25,627
Non-current liabilities	-	-	16,514	15,150
Current liabilities	-	-	17,813	16,342
Sales	21,044	19,519	30,407	12,163
Loss for year	-4,000	-3,710	-1,415	-566
Other comprehensive income	-	-	121	48
Total comprehensive income	-4,000	-3,710	-1,294	-518
Distributions	-	-	-	-

On 1 June, BODO Bode-Dogrusan A.S., based in Kestel-Bursa, Turkey, a 50% subsidiary of Gebr. Bode & Co. Beteiligungs GmbH, Kassel, acquired 60% of the shares of Pro-Last Profil San. Ve Tic. A.S., based in Bursa, Turkey, for a purchase price of € 1,093,000. The remaining 40 per cent remain in the hands of the founding family. Subsequent to the acquisition, the company's name was changed to BODO Pro-Last Profil San. Ve Tic. A.S. It manufactures rubber products and sealing systems used in the automobile and commercial vehicle sector. With a workforce of 70 people, it generated sales in the region of € 2.0 million and a profit of € 0.2 million in 2015. The acquisition strengthens the Schaltbau Group's expertise within the Door Systems product group. Due to its size, the acquired entity is not currently included in the consolidated financial statements of Schaltbau Holding AG.

Mortgages totalling € 35,114,000 (2015: € 32,521,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 0 (2015: € 0).

At the end of the previous year, **other investments** contained, among other items, non-current loans receivable from Albatros S.L. (€ 9,458,000), of which € 4,458,000 did not bear interest and the remainder was subject to interest at market rates.

(12) INVENTORIES

In € 000	31.12.2016	31.12.2015
Raw materials and supplies	57,655	44,669
Work in progress	30,079	31,935
Finished products, goods for resale	12,329	13,399
Advance payments to suppliers	1,290	1,243
	101,353	91,246

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

None of the Group's inventories are pledged as collateral. Write-downs totalling € 6,336,000 (2015: € 3,292,000) were recognised on inventories in 2016, of which € 5,266,000 related to the Stationary Transportation Technology segment. Reversals of write-downs on inventories amounted to € 756,000 (2015: € 890,000) were recorded. Write-downs on inventories at the end of the reporting period totalled € 32,738,000 (2015: € 20,199,000), of which € 11,264,000 (2015: € 609,000) resulted from first-time consolidations.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

In € 000	31.12.2016	31.12.2015
Trade accounts receivable	115,241	111,233
Receivables from affiliated companies	6,573	6,406
Receivables from associated companies	763	906
Income tax receivables	944	533
Sundry other assets	7,673	9,651
	131,194	128,729

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Receivable from affiliated and associated companies comprise trade accounts receivable and loans receivable totalling € 263,000 (2015: € 1,069,000).

Allowances comprised the following:

In € 000	1.1.16	Group reporting entity	Utilized	Reversed	Allocated	Currency / other	31.12.16
Trade accounts receivable							
Specific allowances	3,240	1,693	402	563	192	-23	4,137
Additional risk allowance	2,973	5	236	195	39	-80	2,506
	6,213	1,698	638	758	231	-103	6,643
Other allowances	0	151	0	28	0	0	123
Total	6,213	1,849	638	786	231	-103	6,766

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 18,581,000 (2016: € 18,302,000).

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

In € 000	31.12.2016			31.12.2015		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	13,424	-128	13,296	16,748	-206	16,542
31 to 60 days	5,649	-140	5,509	8,183	-250	7,933
61 to 90 days	3,748	-118	3,630	2,464	-75	2,389
91 to 180 days	6,442	-253	6,189	5,279	-213	5,066
181 to 365 days	5,341	-319	5,022	4,518	-400	4,118
more than one year	7,447	-5,536	1,911	6,202	-4,802	1,400
	42,051	-6,494	35,557	43,394	-5,946	37,448
Not yet due	79,833	-149	79,684	74,052	-267	73,785
	121,884	-6,643	115,241	117,446	-6,213	111,233

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Of the trade accounts receivable total reported at 31 December 2016, 28.2% (2015: 33.8%) relate to the five largest debtors.

69.6% (2015: 61.8%) of receivables and non-current loans are denominated in EUR, 14.0% (2015: 19.0%) in CNY, 4.0% (2015: 9.7%) in PLN and 10.0% (2015: 7.1%) in USD.

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

(14) CASH AND CASH EQUIVALENTS

In € 000	31.12.2016	31.12.2015
Cheques and cash on hand	35	37
Cash at bank	29,983	32,409
	30,018	32,446

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

(15) ASSETS AND LIABILITIES HELD FOR SALE

The management of Gebr. Bode GmbH & Co. KG (BOKS) has been actively engaged for some time in the process of restructuring Shenyang Bode Transportation Equipment Co. Ltd., Shenyang, China (BOSY). In December 2016, the Executive Board and the Supervisory Board resolved to set up a new joint venture with a Chinese business partner (in which Gebr. Bode & Co. Beteiligungs GmbH, a wholly owned subsidiary of BOKS, holds 49%) and to sell BOSY to the joint venture. The corresponding contracts were signed on 18 January 2017 and submitted for regulatory approval. In view of the fact that operations in China are not being discontinued, and instead are being continued with a partner, the criteria for classifying BOSY as a disposal group within the meaning of IFRS 5 Appendix A are fulfilled.

In the previous year, the disclosures related to the Warning Systems operations of PINTSCH BAMAG Antriebs- und Verkehrstechnik GmbH.

The assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 31 December 2016 in the line items "Assets held for sale" and "Liabilities held for sale". The non-current assets (or disposal groups) are measured at the lower of their carrying amounts and fair value less costs to sell in accordance with IFRS 5.15.

The assets and liabilities that comprise the disposal group at 31 December 2016 are shown in the following table.

In € 000	Assets		Liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Intangible assets	34	1,070	Pension provisions	- 22
Property, plant and equipment	109	150	Other non-current provisions	- 42
Deferred tax assets	-	15	Deferred tax liabilities	- 322
Inventories	299	1,709	Other current provisions	- 55
Trade accounts receivable	445	-	Current financial liabilities	478 -
Other current non-financial assets	176	-	Other current non-financial liabilities	64 69
Cash and cash equivalents	807	-		
Assets held for sale	1,870	2,944	Liabilities in conjunction with assets held for sale	542 510

(16) 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**.

**ANALYSIS OF CHANGES IN INTANGIBLE ASSETS, PROPERTY,
PLANT AND EQUIPMENT AND INVESTMENTS**
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

In € 000

Acquisition/manufacturing cost

	01.01.2016	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2016
I. Intangible assets							
1. Concessions and similar rights	19,068	-402	7,006	539	-129	0	26,082
2. Software	10,117	-42	4,048	1,079	-739	234	14,697
3. Goodwill	80,327	-850	5,474	0	0	0	84,951
4. Capitalised development costs	8,628	94	4,803	1,004	0	5,969	20,498
5. Ongoing development projects	11,805	0	0	5,052	0	-5,969	10,888
6. Payments in advance	285	0	0	49	0	-287	47
	130,230	-1,200	21,331	7,723	-868	-53	157,163
II. Property, plant and equipment							
1. Land and buildings	62,289	-53	11,707	2,322	-6	675	76,934
2. Plant and machinery	45,185	-137	10,176	2,786	-2,012	896	56,894
3. Other plant and equipment	51,434	-173	3,628	4,161	-2,446	1,138	57,742
4. Leased property, plant and equipment	166	-6	0	0	0	131	291
5. Assets under construction	4,033	-11	98	2,286	0	-3,075	3,331
	163,107	-380	25,609	11,555	-4,464	-235	195,192
III. Investments							
1. Investments in subsidiaries	5,977	0	1,099	106	-1,990	-221	4,971
2. At-equity accounted investments	11,094	0	-9,576	454	0	1,336	3,308
3. Participations	1,089	0	0	0	0	0	1,089
4. Non-current loans receivable from Group companies	9,458	0	-7,525	345	0	-1,115	1,163
5. Non-current marketable securities	61	0	0	43	0	0	104
6. Other loans	0	0	19	0	0	0	19
	27,679	0	-15,983	948	-1,990	0	10,654
	321,016	-1,580	30,957	20,226	-7,322	-288	363,009

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

Accumulated amortisation, depreciation and impairment losses						Carrying amounts		
1.1.2016	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2016	31.12.2016	31.12.2015
8,724	-159	0	6,952	-129	0	15,388	10,694	10,344
7,546	-17	3,958	1,332	-735	-41	12,043	2,654	2,571
28,154	0	0	1,645	0	0	29,799	55,152	52,173
2,653	45	2,088	6,750	0	200	11,736	8,762	5,975
200	0	0	4,531	0	-200	4,531	6,357	11,605
0	0	0	0	0	0	0	47	285
47,277	-131	6,046	21,210	-864	-41	73,497	83,666	82,953
21,465	-18	4,213	1,763	-6	-10	27,407	53,881	45,178
28,462	-57	8,460	3,322	-1,969	-122	38,096	18,798	16,723
40,155	-131	3,450	4,529	-2,384	-53	45,566	12,176	11,279
40	-1	0	13	0	64	116	175	126
0	0	0	0	0	0	0	3,331	4,033
90,122	-207	16,123	9,627	-4,359	-121	111,185	88,361	77,339
3,589	0	775	0	-1,990	-221	2,153	2,818	2,388
-374	0	3,075	0	0	-2,522	179	3,129	11,468
0	0	0	0	0	0	0	1,089	1,089
0	0	1,163	0	0	0	1,163	0	9,458
0	0	0	0	0	0	0	104	61
0	0	0	0	0	0	0	19	0
3,215	0	5,013	0	-1,990	-2,743	3,495	7,159	24,464
140,614	-338	27,182	30,837	-7,213	-2,905	188,177	179,186	184,756

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

4,354 4,354

**ANALYSIS OF CHANGES IN INTANGIBLE ASSETS, PROPERTY,
PLANT AND EQUIPMENT AND INVESTMENTS**
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

In € 000

Acquisition/manufacturing cost

	Here- tofore 01.01.15	Adjust- ment 01.01.15	New 01.01.15	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2015
I. Intangible assets									
1. Concessions and similar rights	9,924	0	9,924	-8	8,221	959	-28	0	19,068
2. Software	8,795	57	8,852	24	17	1,000	-148	372	10,117
3. Goodwill	59,966	0	59,966	588	19,773	0	0	0	80,327
4. Capitalised development costs	7,525	0	7,525	0	695	218	1	189	8,628
5. Ongoing development projects	8,271	0	8,271	0	0	4,691	0	-1,157	11,805
6. Payments in advance	533	0	533	0	0	285	0	-533	285
	95,014	57	95,071	604	28,706	7,153	-175	-1,129	130,230
II. Property, plant and equipment									
1. Land and buildings	55,907	2,356	58,263	302	284	2,450	-4	992	62,287
2. Plant and machinery	40,781	1,433	42,214	219	1,754	3,480	-3,202	720	45,185
3. Other plant and equipment	47,736	833	48,569	260	811	5,697	-3,823	-80	51,434
4. Leased property, plant and equipment	166	0	166	0	0	0	0	0	166
5. Assets under construction	2,653	0	2,653	0	0	3,324	0	-1,944	4,033
	147,243	4,622	151,865	781	2,849	14,951	-7,029	-312	163,105
III. Investments									
1. Investments in subsidiaries	9,108	-3,149	5,959	0	0	17	0	0	5,976
2. At-equity accounted investments	5,432	0	5,432	0	-1,522	7,184	0	0	11,094
3. Participations	0	0	0	0	1,089	0	0	0	1,089
4. Non-current loans receivable from Group companies	380	-380	0	0	0	9,458	0	0	9,458
5. Non-current marketable securities	51	0	51	0	0	10	0	0	61
6. Other loans	1,773	0	1,773	0	0	6	-1,758	-21	0
	16,744	-3,529	13,215	0	-433	16,675	-1,758	-21	27,678
	259,001	1,150	260,151	1,385	31,122	38,779	-8,962	-1,462	321,013

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

Accumulated amortisation, depreciation and impairment losses								Carrying amounts		
Here- tofore 01.01.15	Adjust- ment 01.01.15	01.01.15	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassifications/ Reversals of impairment losses	31.12.2015	31.12.2015	31.12.2014
6,407	0	6,407	-9	13	2,318	-5	0	8,724	10,344	3,517
6,678	10	6,688	17	9	1,019	-132	-56	7,545	2,572	2,164
28,154	0	28,154	0	0	0	0	0	28,154	52,173	31,812
1,321	0	1,321	0	462	869	2	0	2,654	5,974	6,204
2	0	2	0	0	200	0	-2	200	11,605	8,269
0	0	0	0	0	0	0	0	0	285	533
42,562	10	42,572	8	484	4,406	-135	-58	47,277	82,953	52,499
18,118	1,238	19,356	156	243	1,558	-4	156	21,465	45,176	43,261
26,235	1,089	27,324	161	1,471	2,750	-3,177	-68	28,461	16,724	14,890
38,559	711	39,270	213	611	4,270	-3,719	-491	40,154	11,280	9,299
26	0	26	0	0	14	0	0	40	126	140
0	0	0	0	0	0	0	0	0	4,033	2,653
82,938	3,038	85,976	530	2,325	8,592	-6,900	-403	90,120	77,339	70,243
4,309	-720	3,589	0	0	0	0	0	3,589	2,387	2,370
-547	0	-547	0	2,423	0	0	-2,250	-374	11,468	5,979
0	0	0	0	0	0	0	0	0	1,089	0
0	0	0	0	0	0	0	0	0	9,458	0
0	0	0	0	0	0	0	0	0	61	51
0	0	0	0	0	0	0	0	0	0	1,773
3,762	-720	3,042	0	2,423	0	0	-2,250	3,215	24,463	10,173
129,262	2,328	131,590	538	5,232	12,998	-7,035	-2,711	140,612	184,755	132,915

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

4,354 4,354

(17) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 6,152,190 (2015: 6,152,190) non-par value shares. The arithmetic par value at the end of the reporting period and at 31 December 2016 is € 1.22 per share.

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2015: € 234.24) remained in place at 31 December 2016; the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 192 new ordinary bearer shares (**Conditional Capital I**). This conditional capital was resolved to allow shares to be issued for share options issued by the Company on 15 March 2004 in conjunction with participation rights (see also Note (8)). The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a term of 10 years. The conditional capital increase may only be carried out to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far a total of 499,936 options have been exercised and the Company's share capital has been increased by € 1,829,765.76; no options were exercised in 2016.

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

In accordance with the resolution passed at the Annual General Meeting on 14 June 2016, a (new) **Conditional Capital II** amounting to € 3,752,601.66 was in place at 31 December 2016 following the conditional issue of up to 3,075,903 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue up to 13 June 2021 bearer convertible bonds and bonds with warrants for a total amount of up to € 175,000,000.

(18) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 13,701,000 (2015: € 13,701,000). In addition, it was necessary to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 1,251,000) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to € 258,000 (net of deferred tax of € 172,000), the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to € 595,000 and – in conjunction with bonus agreements – the difference (€ 67,000) between the proceeds from share sales and their purchase price. In conjunction with the acquisition of shares in Albatros S.L. in 2015 in return for treasury shares, an amount of € 254,000 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.

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In addition, net of deferred tax, there was a positive impact of € 422,000 (2015: € 333,000) from the fair value measurement of derivatives included in cash flow hedges and a negative impact of € 2,423,000 (2015: positive impact of € 1,774,000) from pension provisions.

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), a total of 107,172 shares were bought back in previous 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 0.12% (2015: 2.16%) of the Company's share capital.

Treasury shares developed as follows:

	Price in €	Number of shares
Balance at beginning of year		132,645
Purchase / sale date		
30 September 2016	32.50	- 125,000
Balance at end of year		7,645

Overall, treasury shares held at the end of the financial year under report gave rise a surplus of € 387,000 – i.e. the amount by which the treasury shares exceed their arithmetically calculated value (including transaction costs) – which has been offset against other revenue reserves.

In addition, an amount of € 4,925,000 (2015: 10,441,000) has been offset against revenue reserves in conjunction with the recognition of a liability for a put option to acquire the remaining shares of SPII S.P.A. and Schaltbau Transportation UK Inc.

Other changes in revenue reserves include changes in the fair value measurement of options to acquire minority interests (€ 5,516,000) and the sale of treasury shares (€ 4,057,000), on which an arithmetic loss of € 1,245,000 arose. The acquisition of minority interests (€ 541,000) had the effect of increasing revenue reserves.

At Schaltbau Holding AG's Annual General Meeting for the fiscal year 2015, shareholders approved the proposal for the appropriation of profit, based upon which € 6,020,000 (€ 1.00 per share) was distributed as a dividend.

The reserve for items recognised directly in equity includes the impact of currency translation.

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

For further details, please refer to the disclosures in the consolidated statement of changes in equity.

(19) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd., China, SPII S.P.A., Italy, Schaltbau Transportation UK Ltd., United Kingdom and Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland.

(20) PENSION PROVISIONS

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the Group and their dependants. Retirement pensions are provided in the form of defined benefit pension plans. These are based in principle on the number of years of service worked by employees and the salary received, 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 now recorded in the year in which they arise by recognition directly in equity (revenue reserves). These amounts will not be recognised in profit or loss in subsequent accounting periods.

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

In € 000	31.12.2016	31.12.2015
Claims under reinsurance policies relating to pension commitments	52	90

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:

In € 000	31.12.2016	31.12.2015
Employer contributions to state pension insurance plans	10,213	10,005

Pension provisions developed as follows:

In € 000	2016	2015
Balance at 1.1	37,351	39,072
Service cost	544	714
Interest expense	816	703
Benefit payments	-1,994	-1,871
Remeasurements	3,445	-2,535
Foreign currency translation	-8	0
Change in group reporting entity	0	1,290
Other items	0	-22
Carrying amount of provision at 31.12.	40,154	37,351

The amounts reported in the line item "Remeasurements" result almost entirely from changes in financial assumptions (interest rates). 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 € 12,332,000 (2015: € 10,605,000), former employees with vested entitlements amounting to € 3,560,000 (2015: € 3,305,000) as well as pensioners and surviving dependants amounting to € 24,262,000 (2015: € 23,441,000).

The main actuarial assumptions applied were as follows:

	31.12.2016	31.12.2015
Interest rate	1.6%	2.2%
Salary trend	2.4%	2.5%
Pension trend	1.7%	1.7%
Fluctuation rate	1.6%	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 2015 would have been as follows:

In € 000	Änderung	Anstieg	Rückgang
Interest rate	0.50%	-2,722	3,078
Salary trend	0.27%	376	-322
Pension trend	0.26%	1,180	-1,130
Fluctuation rate	0.41%	-130	-129
Prior year			
Interest rate	0.50%	-2.395	2.691
Salary trend	0.27%	281	-264
Pension trend	0.26%	1.064	-1.019
Fluctuation rate	0.41%	-118	121

As of 31 December, the weighted average period of defined benefit plan pension obligations is 14.5 years (2015: 13.9 years).

Pension expense comprised the following:

In € 000	2016	2015
Service cost	544	714
Past service cost/income	0	0
Gains / losses arising from settlements	0	0
Total service cost (personnel expense)	544	714
Interest expense	816	703
Pension expense recognised in the Consolidated Income Statement	1,360	1,417
Effect of changes in financial assumptions	3,648	-2,364
Effect of experience adjustments	-203	-171
Remeasurements recognised in the Consolidated Statement of Comprehensive Income	3,445	-2,535
Total pension expense	4,805	-1,118

Future cash flows:

Contributions for pension obligations in the fiscal year 2017 are expected to amount to € 1,248,000 and benefit payments to € 1,887,000.

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.

(21) OTHER PROVISIONS

Other provisions developed as follows:

In € 000	01.01.16	Group reporting entity	Utilized	Revers-ed	Allocated	Interest impact	Currency / other	31.12.16
Non-current provisions								
Personnel	4,040	0	-534	0	1,299	107	-24	4,888
Warranties	245	509	-67	0	315	0	-76	926
Pending losses on onerous contracts	0	0	0	0	13,548	0	0	13,548
Sundry other provisions	193	101	0	0	4	0	-144	154
	4,478	610	-601	0	15,166	107	-244	19,516
Current provisions								
Personnel	7,501	0	-7,306	-198	8,443	0	-8	8,432
Taxes	1,314	0	-552	-31	171	0	3	905
Warranties	8,358	905	-3,314	-505	4,234	0	-717	8,961
Outstanding supplier invoices	6,228	0	-5,206	-496	5,085	0	-54	5,557
Pending losses on onerous contracts	62	261	-61	-45	2,849	0	0	3,066
Sundry other provisions	2,217	383	-1,204	-898	1,633	0	59	2,190
	25,680	1,549	-17,643	-2,173	22,415	0	-717	29,111
Total	30,158	2,159	-18,244	-2,173	37,581	107	-961	48,627

Tax provisions were recognised mainly to cover the expected income tax expense in Germany. It is expected that most of the amounts provided will be utilised in 2017. As a result of the “minimum taxation” rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

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

Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards and pre-retirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 337,000 (2015: € 531,000) and are offset against personnel-related provisions.

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

Provisions for pending losses on onerous contracts relate primarily to provisions for the platform screen door (PSD) project in Brazil and for 2 level crossing system projects in Egypt and Denmark. Significant cash outflows are expected to arise with effect from the fiscal year 2018.

Sundry other provisions comprise mainly provisions for external group and separate company audit costs, legal disputes, supervisory board remuneration, pending losses on onerous contracts and miscellaneous other items.

There were no reimbursement claims.

(22) LIABILITIES

In € 000	31.12.2016	31.12.2015
Non-current liabilities		
Liabilities to banks	37,465	143,986
Finance lease liabilities	38	97
Other financial liabilities	5,801	2,575
Financial liabilities	43,304	146,658
Other liabilities	4,557	11,832
	47,861	158,490
Current liabilities		
Current income tax liabilities	337	1,748
Liabilities to banks	131,984	14,974
Finance lease liabilities	37	35
Other financial liabilities	2,698	392
Financial liabilities	134,719	15,401
Trade accounts payable	42,034	38,829
Advance payments received	12,684	12,596
Liabilities to affiliated companies	338	497
Liabilities to other group entities	595	478
Liabilities relating to derivatives	1,762	1,990
Sundry other liabilities	18,813	19,683
(of which for taxes)	(4,058)	(3,882)
(of which to employees)	(6,779)	(7,208)
(of which for social security)	(1,402)	(1,372)
Other liabilities	21,508	22,648
	211,282	91,222
Total liabilities	259,143	249,712

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

In € 000	Carrying amount	Total cash outflows	within 1 year	1 to 5 years	more than 5 years
Financial liabilities	178,023	183,561	136,009	36,457	11,095
Trade accounts payable	42,034	42,034	42,034	-	-
Derivative instruments	5,780	855	434	421	-
Other liabilities	20,463	20,463	20,345	109	9
	246,300	246,913	198,822	36,987	11,104

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

In € 000	31.12.2016	31.12.2015
Overdue		
up to 30 days	13,313	8,551
31 to 60 days	1,776	1,646
61 to 90 days	850	851
91 to 180 days	1,004	2,021
181 to 365 days	1,003	1,815
more than 1 year	250	90
	18,196	14,974
Not yet due	23,838	23,855
Carrying amount	42,034	38,829

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

Collateral of € 35,114,000 (2015: € 32,521,000) has been given to cover **liabilities to banks**; of this amount, € 0 (2015: € 0) relates to pledges and pledge-like collateral and € 35,114,000 (2015: € 32,521,000) to mortgages.

Credit lines totalling € 229,275,000 (2015: € 232,206,000) are available. The weighted average interest rate as at 31 December 2016 for liabilities to banks during the past year was 2.4% (2015: 2.1%). In addition to the promissory note of € 70 million placed in June 2015, the Group's main source of external financing is a syndicated credit agreement with a volume of € 100 million, which was newly concluded by Schaltbau Holding AG on 12 August 2015. The term of 5 years (to August 2020) was extended during the fiscal year 2016 in accordance with an extension option for a partial amount of € 35 million by one year and could be extended by a further extension option for the full amount by up to 2 years. No collateral was provided. In addition, options were also in place to increase the amount up to a maximum of € 40 million. The credit is also available to make non-current loans to subsidiaries. Regular repayments during the term of the arrangements are not stipulated. The credit agreement is subject to compliance with various defined financial performance indicators (covenants) based on the IFRS consolidated financial statements, which – in the event of non-compliance at the relevant reporting date (for a rolling 12-month period up to the quarter-end) – give the lending banks extraordinary rights of termination; these covenants are relate to the equity ratio and a specifically defined debt-to-EBITDA ratio. These covenants could not be complied with entirely for the fiscal year 2016. Agreements were reached with the consortium banks, involving amendments to, and the suspension of, the covenants. The suspension of the covenants at 31 December 2016 was subject to certain conditions imposed by the creditors, which the Company was not fully compliant with at the end of the reporting period. Similarly, compliance with the conditions does not fall entirely within the power of the Company. For this reason, all of the corresponding liabilities are reported as current.

Liabilities to banks also include a promissory note (Schuldscheindarlehen) with a nominal amount of € 70 million. The promissory note comprises two tranches, one for € 28.5 million (due 30 June 2022) and the other for € 41.5 million (due 30 June 2025). The liability is measured at its present value, with the interest being unwound to give an average effective interest rate of 2.34%. The promissory note liabilities were also reported as current liabilities for the same reasons.

In an agreement dated 31 March 2017, the Company and other financing parties restructured the financing arrangements.

The Syndicated Credit Agreement with a volume of € 100 million remains in place largely unchanged, but will expire on 31 December 2019. The options to extend the agreement or increase its volume no longer apply. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral. The financial covenants were adjusted to take account of the new circumstances and provide greater headroom for the Company. At the same time, the credit margins have been increased.

The Company will also receive bridge financing up to an amount of € 25 million. The same covenants also apply to this financing.

As part of the financing negotiations, the conditions of the promissory notes were also modified. Interest payable to the promissory note holders will increase by one percentage point during the period from 1 April 2017 to 31 December 2019. The promissory note holders also have the option up to 30 June 2019 to terminate the promissory note agreement with effect from 31 December 2019.

Variable interest rates on the floating-rate borrowings are fixed for periods of 1 and 6 months.

As a result of these short periods, differences between the carrying amounts and fair values of the resulting liabilities are minimal.

Taking into account the covenants suspended with effect from 31 December 2016, liabilities to banks fall due in the next five years and thereafter as follows:

Liabilities to banks due for repayment in the year 2017 include current account liabilities amounting to € 3,719,000 (2015:

In € 000		
	2017	133,249
	2018	5,313
	2019	5,608
	2020	17,601
	2021	3,199
	thereafter	6,786
		171,756
Prior year		
	2016	14,974
	2017	5,601
	2018	5,575
	2019	4,821
	2020	49,892
	thereafter	78,456
		159,319

€ 6,215,000) which are extended from year to year. Due to non-compliance with the covenants at 31 December 2016, the corresponding liabilities have been classified as current. Information regarding the new financing arranges is provided in the section “Events after the end of the reporting period”.

Finance lease liabilities comprised the following:

In € 000	Present value at 31.12.	Discounting	Total	due within 1 year	1 to 5 years	more than 5 years
Minimum lease payments	76	5	81	40	41	0
Discounting			5	3	2	0
Present value / Carrying amount			76	37	39	0

Other **financial liabilities** includes trade accounts payable of ALTE technologies S.L.U., which are to be repaid in instalments over the next 8 to 13 years. These amounts are reported at their present value, with interest discounting being unwound at 3.75% p.a. Moreover, Albatros S.L.U. has some liabilities which fall due up to 2044, on which interest discounting is being unwound at 7.21% p.a.

Of the **trade accounts payable** total reported at 31 December 2016, 11.1% (2015: 9.5%) relate to the five largest creditors.

Payables are mainly denominated in the following currencies: 92.7% in Euro (2015: 91.4%), 2.2% in USD (2015: 0.2%) and 2.3% in CNY (2015: 3.4%).

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.

OTHER DISCLOSURES

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

Voting rights notification are presented here in the language (German/English) in which the Company received them.

Veröffentlichung vom 04.10.2016

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Grund der Mitteilung

<input type="checkbox"/>	Erwerb/Veräußerung von Aktien mit Stimmrechten
<input type="checkbox"/>	Erwerb/Veräußerung von Instrumenten
<input type="checkbox"/>	Änderung der Gesamtzahl der Stimmrechte
<input checked="" type="checkbox"/>	Sonstiger Grund: Erwerb von Stimmrechten durch verwaltetes Sondervermögen

3. Angaben zum Mitteilungspflichtigen

Name:	Registrierter Sitz und Staat:
Universal-Investment-Gesellschaft mit beschränkter Haftung	Frankfurt am Main Deutschland

4. Namen der Aktionäre

mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

☐
5. Datum der Schwellenberührung

27.09.2016

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1.+ 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl Stimmrechte des Emittenten
neu	3,02 %	0 %	3,02 %	6.152.190
letzte Mitteilung	2,77 %	n/a %	n/a %	/

7. Einzelheiten zu den Stimmrechtsbeständen**a. Stimmrechte (§§ 21, 22 WpHG)**

ISIN	absolut		in %	
	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)
DE0007170300		185.576	%	3,02 %
Summe	185.576		3,02 %	

b.1. Instrumente i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Stimmrechte absolut	Stimmrechte in %
				%
		Summe		%

b.2. Instrumente i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Barausgleich oder physische Abwicklung	Stimmrechte absolut	Stimmrechte in %
					%
			Summe		%

8. Informationen in Bezug auf den Mitteilungspflichtigen

X	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen mit melderlevanten Stimmrechten des Emittenten (1.).
	Vollständige Kette der Tochterunternehmen beginnend mit der obersten beherrschenden Person oder dem oberstem beherrschenden Unternehmen:

Unternehmen	Stimmrechte in %, wenn 3% oder höher	Instrumente in %, wenn 5% oder höher	Summe in %, wenn 5% oder höher

9. Bei Vollmacht gemäß § 22 Abs. 3 WpHG

(nur möglich bei einer Zurechnung nach § 22 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:	
Gesamtstimmrechtsanteil nach der Hauptversammlung:	% (entspricht Stimmrechten)

Veröffentlichung vom 26.09.2016

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Schaltbau Holding AG
 Hollerithstraße 5
 81829 München
 Deutschland

2. Grund der Mitteilung

X	Erwerb/Veräußerung von Aktien mit Stimmrechten
	Erwerb/Veräußerung von Instrumenten
	Änderung der Gesamtzahl der Stimmrechte
	Sonstiger Grund:

3. Angaben zum Mitteilungspflichtigen

Name:	Registrierter Sitz und Staat:
Herr Massimo Malvestio	

4. Namen der Aktionäre

mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

Hermes Linder Fund SICAV PLC

5. Datum der Schwellenberührung

19.09.2016

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1. + 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl Stimmrechte des Emittenten
neu	3,04 %	0 %	3,04 %	6.152.190
letzte Mitteilung	n/a %	n/a %	n/a %	/

7. Einzelheiten zu den Stimmrechtsbeständen

a. Stimmrechte (§§ 21, 22 WpHG)

ISIN	absolut		in %	
	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)
DE0007170300		186753	%	3,04 %
Summe	186753		3,04 %	

b.1. Instrumente i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Stimmrechte absolut	Stimmrechte in %
				%
		Summe		%

b.2. Instrumente i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Barausgleich oder physische Abwicklung	Stimmrechte absolut	Stimmrechte in %
					%
			Summe		%

8. Informationen in Bezug auf den Mitteilungspflichtigen

	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen mit melderlevanten Stimmrechten des Emittenten (1.).
X	Vollständige Kette der Tochterunternehmen beginnend mit der obersten beherrschenden Person oder dem oberstem beherrschenden Unternehmen:

Unternehmen	Stimmrechte in %, wenn 3% oder höher	Instrumente in %, wenn 5% oder höher	Summe in %, wenn 5% oder höher
Massimo Malvestio	%	%	%
Finpartes Ltd	%	%	%
Veniero Investments Ltd	%	%	%
Praude Asset Management Ltd	3,04 %	%	%

9. Bei Vollmacht gemäß § 22 Abs. 3 WpHG

(nur möglich bei einer Zurechnung nach § 22 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:	
Gesamtstimmrechtsanteil nach der Hauptversammlung:	% (entspricht Stimmrechten)

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Grund der Mitteilung

X	Erwerb/Veräußerung von Aktien mit Stimmrechten
	Erwerb/Veräußerung von Instrumenten
	Änderung der Gesamtzahl der Stimmrechte
	Sonstiger Grund:

3. Angaben zum Mitteilungspflichtigen

Name:	Registrierter Sitz und Staat:
Hermes Linder Fund SICAV PLC	Birkirkara Malta

4. Namen der Aktionäre

mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

☐
5. Datum der Schwellenberührung

19.09.2016

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1.+ 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl Stimmrechte des Emittenten
neu	3,04 %	0 %	3,04 %	6.152.190
letzte Mitteilung	n/a %	n/a %	n/a %	/

7. Einzelheiten zu den Stimmrechtsbeständen

a. Stimmrechte (§§ 21, 22 WpHG)

ISIN	absolut		in %	
	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)
DE0007170300	186753		3,04 %	%
Summe	186753		3,04 %	

b.1. Instrumente i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Stimmrechte absolut	Stimmrechte in %
				%
		Summe		%

b.2. Instrumente i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Barausgleich oder physische Abwicklung	Stimmrechte absolut	Stimmrechte in %
					%
			Summe		%

8. Informationen in Bezug auf den Mitteilungspflichtigen

X	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen mit melderlevanten Stimmrechten des Emittenten (1.).
	Vollständige Kette der Tochterunternehmen beginnend mit der obersten beherrschenden Person oder dem oberstem beherrschenden Unternehmen:

Unternehmen	Stimmrechte in %, wenn 3% oder höher	Instrumente in %, wenn 5% oder höher	Summe in %, wenn 5% oder höher

9. Bei Vollmacht gemäß § 22 Abs. 3 WpHG

(nur möglich bei einer Zurechnung nach § 22 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:	
Gesamtstimmrechtsanteil nach der Hauptversammlung:	% (entspricht Stimmrechten)

Veröffentlichung vom 21.07.2016

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Grund der Mitteilung

	Erwerb/Veräußerung von Aktien mit Stimmrechten
	Erwerb/Veräußerung von Instrumenten
	Änderung der Gesamtzahl der Stimmrechte
X	Sonstiger Grund: Bestandsmitteilung gem. § 41 Abs. 4g WpHG

3. Angaben zum Mitteilungspflichtigen

Name:	Registrierter Sitz und Staat:
Landkreis Biberach	Biberach an der Riss Deutschland

4. Namen der Aktionäre

mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

Kreissparkasse Biberach

5. Datum der Schwellenberührung

02.07.2016

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1. + 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl Stimmrechte des Emittenten
neu	5,02 %	0,00 %	5,02 %	6152190
letzte Mitteilung	0,00 %	0,00 %	0,00 %	/

7. Einzelheiten zu den Stimmrechtsbeständen

a. Stimmrechte (§§ 21, 22 WpHG)

ISIN	absolut		in %	
	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)	direkt (§ 21 WpHG)	zugerechnet (§ 22 WpHG)
DE0007170300		308543	%	5,02 %
Summe	308543		5,02 %	

b.1. Instrumente i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Stimmrechte absolut	Stimmrechte in %
				%
		Summe		%

b.2. Instrumente i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Art des Instruments	Fälligkeit / Verfall	Ausübungszeitraum / Laufzeit	Barausgleich oder physische Abwicklung	Stimmrechte absolut	Stimmrechte in %
					%
			Summe		%

8. Informationen in Bezug auf den Mitteilungspflichtigen

	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen mit melderlevanten Stimmrechten des Emittenten (1.).
X	Vollständige Kette der Tochterunternehmen beginnend mit der obersten beherrschenden Person oder dem oberstem beherrschenden Unternehmen:

Unternehmen	Stimmrechte in %, wenn 3% oder höher	Instrumente in %, wenn 5% oder höher	Summe in %, wenn 5% oder höher
Landkreis Biberach	%	%	%
Kreissparkasse Biberach	5,02 %	%	5,02 %

9. Bei Vollmacht gemäß § 22 Abs. 3 WpHG

(nur möglich bei einer Zurechnung nach § 22 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:	
Gesamtstimmrechtsanteil nach der Hauptversammlung:	% (entspricht Stimmrechten)

Veröffentlichung vom 13.04.2016

Notification of Major Holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 Munich Germany
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2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change of breakdown of voting rights
X	Other reason: Acquisition of shares with voting rights by managed investment fund

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
BNY Mellon Service Kapitalanlage-Gesellschaft mbH	Frankfurt on Main Germany

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

☐

5. Date on which threshold was crossed or reached

08 Apr 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	5.17 %	0 %	5.17 %	6152190
Previous notification	4.88 %	%	%	/

7. Notified details of the resulting situation**a. Voting rights attached to shares (Sec.s 21, 22 WpHG)**

ISIN	absolute		in %	
	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)	direct (Sec. 21 WpHG)	indirect (Sec. 22 WpHG)
DE0007170300		317964	%	5.17 %
Total	317964		5.17 %	

b.1. Instruments according to Sec. 25 para. 1 No. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments according to Sec. 25 para. 1 No. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X	Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:	
Holding position after general meeting:	% (equals voting rights)

Veröffentlichung vom 23.06.2014

Die Stichting Administratiekantoor Monolith, Amsterdam, Niederlande hat uns gemäß § 21 Abs. 1 WpHG am 19.06.2014 mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, München, Deutschland am 01.05.2014 die Schwelle von 3% und 5% der Stimmrechte überschritten hat und an diesem Tag 5,37% (das entspricht 330565 Stimmrechten) betragen hat. 5,37% der Stimmrechte (das entspricht 330565 Stimmrechten) sind der Gesellschaft gemäß § 22 Abs. 1, Satz 1, Nr. 1 WpHG zuzurechnen. Zugerechnete Stimmrechte werden dabei gehalten über folgende von ihr kontrollierte Unternehmen, deren Stimmrechtsanteil an der Schaltbau Holding AG jeweils 3 Prozent oder mehr beträgt: Monolith Duitsland B.V.

Veröffentlichung vom 14.05.2014

Die Monolith Duitsland B.V., Amsterdam, Niederlande hat uns gemäß § 21 Abs. 1 WpHG am 13.05.2014 mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, München, Deutschland am 01.05.2014 die Schwelle von 3% und 5% der Stimmrechte überschritten hat und an diesem Tag 5,37% (das entspricht 330565 Stimmrechten) betragen hat.

Veröffentlichung vom 14.05.2014

Die Monolith N.V., Amsterdam, Niederlande hat uns gemäß § 21 Abs. 1 WpHG am 13.05.2014 mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, München, Deutschland am 01.05.2014 die Schwelle von 5% und 3% der Stimmrechte unterschritten hat und an diesem Tag 0% (das entspricht 0 Stimmrechten) betragen hat.

Veröffentlichung vom 08.02.2013

Die FPM Funds SICAV, Luxembourg, Luxembourg hat uns gemäß § 21 Abs. 1 WpHG am 06.02.2013 mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, München, Deutschland am 31.01.2013 die Schwelle von 3% der Stimmrechte unterschritten hat und an diesem Tag 2,99% (das entspricht 183926 Stimmrechten) betragen hat.

Deutsche Bank AG advised us the following:

Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 04. January 2011

Pursuant to sections 21 (1) WpHG ('German Securities Trading Act') we hereby notify in the name and on behalf of FPM Funds SICAV, Luxembourg, Luxembourg, that the percentage of voting rights of FPM Funds SICAV in Schaltbau Holding AG, Hollerithstraße 5, D-81829 München, Germany, crossed above the threshold of 3% on 27th December 2010 and amounted to 3.20% (60,000 voting rights) as per this date.

Veröffentlichung vom 13.12.2012

Die SATORA Beteiligungs GmbH, Baden-Baden, Deutschland, hat uns gemäß § 21 Abs. 1 WpHG am 13.12.2012 mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, München, Deutschland, am 13.12.2012 die Schwelle von 10% der Stimmrechte überschritten hat und an diesem Tag 10,0829% (das entspricht 620319 Stimmrechten) betragen hat.

Veröffentlichung vom 16.08.2011

Die BayernInvest Kapitalanlagegesellschaft mbH, München, Deutschland, hat uns gemäß § 21 Abs. 1 WpHG mitgeteilt, dass ihr Stimmrechtsanteil an der Schaltbau Holding AG, Hollerithstraße 5, 81829 München, am 10. August 2011 die Schwelle von 3 % überschritten hat und an diesem Tag 3,0536 % (das entspricht 62.622 Stimmrechten) betragen hat. Davon sind ihr 3,0536 % (62.622 Stimmrechte) gemäß § 22 Abs. 1 Satz 1 Nr. 6 WpHG über die Kreissparkasse Biberach zuzurechnen.

Veröffentlichung vom 10.01.2011

On 04 January 2011 Deutsche Bank AG advised us the following:

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

Pursuant to sections 21 (1), 24 WpHG ('German Securities Trading Act'), in conjunction with section 32 (2) InvG ('German Investment Act'), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment S.A., Luxembourg, in Schaltbau Holding AG, Hollerithstraße 5, D-81829 München, Germany, crossed above the threshold of 3% on 27th December 2010 and amounts to 3.20% (60,000 voting rights) as per this date.

Veröffentlichung vom 10.02.2006

Herr Hans Jakob Zimmermann, Essen, hat uns am 06.02.2006 gemäß § 21 WpHG mitgeteilt, dass sein Stimmrechtsanteil an unserer Gesellschaft zum 04.05.2005 die Schwelle von 10% unterschritten hat und zu diesem Zeitpunkt 7,77% betragen hat. Dies entsprach 132.003 Stimmen.

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors for the audit of financial statements amounted to € 702,000 (2015: € 728,000). Of this amount, € 460,000 (2015: € 459,000) related to audit services provided by PricewaterhouseCoopers GmbH (formerly: Aktiengesellschaft) Wirtschaftsprüfungsgesellschaft (2015: KPMG AG Wirtschaftsprüfungsgesellschaft). In addition, PwC GmbH (2015: KPMG AG) was paid € 70,000 (2015: € 7,000) for tax advisory services, € 0 (2015: € 33,000) for other attestation services and € 8,000 (2015: € 157,000) for other services.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In € 000	31.12.2016	31.12.2015
Other financial commitments		
Rental and lease expenses	11,953	12,581
Sundry commitments	2,593	3,242

Contingent liabilities amounting to € 1,000,000 (2015: € 6,844,000) related mainly to the financing arrangements of non-consolidated subsidiaries. The risk of losses as a result of claims in conjunction with these contingent liabilities is assessed as low, since it can be assumed that sufficient liquidity will be available via group financing.

The rental and leasing expenses shown under **other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements are spread over the following future years as follows: up to one year € 4,494,000 (2015: € 3,905,000), between one and five years € 7,278,000 (2015: € 7,817,000) and later than five years € 272,000 (2015: € 859,000).

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

DISCLOSURES ON FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

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

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

31.12.2016 In € 000	Balance sheet carrying amounts	Not valued on basis of IAS 39	Carrying amounts based on IAS 39	
Measurement category pursuant to IAS 39:			Non-derivative receivables and payables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments ¹⁾	4.030	-	-	-
Trade accounts receivable ²⁾	115.241	-	115.241	-
Current income tax receivables	944	944	-	-
Other current assets ²⁾	15.009	1.715	13.264	-
Cash and cash equivalents ²⁾	30.018	-	30.018	-
Total	165.242	2.659	158.523	-
Liabilities-side financial instruments				
Non-current financial liabilities ³⁾	43.304	38	43.266	-
Non-current other liabilities ³⁾	4.557	-	4.557	-
Current income tax payable	337	337	-	-
Current financial liabilities ²⁾	134.719	37	134.681	-
Trade accounts payable ²⁾	42.034	-	42.034	-
Advance payments received	12.684	12.684	-	-
Other liabilities ²⁾	21.508	159	20.494	-
Total	259.143	13.255	245.032	-

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments. One investment with a carrying amount of zero was sold in 2016 for a total of € 190,000.

2) No disclosure made, since the carrying amount approximates the fair value.

3) All fair value disclosures for financial instruments measured at amortised cost are allocated to level 3 in the fair value hierarchy. The fair value of these financial instruments is calculated by means of discounting, using an interest rate observable on the market account and adjusted for Schaltbau's credit risk.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading	Derivatives in hedging relationships			Total carrying amounts based on IAS 39	Fair values
Fair value (through profit or loss)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)			
-	4,030	-	-	-		4,030	-
-	-	-	-	-		115,241	-
-	-	-	-	-		-	-
-	-	-	31	-		13,295	-
-	-	-	-	-		30,018	-
-	4,030	-	31	-		162,584	-
-	-	-	-	-		43,266	36,788
-	-	-	-	-		4,557	4,093
-	-	-	-	-		-	-
-	-	-	-	-		134,681	126,942
-	-	-	-	-		42,034	-
-	-	-	-	-		-	-
-	-	-	62	793		21,349	-
-	-	-	62	793		245,887	167,823

31.12.2015 In € 000	Balance sheet carrying amounts	Not valued on basis of IAS 39	Carrying amounts based on IAS 39	
Measurement category pursuant to IAS 39:			Non-derivative receivables and payables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments ¹⁾	12,995	-	-	-
Trade accounts receivable ²⁾	111,233	-	111,233	-
Current income tax receivables	533	533	-	-
Other current assets ²⁾	16,963	2,520	14,309	-
Cash and cash equivalents ²⁾	32,446	-	32,446	-
Total	174,170	3,053	157,988	-
Liabilities-side financial instruments				
Non-current financial liabilities ³⁾	146,658	97	146,561	-
Non-current other liabilities ³⁾	11,832	-	11,832	-
Current income tax payable	1,748	1,748	-	-
Current financial liabilities ²⁾	15,401	35	15,366	-
Trade accounts payable ²⁾	38,829	-	38,829	-
Advance payments received	12,596	-	12,596	-
Other liabilities ²⁾	22,648	375	20,284	-
Total	249,712	2,255	245,468	-

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments. One investment with a carrying amount of zero was sold in 2016 for a total of € 190,000.

2) No disclosure made, since the carrying amount approximates the fair value.

3) All fair value disclosures for financial instruments measured at amortised cost are allocated to level 3 in the fair value hierarchy. The fair value of these financial instruments is calculated by means of discounting, using an interest rate observable on the market account and adjusted for Schaltbau's credit risk.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading	Derivatives in hedging relationships			Total carrying amounts based on IAS 39	Fair values
Fair value (through profit or loss)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)			
-	12,995	-	-	-		12,995	-
-	-	-	-	-		111,233	-
-	-	-	-	-		-	-
134	-	-	-	-		14,443	-
-	-	-	-	-		32,446	-
134	12,995	-	-	-		171,117	-
-	-	-	-	-		146,561	151,538
-	-	-	-	-		11,832	10,181
-	-	-	-	-		-	-
-	-	-	-	-		15,366	14,587
-	-	-	-	-		38,829	-
-	-	-	-	-		12,596	-
409	-	-	189	1,391		22,273	-
409	-	-	189	1,391		247,457	140,306

FAIR VALUE HIERARCHY

At 31 December 2016 the financial assets and liabilities shown in the following table were measured at fair value.

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

Level 1: based on prices quoted (applied without adjustment) on active markets for identical assets and liabilities

Level 2: based on input data for the asset or liability observable either directly (in the form of prices) or indirectly (derived from prices) which do not represent quoted prices according to level 1

Level 3: input data not based on observable market data to measure the asset or liability (non-observable input data)

In € 000	Level 1	Level 2	Level 3	31.12.2016
Financial assets				
Measured at fair value through profit and loss				
Assets held for sale	-	-	-	-
Derivatives in hedging relationships	-	-	-	-
Not classified to category pursuant to IAS 39 (directly equity)				
Derivatives not in hedging relationships	-	-	-	-
Financial liabilities				
Measured at fair value through profit and loss				
Assets held for sale	-	-	-	-
Derivatives not in hedging relationships	-	62	-	62
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	793	-	793

There were no reclassifications of fair value measurements between level 1 and level 2 in either 2016 or 2015. Similarly, there were no reclassifications within level 3 in connection with fair value measurements.

In € 000	Level 1	Level 2	Level 3	31.12.2015
Financial assets				
Measured at fair value through profit and loss				
Assets held for sale	-	-	134	134
Derivatives in hedging relationships	-	-	-	-
Not classified to category pursuant to IAS 39 (directly equity)				
Derivatives not in hedging relationships	-	-	-	-
Financial liabilities				
Measured at fair value through profit and loss				
Assets held for sale	-	-	409	409
Derivatives not in hedging relationships	-	189	-	189
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	1,391	-	1,391

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

In € 000	31.12.2016	31.12.2015
Measured at fair value through profit and loss	157	127
Loans and receivables	502	-1,740
Held-to-maturity	0	0
Available-for-sale	190	-275

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

Net losses of € 33,000 (2015: net losses of € 433,000) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

CAPITAL MANAGEMENT DISCLOSURES

Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity fell in 2016 as a result of the loss recorded for the year. It now amounts to € 107.1 million and has therefore deteriorated by € 17.7 million compared to the previous year. The Group equity ratio fell from 28.0% to 23.3%, in part due to the renewed increase in the balance sheet total. The aim is to achieve a moderate improvement in the Group equity ratio over the coming years. Compared to the end of the previous financial year, the debt coefficient (net bank liabilities to banks / EBITDA) increased due to the reclassification of the promissory note and now stands at 8.5 (2015: 2.7). Including other financial liabilities (net financial liabilities / EBITDA), the debt coefficient is 9.0 (2015: 2.8). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

CORPORATE GOVERNANCE

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code were issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 21 December 2016 at <http://schaltbau.com/de/investor-relations/corporate-governance/entsprechenserklaerung/> dauerhaft zugänglich gemacht.

RELATED PARTY TRANSACTIONS

Transactions between fully consolidated companies on the one hand and 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:

In € 000	Volume of services performed		Volume of services received	
	2016	2015	2016	2015
Associated companies				
Goods and services	315	142	2,764	1,610
Other transactions	96	516	22	343
Non-consolidated companies				
Goods and services	11,841	11,069	3,455	2,750
Other transactions	554	518	2,122	2,243

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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.

In € 000	Receivables		Payables	
	2016	2015	2016	2015
Associated companies	763	906	595	478
Non-consolidated companies	6.801	6.619	338	497

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

In addition, at the end of the previous year, non-current loans receivable from associated companies (Albatros S.L.U.) amounted to € 9,458,000. Albatros S.L.U. is fully consolidated at the end of the reporting period, with the consequence that the loan is now an intragroup transaction.

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

DISCLOSURES RELATING TO NON-CONTROLLING INTERESTS

Attributable to non-controlling interests:

In € 000	Xi'an Schaltbau Electric Corporation Ltd.		Rawicka Fabryka Wyposazenia Wagonow SP.z.o.o.	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Capital	50.0%	50.0%	10.7%	10.7%
Voting rights	50.0% ¹⁾	50.0% ¹⁾	10.7%	10.7%
Group net profit	3,108	5,226	423	882
Equity	18,108	18,016	5,167	5,608
Assets ²⁾	22,042	25,159	4,532	5,658
Liabilities ²⁾	3,935	7,143	818	1,504
Net profit for the year ²⁾	3,108	5,226	423	882
Other comprehensive income for the year ²⁾	-538	706	-118	-10
Total comprehensive income ²⁾	2,570	5,932	305	872
Cash flows				
from operating activities	5,603	4,084	583	801
from investing activities	-121	-205	-144	-224
from financing activities	-2,429	-1,755	-752	-213

1) Board majority

2) Before elimination of intragroup transactions

In € 000	SPII S.p.A		Schaltbau Transportation UK Ltd.	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Capital	35.0%	35.0%	35.0%	35.0%
Voting rights	35.0%	35.0%	35.0%	35.0%
Group net profit	461	170	-179	1
Equity	7,961	7,520	2,198	2,737
Assets ¹⁾	13,267	14,376	2,890	3,496
Liabilities ¹⁾	5,305	6,853	852	920
Net profit for the year ¹⁾	461	170	-179	1
Other comprehensive income for the year ¹⁾	0	0	-360	-26
Total comprehensive income ¹⁾	461	170	-539	-25
Cash flows				
from operating activities	987	407	-177	246
from investing activities	-96	-46	-55	-44
from financing activities	-896	-56	459	90

1) Before elimination of intragroup transactions

The disclosures for earnings attributable to non-controlling interests and cash flows for the previous year are based in the case of SPII S.p.A. on a period of 6 months (from 1 July 2015), and in the case of Schaltbau Transportation UK Ltd. on a period of 8 months (from 1 May 2015).

SEGMENTS

The Group's segment designations are product-oriented. The Group's business units are allocated to the segment for which they generate most of their sales. A detailed description of the three segments, "Mobile Transportation Technology", "Stationary Transportation Technology" and "Components" is provided in the Group Management Report in the section "Business activities". Segments were either not aggregated, either in the previous fiscal year or in the year under report.

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

In € 000	Assets		Capital expenditure		External sales	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Germany	210,364	224,903	15,688	19,205	170,872	166,554
Other EU countries	159,555	140,159	3,320	17,475	186,232	184,998
Other European countries	2,861	3,044	-	-	31,821	29,890
China / Hong Kong	50,122	53,733	547	392	78,569	85,292
North America	34,620	22,902	562	188	29,993	23,881
Other countries	1,552	1,059	109	21	11,610	11,653
	459,074	445,800	20,226	37,281	509,097	502,268

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

RECONCILIATIONS

In € 000	Sales		In € 000	EBIT	
	2016	2015		2016	2015
Total sales of segments	510,461	503,651	Total EBIT of segments	-5,823	40,577
Other sales	3,558	3,487	Other EBIT	-9,036	-7,157
Consolidation	-4,922	-4,870	Consolidation	376	-
Sales as per income statement	509,097	502,268	EBIT as per income statement	-14,483	33,420

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

In € 000	Assets		In € 000	Liabilities	
	2016	2015		2016	2015
Total segment assets	472,416	463,659	Total segment liabilities	295,982	289,701
Other assets excluding deferred tax assets	87,779	119,203	Other liabilities excluding deferred tax liabilities	149,785	150,599
Deferred taxes	-133	-2,979	Deferred taxes	-4,364	-6,387
Consolidation	-100,988	-134,083	Consolidation	-89,402	-112,889
Group assets as per balance sheet	459,074	455,800	Group liabilities as per balance sheet	352,001	321,024

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

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

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

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

SEGMENT INFORMATION

In € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2016	2015	2016	2015
Order intake (external)	263,152	224,945	157,827	155,463
Sales	222,881	225,540	149,436	144,233
- of which external	222,164	225,020	149,336	144,022
- of which with other segments	717	520	100	211
Order book (external)	263,243	164,830	93,771	90,429
EBITDA	14,129	20,699	-12,400	5,018
Result from operating activities (EBIT)	5,151	15,952	-28,124	1,216
Result from at-equity accounted companies	-3,518	-66	0	0
Sundry other result from investments	6,926	2,465	190	0
Interest income	375	100	15	130
Interest expense	-1,531	-1,587	-2,376	-2,570
Income taxes	-1,233	-3,289	7,739	-1,160
Segment result / Group result	6,165	13,572	-22,556	-2,384
Change in fixed assets due to expansion in Group reporting entity	12,462	6,098	0	0
Capital expenditure on investments	230	5,695	333	0
Capital expenditure ^{*1)}	7,706	6,014	6,728	9,576
Amortisation and depreciation ^{*1)}	-8,978	-4,746	-15,724	-3,802
Impairment losses (without investments)	-443	-720	-5,387	-2,746
Reversal of impairment losses (without investments)	-866	847	-339	386
Other significant non-cash expenses	-5,822	-6,821	-11,581	-4,089
Segment assets ^{*2)}	202,432	174,887	117,711	129,836
Investments accounted for at-equity	2,861	11,468	267	0
Capital employed ^{*3)}	163,601	127,000	79,549	91,791
Segment liabilities ^{*4)}	117,020	85,067	89,589	99,413
Employees (average)	1,411	1,261	699	699
EBIT margin ^{*5)}	2.3%	7.1%	-18.8%	0.8%
Return on capital employed (ROCE) ^{*6)}	3.1%	12.6%	-35.4%	1.3%

*1) For intangible assets and property, plant and equipment

*2) Balance sheet total

*3) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets

*4) Liabilities

*5) EBIT / external sales

*6) EBIT / capital employed

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2016	2015	2016	2015	2016	2015	2016	2015
130,073	131,483	551,052	511,891	98	77	551,150	511,968
138,144	133,878	510,461	503,651	-1,364	-1,383		
137,498	133,149	508,998	502,191	99	77	509,097	502,268
646	729	1,463	1,460	-1,463	-1,460		
72,829	79,054	429,843	334,313			429,843	334,313
22,813	27,516	24,542	53,233	-8,188	-6,748	16,354	46,485
17,150	23,409	-5,823	40,577	-8,660	-7,157	-14,483	33,420
0	0	-3,518	-66	0	0	-3,518	-66
268	0	7,384	2,465	-1	0	7,383	2,465
67	42	457	272	818	130	1,275	402
-1,608	-1,660	-5,515	-5,817	-990	-10	-6,505	-5,827
-3,397	-3,145	3,109	-7,594	725	-67	3,834	-7,661
12,480	18,646	-3,911	29,834	-8,108	-7,379	-12,019	22,455
0	22,258	12,462	28,356	-8,688	0	3,774	28,356
40	17	603	5,712	345	9,464	948	15,176
4,262	5,345	18,696	20,935	582	1,170	19,278	22,105
-5,663	-4,040	-30,365	-12,588	-472	-409	-30,837	-12,997
-736	-990	-6,566	-4,456	0	0	-6,566	-4,456
-337	135	-1,542	1,368	0	1	-1,542	1,369
-5,925	-4,137	-23,328	-15,047	-2,916	-2,822	-26,244	-17,869
152,273	158,936	472,416	463,659	-13,342	-17,859	459,074	445,800
0	0	3,128	11,468	1	0	3,129	11,468
108,641	118,004	351,791	336,795	-10,729	-985	341,062	335,810
89,373	105,221	295,982	289,701	56,019	31,323	352,001	321,024
789	722	2,899	2,682	25	24	2,924	2,706
12.5%	17.6%					-2.8%	6.7%
15.8%	19.8%					-4.2%	10.0%

CASH FLOW STATEMENT

As a result of the retrospective restatement of the previous year's figures, cash flows from operating and investing activities decreased by € 1,674,000 and € 2,109,000 respectively. Cash flows from financing activities increased by € 1,058,000. As a result of the restatements, cash funds increased by € 1,711,000 at 31 December 2015 and by € 232,000 at 1 January 2015.

a) Cash flows from operating activities (indirect method)

Based on the loss before financial result and taxes (EBIT) of € 14.5 million, the positive cash flow from operating activities in 2016, amounting to € 25.8 million, was approximately € 3.6 million lower than the restated figure for the previous year.

Total output was at a similar level to the previous year. However, a sharp increase in the level of impairment losses recorded on overseas' projects of Pintsch Bamag, including impairment losses recognised on capitalised own costs (deterioration of € 9.8 million), write-downs on inventories (deterioration of € 4.6 million) and allocations to provisions for pending losses on onerous contracts (deterioration of € 16.3 million) brought about a high negative EBIT figure for the twelve-month period. These items accounted largely for the high level of depreciation, amortisation, impairment losses and non-cash expenses. The tax payments relate primarily to foreign companies with positive earnings.

Overall therefore, despite the negative Group EBIT, cash flows from operating activities remained positive, finishing only some € 3 million below the previous year's corresponding figure.

b) Cash flows from investing activities

Cash outflows for investing activities totalled € 18.2 million in 2016 and were therefore well below the previous year's restated figure (€ 49.0 million).

At € 19.3 million, payments for investments in intangible assets and property, plant and equipment were again lower than the previous year's high level (€ 22.1 million). Capitalised development costs included in this figure (almost entirely relating to the Mobile and Stationary Transportation Technology segments) amounted to € 5.0 million, slightly higher than one year earlier (€ 4.7 million). Further investments primarily at Schaltbau GmbH and Bode KG locations as well as new construction measures at RAWAG (Poland) resulted once again in high levels of cash outflows for land and buildings and assets under construction (in total € 4.6 million). The outflow was, nevertheless, lower than the corresponding figure one year earlier (€ 5.8 million). Investments in "Other operational and office equipment" and "Plant and machinery" also decreased by around € 2 million compared to the previous year.

Cash outflows for the acquisition of fully consolidated companies (€ 1.5 million) related primarily to the purchase of the remaining shares of Albatros S.L.U., Spain. The proceeds from the disposal of business units amounting to € 3.0 million result from the sale of the Warning Systems operations of Pintsch Bamag GmbH.

c) Cash flows from financing activities

Dividend and interest payments were financed primarily by the sale of almost all of the Company's treasury shares previously acquired in conjunction with the share repurchase programme and by using existing lines of finance.

d) Composition of cash funds

Cash funds comprise:

In € 000	31.12.2016	31.12.2015
Cash and cash equivalents	30,825	32,446
Balance on cash management accounts	352	229
	31,177	32,675

Prior year figures restated (see comments in the section "Business combinations / Group reporting entity")

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

Cash funds decreased slightly compared to the end of the previous year. The balance reported for cash funds was due in part to the timing of cash inflows around the year end and, to a greater extent, cash inflows at the level of foreign subsidiaries which could not be offset against payables.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In an agreement dated 31 March 2017, the Company restructured its financing arrangements with other financing parties.

The Syndicated Credit Agreement with a volume of € 100 million remains in place largely unchanged, but will expire on 31 December 2019. The options to extend the agreement or increase its volume no longer apply. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral. The financial covenants were adjusted to take account of the new circumstances and provide greater headroom for the Company. At the same time, the credit margins have been increased.

The Company will also receive as bridge financing up to an amount of € 25 million. The same covenants also apply to this financing.

As part of the financing negotiations, the conditions of the promissory notes were also modified. Interest payable to the promissory note holders will increase by one percentage point during the period from 1 April 2017 to 31 December 2019. The promissory note holders also have the option up to 30 June 2019 to terminate the promissory note agreement with effect from 31 December 2019.

REPRESENTATIVE BODIES AND MANDATES OF MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

MEMBERS OF THE EXECUTIVE BOARD

Dr Bertram Stausberg Spokesman, CEO (from 01.04.2017)	No mandates
Helmut Meyer Spokesman, CEO (from 01.12.2016 until 31.03.2017) Member of the Executive Board (from 01.04.2017)	Member of the Supervisory Board: Blitz 16-612 SE, Munich (22.12.2016-15.02.2017) Member of the Advisory Board: Ventilatorenfabrik Oelde GmbH, Oelde Chairman of the Advisory Board: Martor KG, Solingen
Dr Jürgen H. Cammann Executive Board spokesman (until 30.11.2016)	Member of the Board: Alte Technologies S.L.U., Spain (until 30.11.2016) President of the Board: Albatros S.L.U., Spain (to 30.11.2016)
Thomas Dippold CFO (from 01.01.2017)	Member of the Board: Alte Technologies S.L.U., Spain (from 01.01.2017)
Elisabeth Prigge CFO (until 30.06.2016)	Chairman of the Supervisory Board: RAWAG SP.z.o.o., Poland (to 08.08.2016) Member of the Board: Alte Technologies S.L.U., Spain (to 30.06.2016)
Ralf Klädtke Member of the Executive Board, Mobile Transportation Technology	President of the Board: Alte Technologies S. L.U., Spain RAWAG SP.z.o.o., Poland (from 08.08.2016) Member of the Board: Albatros S.L.U., Spain Schaltbau Transportation UK Ltd., United Kingdom (from 01.10.2016)

MEMBERS OF THE SUPERVISORY BOARD

Hans Jakob Zimmermann Chairman Supervisory Board	Chairman of the Supervisory Board: wige MEDIA AG, Cologne Chairman of the Advisory Board: ante-holz GmbH, Bromskirchen-Somplar
Peter Jahrmarkt Deputy Chairman (until 14.06.2016) Officer with general authority of heristo holding GmbH, Bad Rothenfelde	Chairman of the Supervisory Board: heristo aktiengesellschaft, Bad Rothenfelde (until 30.06.2016) Member of the Supervisory Board: fine food alliance SE, Bad Rothenfelde Chairman of the Supervisory Board: heristo aktiengesellschaft, Bad Rothenfelde (from 30.06.2016)

Marianne Reindl Secretary	Chairwoman: Group Works Council of Schaltbau Holding AG, Munich General Works Council of Schaltbau GmbH, Munich Deputy Chairwoman: Works Council of Schaltbau GmbH, Aldersbach plant
Dr Stefan Schmittmann (until 14.06.2016)	Chairman of the Supervisory Board: Hypothesenbank Frankfurt AG, Frankfurt/Main (until 23.05.2016) Commerz Real AG, Eschborn (from 09.03.2016) Commerz Real Investmentgesellschaft mbH, Wiesbaden (from 09.03.2016)
Friedrich Smaxwil President CEN, European Committee for Standardization, Brussels (until 31.12.2016)	No mandates
Thomas Farnschläder Technical employee Work Centre	Chairman: Works Council of Pintsch Bubenzer GmbH, Kirchen Member: Group Works Council of Schaltbau Holding AG, Munich
Dr Ralph Heck Deputy Chairman (from 14.06.2016) Director Mc Kinsey & Company, Düsseldorf	Member of the Advisory Board: Würth Group, Künzelsau (from 01.01.2016) Member of the Boards of Trustees: Bertelsmann Stiftung Member of the Supervisory Board: Bilfinger SE, Mannheim (from 11.05.2016)
Helmut Meyer (14.06.2016 - 30.11.2016)	Member of the Supervisory Board: Blitz 16-612 SE, Munich (22.12.2016-15.02.2017) Member of the Advisory Board: Ventilatorenfabrik Oelde GmbH, Oelde Chairman of the Advisory Board: Martor KG, Solingen

Summary of changes in the Executive Board and Supervisory Board during the fiscal year 2016:

Elisabeth Prigge ceased to be a member of the Executive Board with effect from 30 June 2016. **Dr Jürgen Cammann** ceased to be the Spokesman and a member of the Executive Board with effect from 30 November 2016. **Helmut Meyer**, member of the Supervisory Board since 14 June 2016, was appointed Spokesman of the Executive Board with effect from 1 December 2016 to 31 March 2017. Helmut Meyer became a member of the Executive Board with effect from 1 April 2017. During his period of office on the Executive Board, Mr Meyer's mandate on the Supervisory Board is dormant. **Dr Bertram Stausberg** was appointed as the Spokesman and a member of the Executive Board with effect from 1 April 2017. **Peter Jahrmarkt** ceased to be a deputy member of the Supervisory Board with effect from 14 June 2016. **Dr Stefan Schmittmann** ceased to be a member of the Supervisory Board with effect from 14 June 2016. With effect from 14 June 2016, Ralph Heck became deputy member of the Supervisory Board and **Helmut Meyer** was appointed member of the Supervisory Board.

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the active members of the Executive Board for the fiscal year 2016 amounted to € 1,372,000 (2015: € 2,027,000) for short-term dues. An amount of € 980,000 (2015: € 0) was paid in termination benefits to a leaving member of the Executive Board.

An amount of € 397,000 was recognised as a provision at the end of the reporting period.

The Group does not disclose an analysis of remuneration by individual member of the Executive Board as a result of the resolution taken at the Annual General Meeting on 14 June 2016.

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 113,000 (2015: € 312,000). In addition, a remuneration of € 151,000 was paid to two members of the Supervisory Board (2015: € 55,000 to one member of the Supervisory Board) in accordance with the Articles of Incorporation (Article 13 paragraph 1 of the Articles of Incorporation of Schaltbau Holding AG). In accordance with the resolution passed at the ordinary Annual General Meeting on 6 June 2013, the Chairman of the Supervisory Board received an expense allowance of € 30,000 during the year under report (2015: € 30,000) to cover the cost of office rental, secretarial services and general administrative expenses. The remuneration paid to the Supervisory Board all relates to short-term benefits.

Pension obligations to former members of the Executive Board and their surviving dependents, which are all accrued, amounted to € 575,000 (2015: € 587,000).

Disbursements for the total remuneration of former members of the Executive Board and their surviving dependents amounted to € 1,062,000 incl. the termination benefit of € 980,000 (2015: € 82,000). There are no pension obligations to the current members of the Executive Board.

As at 31 December 2016, no shares of the Company were held by members of the Executive Board.

Members of the Supervisory Board hold in total 657,466 of the Company's shares, comprising 656,276 held directly or indirectly by Mr Zimmermann, and 1,190 held directly or indirectly by Mr Smaxwil.

PROPOSED APPROPRIATION OF RESULTS

The accumulated deficit of Schaltbau Holding AG amounting to € 14,811,358.36 will be carried forward.

Munich, 21 April 2017

The Executive Board



Dr Bertram Stausberg
(Spokesman)



Helmut Meyer



Thomas Dippold



Ralf Klädtke

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Munich, 21. April 2017

Schaltbau Holding AG
The Executive Board



Dr Bertram Stausberg
(Spokesman)



Helmut Meyer



Thomas Dippold



Ralf Klädtke

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD ACTIVITIES IN THE REPORTING YEAR

In accordance with the provisions of German stock corporation law, the Supervisory Board monitored the Executive Board of Schaltbau Holding AG in the reporting year and regularly advised it on its management of the Company. The Supervisory Board performed its duties as required by the applicable laws and articles of association with great diligence and dedicated significant attention to the Company's business transactions. The Supervisory Board took the necessary steps at all times to ensure that it was properly informed by the Executive Board in accordance with the more closely specified information and reporting obligations. Reviews are conducted to examine the extent to which the Executive Board fulfilled these obligations consistently during the reporting year.

The Supervisory Board performed its monitoring and advisory activities by obtaining detailed oral and written reports from the Executive Board regarding the business performance of Schaltbau Holding AG and the Group as a whole. The Executive Board's reports focused on the business policies, fundamental issues relating to finance and investment policies, and profitability and risk situation of Schaltbau Holding AG and the Group as a whole. The Supervisory Board was directly involved in key decisions of fundamental importance for the Company. Reviews are also conducted to examine the extent to which some decisions requiring the approval of the Supervisory Board were made by the Executive Board without the involvement of the former, thus constituting a breach of obligation. The Supervisory Board obtained regular, prompt and comprehensive reports, both orally and in writing, from the Executive Board regarding the business performance and policies, financial, investment and personnel planning, and profitability and risk situation of Schaltbau Holding AG and the Group as a whole. Furthermore, the strategic alignment of the Schaltbau Group and associated projects were among the main topics of the Executive Board's reports and its discussions with the Supervisory Board. Based on the reports and information received from the Executive Board, the Supervisory Board also checked to ensure compliance with the principles of proper corporate governance and the requirements of the risk management system within Schaltbau Holding AG and the Group as a whole.

As well as providing reports at the scheduled meetings, the Executive Board informed the members of the Supervisory Board of important events or those requiring urgent attention outside of meetings. In addition to the joint discussions at the scheduled Supervisory Board meetings, the Chairman of the Supervisory Board maintained close contact with the Company at all times and was kept abreast of current developments, the business performance and important individual events by the Executive Board.

At regular meetings, the Chairman of the Supervisory Board consulted with the Spokesman of the Executive Board and the entire Executive Board regarding current developments at the Company and the Group. They also discussed opportunities for external growth arising for Schaltbau and assessed them with regard to their feasibility. Numerous conference calls were held in the fiscal year, during which the Chairman of the Supervisory Board informed the entire Supervisory Board of current issues.

MAIN FOCUSES OF SUPERVISORY BOARD MEETINGS

Five regular and seven extraordinary Supervisory Board meetings were held in the reporting year. With few exceptions, all members of the Supervisory Board attended these meetings. At several meetings, the Spokesman of the Executive Board reported to the Supervisory Board on the unsatisfactory earnings in Spain and Brazil and the resulting high level of liquidity needed. He also reported on the Supervisory Board's perception of a lack of entrepreneurial rigour at the associated company Albatros S.L. In addition, numerous proposals by the Spokesman for the Executive Board with regard to entering into strategic partnerships were discussed. The Supervisory Board's perception of a lack of constructive cooperation within the Executive Board was also a topic of discussion at several meetings.

The monthly reports presented by the Executive Board were closely examined at each of the regular Supervisory Board meetings. These status reports are designed to supply information regarding incoming orders, sales and earnings – both on a monthly basis and cumulatively – including target deviations and the current forecast. The status reports also contain information about the liquidity and financial situation, including the current credit facilities, the amount utilised per company and the available liquidity based on actual and forecast figures. Furthermore, the Supervisory Board was provided with details on the development of incoming orders, revenue, expenses and earnings for the individual segments and subsidiaries of the Schaltbau Group and discussed them with the Executive Board. Strategic options were also discussed and assessed, as was the rebranding of the Schaltbau Group.

STRATEGIC AND OPERATIONAL MEASURES

The Supervisory Board received detailed information about the current situation at the Spanish companies Schaltbau Alte and Albatros S.L. In connection with this, it addressed the requirements for the full consolidation of the company and approved the purchase of the remaining shares. The increasing amount of liquidity needed by Albatros S.L. during the year and the extremely high level of debt within the Group as a result of this were the subject of detailed discussions with the Spokesman of the Executive Board responsible for the Group's Spanish activities. In connection with this, the Supervisory Board approved an essential increase in the internal loan granted to Albatros S.L., although it also initiated an in-depth audit of the Spanish company. The findings will be used to ascertain whether there was a breach of obligation by the then Spokesman of the Executive Board. A decision was also made to audit the company Schaltbau Alte. The establishment of the joint venture Zhejiang Yonggui Bode Transportation Equipment, in which BODE Beteiligungsgesellschaft has a 49% stake, was approved by circulation procedure, as was the inclusion of Shenyang Bode in the joint venture. A further decision taken in the Mobile Transportation Technology area related to the establishment of Schaltbau Refurbishment and the pooling of service activities at this company. In connection with this, the Supervisory Board also approved the complete purchase of Albatros UK Ltd. by Bode-Beteiligungsgesellschaft Rail Door Solutions Ltd. Furthermore, it approved the purchase of the Turkish company Pro Last Profil by the associated company BODO Bode-Dogrusan.

At several meetings, the Supervisory Board also addressed the performance of the PSD project in Brazil and the associated risks for the subsidiary Pintsch Bamag and the Schaltbau Group as a whole. In connection with this, a decision was made to acquire additional shares in Pintsch Bamag Brasil and to sell 90% of the shares in Shenyang Pintsch Bamag Transportation & Energy Equipment, with a subsequent capital increase. Following extensive discussions, the Supervisory Board also approved the sale of the Warning Systems segment of Pintsch Bamag.

A decision regarding the Components segment related to the capital increase at Schaltbau GmbH by Schaltbau Holding AG.

RESTRUCTURING OF GROUP FINANCING

The financing situation of the Schaltbau Group and measures to improve it were the subject of extensive discussions at several meetings. The Supervisory Board obtained detailed reports on the status of the restructuring of Group financing and the risks associated with temporary non-compliance with covenants. Following in-depth discussions, it noted and approved the suspension of the covenants and the associated margin increases in the syndicated loan agreement as well as the sale of treasury shares. There were also extensive discussions on the outcome of talks with the lending banks and the appointment of a consultancy firm to conduct a stocktaking.

PERSONNEL CHANGES

At the Annual General Meeting of Schaltbau Holding AG on 14 June 2016 in Munich, Dr Ralph Heck and Helmut Meyer were newly elected to the Supervisory Board. Peter Jahrmarkt and Dr Stefan Schmittmann stepped down. In the constitutive meeting of the Supervisory Board afterwards, Mr Zimmermann was elected Chairman of the Supervisory Board and Dr Heck was elected Deputy Chairman. Also elected were the Chairman, Deputy Chairman and one further member of the Personnel Committee, the Chairman and members of the Audit Committee, and the members of the newly established Strategy Committee.

As soon as it became aware of the situation, the Supervisory Board dedicated significant attention to the personnel issues within the Executive Board of Schaltbau Holding AG, an insufficient supply of information from the Spokesman of the Executive Board to the members of the Executive Board, and the lack of regularly convened Executive Board meetings. The Spokesman of the Executive Board was instructed to conduct Executive Board meetings on a regular basis in accordance with the articles of association.

Elisabeth Prigge stepped down from her position as CFO of Schaltbau Holding AG with effect from 30 June 2016. The Supervisory Board approved the corresponding termination agreement. At its extraordinary meeting on 12 November 2016, the Supervisory Board appointed Thomas Dippold as the new CFO with effect from 1 January 2017.

Dr Jürgen Cammann, Spokesman of the Executive Board of Schaltbau Holding AG, stepped down from his position as a member of the Executive Board with effect from 30 November 2016. At its extraordinary meeting on 24 November 2016, the Supervisory Board unanimously delegated Supervisory Board member Helmut Meyer to the Executive Board for a period of six months. Helmut Meyer was appointed to replace Dr Jürgen Cammann with immediate effect, at the latest from 1 December 2016, within the meaning of Section 105 subsection 1 (2) of the German Stock Corporation Act (AktG). At the same time, Mr Meyer was appointed Spokesman of the Executive Board in place of Dr Cammann. At the extraordinary Supervisory Board meeting on 2 December 2016, Dr Cammann's employment contract was terminated without notice.

On 1 March 2017, the Supervisory Board appointed Dr Bertram Stausberg as the new Spokesman of the Executive Board by circulation procedure for a period of three years with effect from 1 April 2017.

MEETING TO ADOPT THE FINANCIAL STATEMENTS

At its meeting to adopt the financial statements on 18 April 2016, the Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for the 2015 fiscal year 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 subsections 4, 5 and Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB) as well as the corporate governance statement. Furthermore, the Supervisory Board addressed the Executive Board's proposal for the appropriation of retained earnings in 2015 and concurred with the Executive Board's proposal for the appropriation of profit following its own examination. On 18 April, the Supervisory Board also adopted the Corporate Governance Report and the agenda for the Annual General Meeting on 14 June 2016, approved the Report of the Supervisory Board and was apprised by the Executive Board of the preventive compliance measures.

CORPORATE GOVERNANCE

The new compliance statement was adopted on 12 December 2016.

SUPERVISORY BOARD SUBCOMMITTEES

In view of the Company's situation, the Supervisory Board decided on 8 June 2016 to set up a Strategy Committee in addition to the Personnel Committee and the Audit Committee. This committee met twice and addressed issues such as strategic partnerships in China, the pooling of the refurbishment business and ideas for further developing the Group organisational structure.

The Audit Committee met three times in the reporting year to discuss the development of earnings during the year, risk analysis and developments with regard to the syndicated loan agreement. The annual risk report to the Supervisory Board, the internal audit and the change of external auditor were discussed by the Audit Committee in advance and recommendations were developed for submission to the overall Supervisory Board.

One of the Personnel Committee's tasks was to search for and appoint a new CFO and to prepare the personnel measures and the resulting temporary change to the plan for allocating responsibilities at Executive Board level.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2016

At the proposal of the Supervisory Board, the Annual General Meeting selected PricewaterhouseCoopers AG (since March 2017: GmbH) Wirtschaftsprüfungsgesellschaft, Frankfurt, as external auditor for Schaltbau Holding AG and the Group.

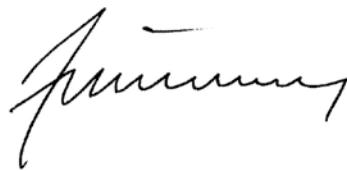
After the conclusion of the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Before the Supervisory Board proposed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as the external 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 financial statements of Schaltbau Holding AG and the consolidated financial statements as at 31 December 2016 as well as the combined management report for Schaltbau Holding AG and the Group as a whole, including the accounting system, and issued an unqualified auditor's opinion for each. The external auditor provided each member of the Supervisory Board with a copy of the audit report. The documents for the annual financial statements, including the 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 carefully and thoroughly. The Supervisory Board held the meeting to adopt the financial statements on 21 April 2017, together with the Company's external auditors. At this meeting, the annual financial statements of Schaltbau Holding AG and the consolidated financial statements as at 31 December 2016, the combined management report for Schaltbau Holding AG and the Group as a whole, and the audit reports were discussed in detail with the external auditor, who also reported on the course of the audit and its main findings.

The Supervisory Board examined the annual financial statements, the consolidated financial statements and the joint management report/Group management report. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the result of the audit of the annual financial statements and the consolidated financial statements by the external auditor. The Supervisory Board subsequently approved the annual financial statements of Schaltbau Holding AG and the consolidated financial statements for the 2016 fiscal year as prepared 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 subsections 4, 5 and Section 315 subsection 2 (5) and 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.

Munich, April 2017

A handwritten signature in black ink, appearing to read 'H. Zimmermann', written over a horizontal line.

Hans J. Zimmermann
Chairman of the Supervisory Board

BALANCE SHEET OF SCHALTBAU HOLDING AG, MUNICH
AS AT 31 DECEMBER 2016
ASSETS

In € 000	31.12.2016	31.12.2015
A. FIXED ASSETS		
I. Intangible assets	1,083	936
II. Property, plant and equipment	571	610
III. Investments	116,133	109,708
	117,787	111,254
B. CURRENT ASSETS		
I. Receivables and other assets	71,530	94,259
II. Cash and cash equivalents	6	488
	71,536	94,747
C. PREPAID EXPENSES	403	365
	189,726	206,366

EQUITY AND LIABILITIES

In € 000	2016	2015
A. EQUITY		
I. Subscribed capital (Conditional capital € 3,753,000; 2015: € 3,294,000)	7,506	7,506
Nominal amount of treasury shares	-9	-162
Issued share capital	7,497	7,344
II. Capital reserves	16,076	16,076
III. Revenue reserves	32,304	28,394
IV. Unappropriated result	-14,811	6,162
	41,065	57,976
B. PROVISIONS		
I. Provisions for pensions and similar obligations	5,406	5,768
II. Other provisions	2,449	3,958
	7,855	9,726
C. LIABILITIES	140,805	138,664
	189,726	206,366

INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2016

In € 000	2016	2015
1. Sales	3,560	3,487
2. Other operating income	459	336
3. Cost of materials	596	651
4. Personnel expense	5,587	5,149
5. Amortisation and depreciation	472	409
6. Other operating expenses	6,446	6,682
7. Income from investments	10,000	6,000
8. Income from profit transfers	5,863	10,597
9. Income from non-current marketable securities	-287	176
10. Net interest income/expense	21,440	7,923
11. Income taxes	-10	-305
12. Result after taxes	-14,936	87
13. Other taxes	18	-133
14. Net result	-14,954	220
15. Unappropriated profit brought forward	142	5,942
16. Unappropriated result	-14,811	6,162

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 21, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Wirtschaftsprüfer
(German Public Auditor)

ppa. Michael Popp
Wirtschaftsprüfer
(German Public Auditor)

This is an English translation
of the German original.

In case of any discrepancies,
the German version shall prevail.

IMPRINT

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