THE SMART EVOLUTION OF MOBILITY

ANNUAL REPORT 2017

SCHALTBAU

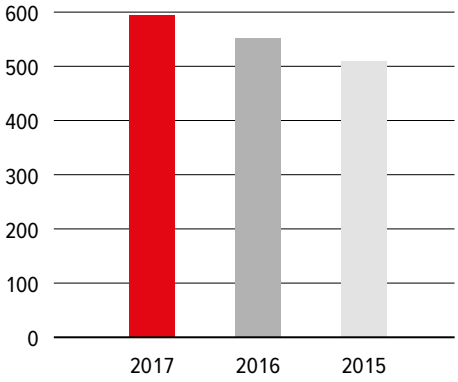
Order situation		**2017**	**2016**	**2015**	**2014**	**2013**
Order intake	€ m.	594.0	551.2	512.0	449.4	390.7
Order book at year-end	€ m.	508.3	429.8	334.3	281.9	228.1
Income statement						
Sales	€ m.	516.5	509.1	502.3	429.6	390.7
Total output	€ m.	533.2	506.4	506.4	440.3	389.9
EBITDA	€ m.	20.1	16.4	46.5	38.3	45.1
EBIT	€ m.	-23.0	-14.5	33.4	27.3	36.0
EBIT margin	%	-4.4	-2.8	6.7	6.4	9.2
Group net profit	€ m.	-49.6	-12.0	22.5	29.1	24.7
thereof attributable to Schaltbau Holding AG	€ m.	-51.7	-15.8	16.8	24.8	21.4
Return on capital employed	%	-8.3	-4.2	10.0	10.6	18.2
Balance sheet at year-end						
Fixed assets	€ m.	150.6	179.2	184.8	134.1	92.4
Capital expenditure	€ m.	10.0	11.6	15.0	15.4	13.1
Amortisation and depreciation	€ m.	13.0	9.6	8.6	7.4	6.7
Working capital	€ m.	126.9	161.9	151.1	122.6	105.9
Capital employed	€ m.	277.5	341.1	335.9	256.7	198.3
Equity	€ m.	70.6	107.1	124.8	112.5	89.4
Net financial liabilities	€ m.	158.4	148.0	129.6	79.7	48.9
Balance sheet total	€ m.	452.0	459.1	445.8	361.2	267.4
Cash flow statement						
Cash flows from operating activities	€ m.	10.5	25.8	29.4	26.5	36.5
Cash flows from investing activities	€ m.	-34.3	-18.2	-49.0	-38.4	-20.1
Cash flows from financing activities	€ m.	5.7	-8.7	25.2	24.1	-10.8
Change in cash funds	€ m.	-19.0	-1.5	6.2	13.0	5.5
Personnel						
Employees at year-end		3,370	3,370	3,050	2,651	2,044
Average number of employees		3,094	2,925	2,706	2,270	1,839
Personnel expense	€ m.	186.8	171.3	159.3	138.2	119.4
Personnel expense per employee	€ 000	60.4	58.6	58.9	60.9	64.9
Total output per employee	€ 000	172.3	173.1	187.2	194.0	212.0
Earnings per share (undiluted)	€	-8.04	-2.61	2.80	4.04	3.48
Earnings per share (diluted)	€	-8.04	-2.61	2.80	4.04	3.48
Dividend per share for the year	€	0.00	0.00	1.00	1.00	0.96
Stock market price at year-end*	€	26.94	30.76	51.00	42.07	46.00
Market capitalisation at year-end	€ m.	178.1	189.2	313.8	258.8	283.0

Schaltbau Holding AG's equity at year-end		**2017**	**2016**	**2015**	**2014**	**2013**
Subscribed capital	€ 000	8,064	7,506	7,506	7,506	7,506
Equity	€ m.	30.6	41.1	58.0	67.2	72.9
Equity ratio	%	14.6	21.6	28.1	40.0	52.1

* Xetra closing price on the last trading day of the year

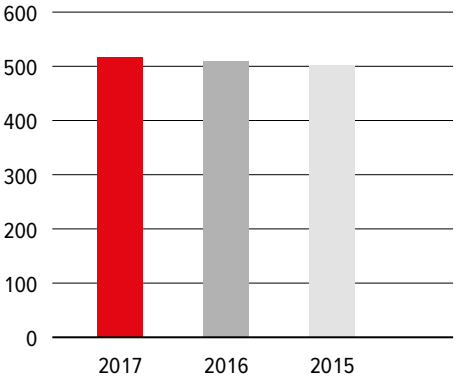
Order intake

in € m.



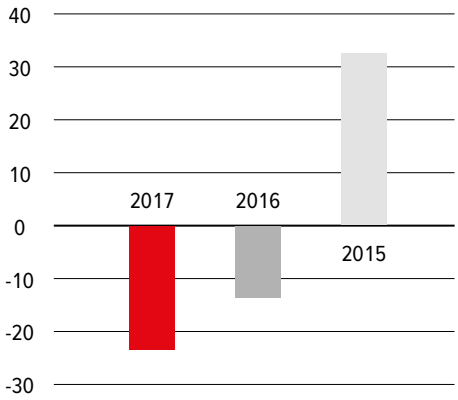
Sales

in € m.



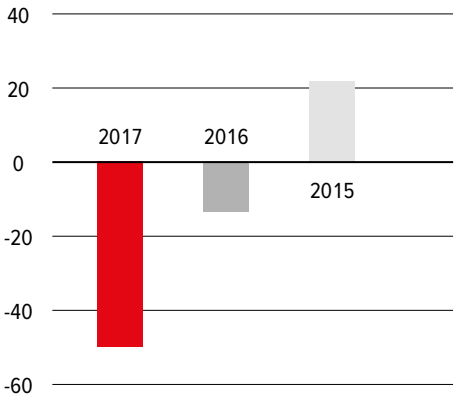
EBIT

in € m.



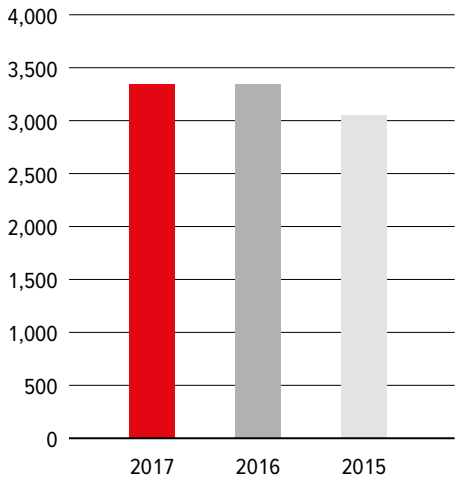
Group net profit

in € m.



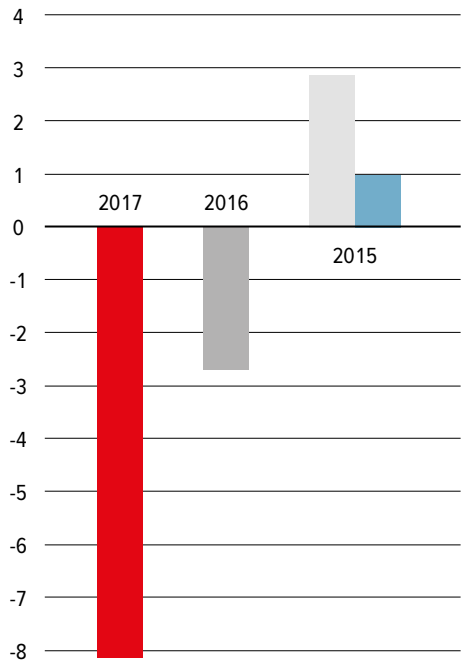
Employees

at year-end



Earnings per share / Dividend

in €



MEMBERS OF THE EXECUTIVE BOARD

The Executive Board of Schaltbau Holding AG was completely re-formed in 2017 and now comprises three highly experienced experts in their respective fields who are fully committed to bringing the Company back on track for success on a sustainable basis.

Dr Bertram Stausberg, born in 1966
Spokesman of the Executive Board, Chief Executive Officer (CEO) since 1 April 2017

Dr Bertram Stausberg is directly responsible for corporate development, technology, communication and control of the Group's subsidiaries. Prior to joining Schaltbau in 2017, Bertram gained a wealth of strategic and operational expertise in more than 20 years in the printing industry, where he held various leading operational positions in Bertelsmann's printing division, most recently as the unit's CEO. Bertram holds a PhD in mechanical engineering.

„Despite still having a challenging path ahead of us, Schaltbau is now in a far better position and its prospects are much brighter than they were twelve months ago. This fact is also reflected in the outlook for 2018."

Dr Bertram Stausberg, Spokesman of the Executive Board

Thomas Dippold, born in 1972
Member of the Executive Board, Chief Financial Officer (CFO) since 1 January 2017

In his role at Schaltbau, Thomas Dippold is responsible for financial reporting, controlling, treasury, personnel, IT, compliance and risk management. Building on the broad range of responsibility gained in controlling functions at HSBC, controlling consultancy CTcon and glass manufacturer Schott, Thomas was soon given wider commercial responsibility and, after several years of working internationally, most recently he acted as CFO at stationery producer Faber Castell before joining Schaltbau in 2017. Thomas holds a degree in economics and is Master of Business Administration.

Dr Martin Kleinschmitt, born in 1960
Member of the Executive Board, Chief Restructuring Officer (CRO) since 9 August 2017

Dr Martin Kleinschmitt's work at Schaltbau is focused on adapting and implementing the restructuring concept and supporting the Group's subsidiaries in this endeavour. Martin is also a long-serving partner at the leading corporate law firm Noerr. Before joining Schaltbau, he successfully managed restructuring processes in a number of other companies, beginning in 2002. Martin started his professional career as head of the legal department at stationery manufacturer Herlitz (now part of Pelikan), where he rose quickly through the ranks, finally working as CFO for multiple years. He is a qualified banker and holds a doctorate in law.

Executive Board mandates ended in 2017:

Helmut Meyer
Member of the Executive Board from 1 April until 31 May 2017 (moved to the Supervisory Board immediately afterwards)Spokesman of the Executive Board, Chief Executive Officer (CEO) until 31 March 2017

Ralf Klädtke
Member of the Executive Board until 30 June 2017

Letter to shareholders

DEAR SHAREHOLDERS AND BUSINESS PARTNERS,

When the new Executive Board took up office last year with a view to steering the Schaltbau Group back on track to success, three main items were uppermost on the agenda – to stabilise the Group's finances, cut costs and improve competitiveness. We have meanwhile achieved important milestones in all three of those areas. Despite still having a challenging path ahead of us, Schaltbau is now in a far better position and its prospects are much brighter than they were twelve months ago. This fact is also reflected in the outlook for 2018. After posting a small operating profit before exceptional items for 2017, we assume sales of € 480 to € 500 million for 2018 and an EBIT margin of around 3 % of sales (likewise before exceptional items).

With two successful capital increases in May 2017 and February 2018 and the sale of the industrial brake systems specialist Pintsch Bubenzer, we have laid a solid foundation on which we can continue to build. Aggregate proceeds from these transactions in excess of € 90 million have enabled us to reduce short- and medium-term debt significantly and improve liquidity. As a consequence, we have given ourselves considerably more financial headroom to continue driving the restructuring process and growing our core business organically.

The underlying profitability and growth prospects of our core business will remain the centrepiece of our strategic focus in the years to come. With the sale of Pintsch Bubenzer behind us, the Schaltbau Group now concentrates on its key role as an innovative, quality-conscious, sustainable supplier to the railway industry and related mobility markets. Products aimed at increasing the safety and comfort of rail vehicles – whether intelligent access systems, driver's desks or electronic on-board systems – are of particular importance to us. In this context we have initiated two major growth projects, aimed at establishing the Schaltbau Group as a first-class supplier of smart components and systems for train automation on the one hand and expanding the scope of services we offer across the entire life cycle of rolling stock on the other.

Our strong position in terms of technological expertise and close relationships with major rail systems providers represent a firm basis for organic growth going forward. The significant 7.8 % increase in order intake in 2017 reflects ongoing strong demand for our rolling stock solutions, including major orders received for Trenitalia, Caltrain (USA) and SNCB (Belgium) projects. This performance more than compensated for the renewed drop in incoming orders for rail infrastructure. Products for rolling stock were also the main drivers of sales growth, whereas Stationary Transportation Technology business declined significantly.

The rigorous cost-cutting measures we have introduced at all levels of the business will allow us to steer growth back to profitability and enable the Schaltbau Group to regain its previous earnings strength in the medium term. In addition to reducing material and personnel costs, we are also focusing on streamlining production and logistics processes and cutting organisational complexity. Having eliminated the main problems and risk areas to a large extent by means of appropriate accounting measures – including the situation at Schaltbau Sepsa and the PSD platform screen doors project in Brazil – we can now turn our attention to the ongoing measures with renewed vigour, including procurement optimisation and the relocation of certain production activities. We are confident that the restructuring measures will have a markedly positive impact on earnings in the coming years. In 2017, however, restructuring still involved unexpected one-off effects, which are reflected in the negative EBIT. The main adverse impact on earnings came from the revaluation of Schaltbau Sepsa, recorded related to the planned sale of that entity. At an operating level, however, we recovered well, including an exceptionally good performance in the high-margin Components line of business.

We are delighted with the way our shareholders are supporting the reorientation of the Schaltbau Group. The two capital increases in May 2017 and February 2018 have brought us new shareholders who are prepared to take a long-term approach. Our existing shareholders in February 2018 also expressed their confidence in us with an impressive subscription ratio of more than 80 %. The Executive Board and the entire Schaltbau Group team will spare no effort to bring about a return to sustainable profitability and restore the Company's ability to pay dividends in the future.

16 April 2018

Dr Bertram Stausberg
Spokesman of the Executive Board

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Members of the Supervisory Board

Dr Ralph Heck
Chairman of the Supervisory Board since 8 June 2017
Member of the Supervisory Board until 8 June 2017
Senior Director, McKinsey

Helmut Meyer
Deputy Chairman of the Supervisory Board since 8 June 2017
Member of the Supervisory Board from 1 to 8 June 2017
Business Consultant

Andreas Knitter
Member of the Supervisory Board since 8 June 2017
Business Consultant

Dr Albrecht Köhler
Member of the Supervisory Board since 13 September 2017
CEO and Partner, Gesellschaft für Unternehmens- und Technologieberatung

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

Supervisory Board mandates ended in 2017 and beyond:

Hans Jakob Zimmermann
Chairman of the Supervisory Board until 8 June 2017

Friedrich Smaxwil
Member of the Supervisory Board until 8 June 2017

Marianne Reindl
Member of the Supervisory Board until 9 June 2017
Employee Representative

Thomas Farnschläder
Member of the Supervisory Board until 1 March 2018
Employee Representative

Report of the Supervisory Board

In accordance with the provisions of German stock corporation law, the Supervisory Board monitored the Executive Board of Schaltbau Holding AG and regularly advised it on its management of the Company throughout the year under report. The Supervisory Board performed its duties as required by the applicable laws and the Company's 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 line with the specific information and reporting duties incumbent on it.

The Supervisory Board performed its monitoring and advisory activities on the basis of detailed oral and written reports provided by the Executive Board regarding the business performance of Schaltbau Holding AG and the Group as a whole. The Executive Board's reports focused in particular on liquidity trends, business performance, fundamental matters relating to finance and investment policies, and the risk situation of both Schaltbau Holding AG and the entire Group.

The Supervisory Board was directly involved in making decisions of fundamental importance to the Company. The Supervisory Board regularly and promptly obtained comprehensive reports, both orally and in writing, from the Executive Board regarding liquidity, business performance, financial, investment and personnel planning, and the risk situation of both Schaltbau Holding AG and the Group. Furthermore, the strategic reorientation and restructuring of the Schaltbau Group along with its various related projects were among the main topics of the Executive Board's reports and its consultations 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 both Schaltbau Holding AG and the Group.

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

The Chairman of the Supervisory Board consulted regularly with the Spokesman of the Executive Board as well as with the entire Executive Board regarding current developments within the Company and the Group as well as possible restructuring measures and assessed them with regard to their feasibility. During the fiscal year under report, the Chairman of the Supervisory Board had numerous telephone conferences, both with the full Supervisory Board and with individual members, in order to discuss current topics.

FOCAL POINTS OF THE SUPERVISORY BOARD MEETINGS

Five regular and eight extraordinary Supervisory Board meetings were held during the year under report. With few exceptions, these meetings were attended by all members of the Supervisory Board. As a general rule, Supervisory Board members are required to be present in person at board meetings. However, three of the eight extraordinary Supervisory Board meetings were held in the form of telephone conferences.

The financial stabilisation and restructuring of the Schaltbau Group were subjects of rigorous discussion. A well-known international management consulting firm drew up a restructuring report, provided the Supervisory Board with the latest version and, together with the Executive Board, explained to the Supervisory Board the restructuring concept based on the report.

In this context, the Supervisory Board approved the contractual restructuring of the Group's bank and bond financing arrangements, including the provision of pledges on shares to secure a newly granted bridge financing at the end of March 2017 and a further amendment agreement in December 2017, as well as the sale of Pintsch Bubenzer proposed by the Executive Board. Similarly, the Supervisory Board approved the private placement of shares in May 2017 out of existing authorised capital as well as the utilisation of the remaining authorised capital by means of an ordinary share capital increase, which was ultimately completed in February 2018. In addition, the Supervisory Board approved the commissioning of the law firm Noerr and the auditing firm PwC to provide consulting services in connection with the share capital increase. The injection of funds from the sale of Pintsch Bubenzer and the share capital increase completed in February 2018 enabled the bridge financing and deferred instalment repayments due on 28 February 2018 to be repaid on schedule.

The Executive Board provided the Supervisory Board with an in-depth explanation of the operating measures required to implement the restructuring concept. After thorough discussion, the Supervisory Board endorsed the measures requiring approval as part of the restructuring process. These included the intended conclusion of union-agreed restructuring agreements for the Dinslaken and Sprockhövel sites, support by an internationally renowned management consulting firm for cross-divisional purchasing cost reductions, the renegotiation of problematic foreign projects in the field of rail infrastructure technology, and the purchase of the Schaltbau Sepsa Group's inventories by Schaltbau Holding AG.

The measures taken by the Supervisory Board to secure Schaltbau Holding AG's right to act and stabilise the economic development of the Schaltbau Sepsa Group included reorganising its management team as well as an in-depth analysis of the causes of the crisis and responsibilities by initiating a special investigation. The results of the special investigation and the resulting options were discussed at several Supervisory Board meetings and at the preparatory meetings of the Audit Committee. The key result of the special investigation, which was completed at the end of September 2017, was that the special auditor appointed for the task concluded that there were no indications of fraudulent acts on the part of the Schaltbau Sepsa Group during the period under investigation from 2014 onwards.

The legal action brought at the Munich Regional Court by Dr Jürgen Cammann, the former Spokesman of the Executive Board, to achieve full payment of the compensation from his service contract was dismissed.

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 deviations between actual and budget figures and the updated forecasts. The reports also document the liquidity and the financial situation, including the status of current credit lines and the amounts drawn down by each Group company, as well as available liquidity, based on actual and forecasted figures. Furthermore, the Supervisory Board was provided with details on the development of incoming orders, sales, expenses and earnings for each of the segments and subsidiaries of the Schaltbau Group and discussed them at length with the Executive Board. The discussions also focused on strategic options, the assessment of future management models and concentration on the Schaltbau Group's core business. The Supervisory Board took note of and approved the key points of corporate strategy drawn up by the Executive Board, including the expansion of the service business in the Mobile Transportation Technology segment and the creation of a group-wide technology platform for train automation.

PERSONNEL CHANGES

On 1 March 2017, the Supervisory Board appointed Dr Bertram Stausberg as new Spokesman of the Executive Board for a period of three years with effect from 1 April 2017. He is responsible for corporate development, marketing and sales, technology, auditing and subsidiaries.

Thomas Dippold joined the Executive Board as Chief Financial Officer on 1 January 2017 and is responsible for finance, controlling, personnel, IT and compliance.

Dr Martin Kleinschmitt became a member of the Executive Board on 9 August 2017. In this capacity, he is responsible for updating and implementing the restructuring concept and assisting Schaltbau Group's subsidiaries with restructuring measures. Dr Martin Kleinschmitt is also a lawyer and partner at Noerr LLP as well as a member of the Management Board of Noerr Consulting AG.

Helmut Meyer, who was delegated from the Supervisory Board to the Executive Board for a period of six months with effect from 1 December 2016, left this temporary post on 8 June 2017 and rejoined the Supervisory Board that day. Prior to the appointment of Dr Bertram 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 & corporate communications.

Ralf Klädtke, responsible for the Mobile Transportation Technology segment, resigned with effect from 30 June 2017 in order to take up new tasks outside the Schaltbau Group.

Furthermore, the following changes were made to the composition of the Schaltbau Group's Supervisory Board during the year under report:

- After terminating his activity on the Executive Board, Helmut Meyer rejoined the Schaltbau Group's Supervisory Board with effect from 8 June 2017.
- Hans Jakob Zimmermann, the previous Chairman of the Supervisory Board, and Supervisory Board member Friedrich Smaxwil both resigned from their posts with effect from 8 June 2017.
- Supervisory Board member Marianne Reindl resigned with effect from 9 June 2017.
- On 8 June 2017, the Annual General Meeting of the Company elected Andreas Knitter as member of the Supervisory Board for the first time.
- In a Supervisory Board meeting held subsequent to the Annual General Meeting on 8 June 2017, from among its members the Board elected Dr Ralph Heck as new chairman and Helmut Meyer as deputy chairman.
- In accordance with a judicial ruling passed on 13 September 2017, Dr Albrecht Köhler was appointed as shareholder representative and Hermann Treutinger, the Chairman of the Group Works Council, as employee representative. As a result, the Supervisory Board was again composed of six members, in accordance with the Company's Articles of Association.

SUPERVISORY BOARD MEETING TO ADOPT THE FINANCIAL STATEMENTS

At its meeting to adopt the financial statements held on 21 April 2017, the Supervisory Board examined the annual financial statements, consolidated financial statements and combined management report for fiscal year 2016 for both Schaltbau Holding AG and the Schaltbau Group. The external auditors were present and answered all of the Supervisory Board's questions. On this basis, the annual financial statements were adopted and the consolidated financial statements were approved. The Supervisory Board approved the statements regarding the further development of the Company and the disclosures pursuant to section 289 subsection 4, section 289a subsection 4, section 315 subsection 4 and section 315a subsection 1 of the German Commerical Code (HGB) as well as the corporate governance statement. On 21 April 2017, the Supervisory Board also adopted the Corporate Governance Report and the agenda for the Annual General Meeting on 8 June 2017 and approved the Report of the Supervisory Board.

CORPORATE GOVERNANCE

A new Declaration of Compliance with the recommendations of the »Government Commission on the German Corporate Governance Code« was adopted on 20 December 2017.

SUPERVISORY BOARD SUBCOMMITTEES

The Supervisory Board is assisted in its work by a Personnel Committee and an Audit Committee. A Strategy Committee was also in place up to July 2017.

The Audit Committee convened four times during the year under report to consider earnings performance throughout the year, the latest risk analysis for the Group and developments regarding the syndicated credit agreement. The annual risk report to the Supervisory Board, the internal audit performed thereon and the special investigation of the Schaltbau Sepsa Group were discussed in advance by the Audit Committee and recommendations made to the full Supervisory Board. The Audit Committee was also involved in the resolution on the share capital increase.

The Personnel Committee focused on finding and appointing the new members of the Executive Board and the resulting temporary changes to the allocation of duties at Executive Board level.

The Strategy Committee focused primarily on implementing the various restructuring measures and also on the structural and strategic further development of the Schaltbau Group‘s core business. Since July 2017, the strategic interests of the Schaltbau Group are again being handled directly by the full Supervisory Board.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2017

At the proposal of the Supervisory Board, the Annual General Meeting elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as external auditor for both Schaltbau Holding AG and the Schaltbau Group. Following the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Before the Supervisory Board proposed Pricewaterhouse-Coopers 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 of the Schaltbau Group as at 31 December 2017 as well as the combined management report, together with the accounting systems, and issued an unqualified auditor‘s opinion in each case. The external auditor provided each member of the Supervisory Board with a copy of the long-form audit report. The documents for the annual financial statements, including the long-form audit reports prepared by the external auditor, were sent to all members of the Supervisory Board in a timely manner to ensure that the Supervisory Board could examine them with due care and thoroughness. The Supervisory Board held the meeting to adopt the financial statements on 13 April 2018, together with the Company’s external auditors. At this meeting, the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group as at 31 December 2017, the combined management report, and the long-form audit reports were discussed in detail with the external auditor, who also reported on the course of the audit and its main findings.

The Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the results of the audits of the annual financial statements and the consolidated financial statements reached by the external auditor. The Supervisory Board subsequently approved the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group for the fiscal year 2017 as prepared by the Executive Board. The annual financial statements have thus been adopted. The Supervisory Board approved the combined management report, in particular the statements regarding the further development of the Company and the Group, and the disclosures pursuant to section 289 subsection 4, section 289a subsection 4, section 315 subsection 4 and section 315a subsection 1 of the German Commerical 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 2018

Dr Ralph Heck
Chairman of the Supervisory Board

Combined Company and Group Management Report of Schaltbau Holding AG, Munich, for the fiscal year 2017

SCHALTBAU GROUP PROFILE

STRUCTURE AND BUSINESS MODEL

Schaltbau Group is a supplier of components and systems for the railway, automotive and capital goods industries. Partnering prestigious customers in the rail infrastructure, mobility and logistics markets, Schaltbau Group companies supply a wide range of products, including:

- Door and boarding systems for trains, buses and commercial vehicles
- Interior fittings, master controllers, 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

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

ORGANISATIONAL STRUCTURE

The operating activities of Schaltbau Group are divided intro three segments:

- The **Mobile Transportation Technology segment** comprises Schaltbau Bode Group (Gebr. Bode GmbH & Co. KG and its subsidiaries) and Schaltbau Alte (Alte Technologies S.L.U.). Schaltbau Sepsa was put up for sale in November 2017.
- The S**tationary Transportation Technology segment** comprises the activities of Schaltbau Pintsch Group (including Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Pintsch Tiefenbach GmbH, Pintsch Aben B.V., and their subsidiaries) in the rail infrastructure business field. The industrial brake systems business was sold with effect from 1 March 2018 (see „Events after the end of the reporting period" in the notes to the consolidated financial statements).
- The **Components segment** comprises Schaltbau GmbH Group (Schaltbau GmbH and its subsidiaries).

Schaltbau Holding AG is based in Munich and, as lead company of the Schaltbau Group, is responsible for the strategy and 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, investor relations & corporate communications. Schaltbau Holding AG is also responsible for the Group's financial accounting, controlling, compliance, cash management and risk management, including internal auditing. Schaltbau Holding AG is listed in the Prime Standard segment of the Frankfurt Stock Exchange.

MANAGEMENT AND CONTROL

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

Dr Bertram Stausberg, Spokesman of the Executive Board since 1 April 2017, is responsible for corporate development, marketing and sales, technology, investor relations & corporate communications, auditing and subsidiaries.

Thomas Dippold, Chief Financial Officer (CFO) since 1 January 2017, is responsible for finance, controlling, personnel, IT and compliance.

Dr Martin Kleinschmitt, Chief Restructuring Officer (CRO) since 9 August 2017, is responsible for updating and implementing the restructuring concept and providing the Schaltbau Group's companies with support in their efforts to do so. Dr Martin Kleinschmitt is also a lawyer and partner at Noerr LLP and a member of the Management Board of Noerr Consulting AG.

Helmut Meyer, who was delegated from the Supervisory Board to the Executive Board for a period of six months with effect from 1 December 2016, left this temporary post on 31 May 2017 and once more is a member of the Supervisory Board since. Prior to the appointment of Dr Bertram Stausberg, Helmut Meyer was Spokesman of the Executive Board and responsible for Group strategy, the Stationary Transportation Technology and Components segments, and investor relations & corporate communications.

Ralf Klädtke, responsible for the Mobile Transportation Technology segment, resigned with effect from 30 June 2017 in order to take up new tasks outside the Schaltbau Group.

The Supervisory Board collaborates closely with the Executive Board and, in accordance with the Articles of Association, consisted of six members at the end of 2017. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management. Furthermore, the following changes were made to the composition of the Company's Supervisory Board during the year under report:

- After concluding his tenure on the Executive Board, Helmut Meyer rejoined the Supervisory Board with effect from 1 June 2017.
- The previous Chairman of the Supervisory Board, Hans Jakob Zimmermann, and Supervisory Board member Friedrich Smaxwil both resigned from their posts with effect from 8 June 2017.
- Supervisory Board member Marianne Reindl resigned with effect from 9 June 2017.
- On 8 June 2017, the Annual General Meeting of Schaltbau Holding AG elected Andreas Knitter as member of the Supervisory Board for the first time.
- In a Supervisory Board meeting held directly after the Annual General Meeting on 8 June 2017, from among its members the Board elected Dr Ralph Heck as new chairman and Helmut Meyer as deputy chairman.
- In accordance with a judicial ruling passed on 13 September 2017, Dr Albrecht Köhler was appointed as shareholder representative and the Chairman of the Group Works Council, Hermann Treutinger, as employee representative. As a result, the Supervisory Board was again composed of six members, in accordance with the Company's Articles of Association.

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

Corporate governance and control within the Schaltbau Group are based on generally accepted standards, which are summarised in the Corporate Governance Statement in accordance with section 289f of the German Commercial Code (HGB). The Statement includes the Declaration of Compliance in accordance with section 161 of the Stock Corporation Act (AktG) issued on 20 December 2017 and the Corporate Governance Report in accordance with article 3.10 of the German Corporate Governance Code.

The current Corporate Governance Statement can be viewed at www.schaltbau.com/investor-relations/corporate-governance/corporate-governance-statement/.

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

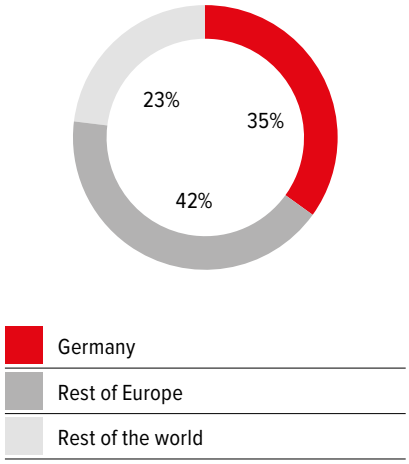
BUSINESS MODEL, MARKETS AND INFLUENCING FACTORS

Schaltbau Group's sales are primarily generated through subsystems, components and refurbishment activities in the field of rolling stock as well as in the automotive industry (including buses), where tried and tested rail applications such as boarding systems and sliding door systems are installed in commercial vehicles. A lower percentage of sales is generated in the capital goods industry, which will become less important in the fiscal year 2018 after the sale of Schaltbau Pintsch Bubenzer. The remaining share of sales is attributable to products made by the Stationary Transportation Technology segment. From a regional perspective, the Group generates the majority of its sales in Germany (2017: 34.9%) and the rest of Europe (2017: 42.3%).

Schaltbau Group features a high degree of added-value depth across its business, whether in research and development, production or sales. Schaltbau Group companies conduct intensive development work in order to meet increasingly strict requirements in terms of quality, safety and availability. Expenditure in this field corresponded to 7.3% of total output during the year under report. A high percentage of systems and components are developed and manufactured at sites within Germany. Schaltbau's international production and distribution sites 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 38 (2016: 37) sales and production locations in 17 countries worldwide. Group companies operate their own sales offices in regions of strategic importance, and further regions are covered by external sales partners.

Schaltbau Group's markets are characterised to a high degree by the long-term investment decisions of customers and their end customers. In the rail sector, the most important market for Schaltbau Group, sales volume depends indirectly on contracts that railway companies award to the manufacturers of rolling stock, and directly from investments in rail infrastructure. The demand for door systems for buses is strongly influenced by the ordering behaviour of communal transportation authorities and therefore by the financial situation of cities, towns and municipalities. In the industrial sector, economic trends in commerce, logistics and the energy industry are of particular importance. Despite the high percentage of sales generated by the rail sector as a whole, our presence in various sectors and regions and the expansion of our service and spare parts business limit our dependence on the order situation in individual regions and customer segments to a certain extent.

Sales 2017 by market



Schaltbau Group sees the rail sector as an attractive growth market in the medium to long term. Urbanisation and increasing mobility are leading to a greater need for infrastructure for mass public transportation facilities. The growing ecological awareness within society, the limited availability of fossil fuels and increasingly strict climate protection measures favour a shift in transportation trends from road to rail. The international division of labour and the above-average growth rates of emerging markets are leading to high demand for transport infrastructure. At the same time, passengers have a growing need for greater safety and convenience, for instance with regard to boarding systems in trains. The increasing digitalisation and connectivity of rail infrastructure is leading to the development of new, fast-growing technologies and market segments within the rail technology sector. The structural changes driven by these developments, however, also entail risks, such as the substitution of previously used electromechanical components, which Schaltbau is responding to with the accelerated digitalisation of its range of products and services (see Strategy).

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

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

The Mobile Transportation Technology segment is a leading supplier to manufacturers of systems for rolling stock, buses, coaches and commercial vehicles.

Schaltbau Bode Group, which generates the majority of the segment's sales, is a leading supplier of door and boarding systems for trains, buses and commercial vehicles as well as interior fittings for rolling stock. The range of products and services covers development, production, installation, commissioning and maintenance as well as aftersales 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 Schaltbau Bode Group one of the leading manufacturers in its field in Europe, and it is positioning itself as a key partner for train manufacturers and railway systems suppliers worldwide. With its door systems for urban buses, coaches and commercial vehicles, Schaltbau Bode Group is a leading supplier in Europe and integrated in many of the platforms of major manufacturers. The Automotive product group comprises sliding doors with guide systems for box bodies as well as for the sliding side doors of commercial vans, cars and electrically powered small commercial vehicles such as the StreetScooter.

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 Group subsidiary Schaltbau Rawag in Poland, which works in close partnership with Schaltbau Bode to sell interior systems for passenger trains, primarily on the European market. Schaltbau Rawag's manufacturing range includes windows for rolling stock, a wide variety of interior fittings, and aluminium components for passenger coaches.

Schaltbau Alte Group mainly produces complete sanitary systems and interior fittings made of fibre composites for rolling stock applications. Most of its products are manufactured at its site in Lliça de Vall, near Barcelona (Spain).

Schaltbau Refurbishment GmbH, based in Dinslaken, Germany, is responsible for the modernisation and refurbishment activities of the entire Schaltbau Group, focusing primarily on the rolling stock product range.

Schaltbau Sepsa Group, which has been put up for sale, manufactures rolling stock systems for on-board information and communication as well as inverters. In the financial statements for the fiscal year 2017, Schaltbau Sepsa Group is reported as „Non-current assets held for sale".

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

The Stationary Transportation Technology segment pools the activities of the Schaltbau Pintsch Group, which supplies Deutsche Bahn AG as well as several domestic and international infrastructure operators, including private, company and port railway systems. Its most important product fields are computer-controlled railway crossing safety technolo-

gies, axle counter systems and signal technology. The Schaltbau Pintsch Bubenzer Group, a supplier of brake systems for container terminals and other applications, was sold and deconsolidated with effect from 1 March 2018 and is reported as a disposal group in accordance with IFRS 5 for the fiscal year 2017.

THE COMPONENTS SEGMENT

The Components segment comprises the activities of Schaltbau GmbH and its subsidiaries, collectively referred to as the Schaltbau GmbH Group. The Group develops, produces, and sells connectors, snap-action switches for safety applications, and DC contactors for a broad range of uses in the rail and other sectors. Connectors, for example, are vital components in the fast-growing market for communications solutions for rolling stock as well as for industrial trucks and mechanical engineering applications in general. Snap-action switches are installed in particular in the door systems and master controllers of railway vehicles. DC contactors are used, for example, in locomotives and multiple-unit trains, but also in renewable energy applications. They are also key components in master controllers, driver's desk equipment, and fully integrated driver's control panels for rolling stock.

In addition to its German sites in Munich, Velden and Aldersbach, the Components segment is represented internationally by the Italian company SPII as well as eight further subsidiaries, two representative offices and over 60 sales partners. Schaltbau also operates large-scale production plants, such as in Xian (China), which manufactures and distributes railway components (XIAN Schaltbau Electrics) for the Chinese market.

STRATEGY

STRATEGIC AIMS

Schaltbau Group's strategy is aimed at achieving a sustained improvement in both the growth prospects and the profitability of its strategic core activities, and at creating a sound basis for achieving these aims by adopting measures to stabilise its financial position.

In view of the increase in debt over the last few years, liquidity-generating measures, including those aimed at repaying debt in line with schedule, have top priority in the short term. Furthermore, financing arrangements need to be structured in such a way that the Group's equity base is strengthened and the debt maturity profile is extended in the medium term.

In addition to stabilising its financial position, it is Schaltbau Group's strategic goal to improve competitiveness in its core business by cutting costs, boosting efficiency and reducing complexity, thereby bolstering its resilience to cyclical market developments and freeing up funds for organic growth projects at the same time.

With the strategic development of its high-growth, profitable core business, Schaltbau Group is pursuing the primary objective of consolidating and expanding its position as a key supplier of subsystems and related components and services for the railway industry and similar applications – and of helping design solutions to the major challenges, such as digitalisation, in close collaboration with its customers.

STRATEGIC MEASURES

The most important measures are contained in the restructuring concept, which was drawn up in the first quarter 2017 with the assistance of a management consulting firm and subsequently updated in the fourth quarter 2017.

MEASURES TO STABILISE THE FINANCIAL POSITION

The liquidity measures resolved by the Executive Board, the majority of which were finalised in the first few weeks of the fiscal year 2018, are a key prerequisite for restructuring Schaltbau Group. The unsatisfactory business performance in recent years, the failure to meet sales targets in the year under report and a high outflow of cash – partly due to the considerable upfront expenditure required for the platform screen doors project in Brazil, which was not offset by sales, as well as the cash required for the acquisition and financing of the Spanish Schaltbau Sepsa Group, the Schaltbau Alte Group and SPII – resulted in a significant decline in cash and cash equivalents, which had to be covered by additional short-term borrowings at the beginning of 2017.

The bridge financing credit line for € 25 million arranged in the first quarter 2017 (see Net assets and financial position) and which was fully utilised as at 31 December 2017, was required to be repaid by 28 February 2018, along with other deferred instalment repayments totalling approximately € 7 million.

A comprehensive portfolio analysis helped identify those companies which are of secondary strategic and operational importance for the range of products and services the Schaltbau Group wishes to offer going forward. Based on these findings, the sale of the Schaltbau Pintsch Bubenzer Group was initiated and successfully concluded with effect from 1 March 2018. The cash proceeds from the sale, including the settlement of a shareholder loan from Schaltbau Holding AG, amounted to € 31.5 million. The sale of the Schaltbau Sepsa Group had not yet been completed at the time the combined Management Report was drawn up.

Furthermore, two share capital increases were implemented. Following the private placement of 457,580 new shares out of the capital authorised by the 2013 Annual General Meeting during the year under report (see Net assets and financial position) with net proceeds of € 15.5 million, a further share capital increase was implemented in February 2018 using the remaining authorised capital, which resulted in net proceeds of € 46.6 million.

Other measures to safeguard liquidity include active working capital management, aimed at reducing the volume of both receivables and inventories, as well as the measures described below to boost earnings.

MEASURES TO IMPROVE COMPETITIVENESS AND COST-EFFICIENCY

In implementing the restructuring concept, the Executive Board has taken measures to boost efficiency and optimise processes along the entire value chain in practically all Group companies, most of which had not yet been completed by the end of 2017.

In the first few months of the fiscal year 2017, these measures focused on minimising risk and eliminating the Group's major problem areas, in particular the platform screen doors project (PSD) in Brazil and two level crossing technology projects in Egypt and Denmark. Moreover, changes were made to the Schaltbau Sepsa management team.

Concurrently, Schaltbau Group has initiated a raft of operational restructuring measures aimed at raising profitability back to a competitive level. These measures, some of which have either already been completed or are currently being implemented, include

- Optimising production and logistics processes and workflows, including the introduction of lean structures, the relocation of certain production steps and their concentration at individual sites
- Cutting personnel costs, including via the ongoing negotiation of collective restructuring agreements at one Schaltbau site, staff cuts, and a reduction in the volume of work performed by temporary staff
- Reducing material costs, partly by optimising purchasing processes using Group-wide framework agreements, the modularisation of products and the renegotiation of contracts with both customers and suppliers

The aim is also to reduce the complexity of Schaltbau Group's international organisation while simultaneously improving management structures, limiting risks and stepping up market penetration with the ultimate goal of boosting earnings.

MEASURES TO STRENGTHEN THE GROUP'S MARKET AND COMPETITIVE POSITION IN ITS CORE BUSINESS

The detailed analysis of the entire range of products and services provided by the operating companies in terms of sales regions, market potential, competitive position and unique selling points, which was completed in the first quarter of 2018, has enabled the Executive Board to narrow down Schaltbau Group's areas of strategic focus. Going forward, investments designed to drive growth will be directed primarily towards further evolving the Group's range of rolling stock and other mobility and logistics applications, mainly focusing on the Components segment and the Mobile Transportation Technology segment. A newly formed Schaltbau Management Committee (SMC) is supporting the Executive Board in further developing Schaltbau Group's product range in line with its strategy and in determining investment priorities. In addition to the Executive Board members, the SMC includes the managing directors of the operating lead companies in each of the Group's three segments.

The Schaltbau Group's commitment to playing an active role in delivering tomorrow's mobility will be based in particular on the following initiatives:

Product development in the Mobile Transportation Technology segment will focus even more strongly on the future requirements of the manufacturers of rolling stock and commercial vehicles, which are mainly being driven by a transformation process made possible by digitalisation. The key emphasis will be on integrating software and interfaces in various BUS systems. In view of the growing trend towards automating and digitalising rolling stock in general, Schaltbau Group intends to increasingly connect its various subsystems to form larger system units. The range of combined systems solutions includes, for example, the broader use of sensor technology in door and boarding systems and expanding the Group's range of interior fittings and electrical and electronic onboard systems for rolling stock, as well as integrating passenger information and safety systems in the product range as a whole. Another main focus in research and development is lightweight linear sliding doors for use in delivery vehicles, including electric vehicles (see Research and development). The Components segment is focusing on developing contactors for use in electrical energy storage systems, such as those installed in electric buses and hybrid vehicles, including the charging stations that will be required. In the rail infrastructure business field, Schaltbau Group intends to offer systems providers an improved range of products focusing on level crossing and track-related technology that meets customer requirements in terms of safety, availability and energy efficiency.

The **business model**, which up to now has focused mainly on components and subsystems, will be systematically supplemented by services that Schaltbau Group can provide over the entire life cycle of rolling stock and commercial vehicles. To achieve this aim, the range of refurbishment services offered for used rolling stock, which so far mainly covered door systems, is to be successively expanded by Schaltbau Refurbishment GmbH to include other product groups such as interior fittings. Digital features will also be increasingly deployed, which will help optimise the total cost of ownership (TCO) for operators. Furthermore, the range will be broadened to offer aftersales services that include repairs and maintenance. Expanding the range of services on offer will enable Schaltbau Group to supplement its product-related business – which mainly involves rolling stock manufacturers – by the addition of activities relevant for railway operators. Schaltbau Group sees high potential for growth in the fact that the longer service life of rolling stock means an increased need for services, whereas the demand for refurbishment is simultaneously growing due to the shorter innovation cycles of digital solutions.

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

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) and before exceptional items. Exceptional items relate to key non-operating impairment charges pursuant to IAS 36, write-downs due to the classification according to IFRS 5, earnings effects arising from the sale of affiliates, as well as non-recurring restructuring measures

Additionally, at Group level:

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

are taken into account. Within Schaltbau Group, order intake, sales and EBIT are reported on each month by segment and individual entity.

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

REPORT ON ECONOMIC DEVELOPMENT AND 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 3.6% in 2017 and therefore somewhat more quickly than in the previous year (3.1%). While growth rates in the eurozone, Japan, China, the emerging economies of Eastern Europe, Asia, and Russia were somewhat better than predicted, growth in India, the United States and the United Kingdom failed to meet expectations, not least due to ongoing political uncertainties and the Brexit issue. In the raw materials-exporting countries of Latin America, the Commonwealth and Sub-Saharan Africa, however, there were signs of a slight recovery – despite continuing difficulties. The same applied to Brazil, which returned to positive growth on the back of a strong export surplus and a reduced decline in domestic demand (source: IMF, World Economic Outlook, October 2017).

However, apart from the general air of political unpredictability, numerous geopolitical and local tensions, fiscal risks in China and the USA, and burgeoning global protectionism fuelled continued uncertainty, and investment activity was correspondingly cautious (source: IMF, World Economic Outlook, October 2017; World Economic Outlook, April 2017).

In 2017, the German economy grew by 2.2%, mainly driven by increased global trade, higher public and private consumer spending, favourable financing conditions and continued political stability within the eurozone (source: Federal Statistical Office, February 2018). Investments in new equipment rose by 4.0%. Compared to the end of 2016, industrial production increased by 3.0% in the eurozone and by 3.3% across the EU 28 (source: Eurostat, press release February 2018).

The value of the euro tended upwards against most of the foreign currencies relevant for Schaltbau Group, particularly the US dollar, the Polish zloty, the British pound and the Chinese renminbi. The resulting currency effects had a negative overall impact on the sales figure reported by Schaltbau Group, but had little impact on EBIT.

SECTOR-SPECIFIC ENVIRONMENT

SALES MARKETS

Rail sector

Schaltbau Group saw continued growth in the global market for railway transportation technology in 2017, mainly thanks to increased sales in the fields of rolling stock and components. Business with digital control and safety technology, tracks, points, railway line electrification systems, signals and level crossing systems, however, remained roughly at the previous year's levels.

Order intake in the German rail industry in 2017 is likely to be down on the extremely high figure reported for 2016 (€ 11.8 billion). Whereas domestic demand remained stable in the first half of 2017, order volumes from abroad dropped by 9.1%. According to VDB sources, the sharp decline in demand was attributable to traditionally volatile business cycles in the sector on the one hand and to the worldwide trend towards protectionism on the other. The latter could be seen, for instance, in the requirement for local content, restrictive joint ventures, a lack of transparency on procurement markets, voluminous governmental export financing and market foreclosure trends (source: VDB press release, October 2017).

Despite the growing need for renewal, investment levels in rail infrastructure remained low in many European countries. Furthermore, Deutsche Bahn (German Railways), by far the largest rail infrastructure operator in Germany, via its subsidiary DB Netz AG, only made minor investments in level crossing systems. The coalition agreement negotiated by the parties of the Grand Coalition in Germany in February 2018 provides for, among other things, investments in the electrification of the German railway network and federal funds for operating branch lines as well as promoting initiatives for automated driving. This could lead to a gradual reduction of the investment backlog in the product segments for track-related technology served by Schaltbau Group in subsequent years. However, a concrete investment programme has not yet been tabled.

Overall, the order situation for rolling stock remained largely stable in Western Europe. Railway systems suppliers even began insourcing some of their activities in isolated cases. In Eastern Europe, particularly in Russia, opportunities to generate new business remained scarce, due to 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.

Although the rail market grew slightly worldwide, the order volume potentially accessible to German companies has declined somewhat. Particularly in China, protectionism increased when it came 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 less demand for certain systems and components.

Consolidation on the customer side continued. At the same time, the Chinese railway group CRRC moved increasingly into the world market. Competitive pressure and changes in customer structures are resulting in lower margins and sometimes in project delays in several markets. Despite these challenges, Schaltbau Group's project situation in the global market for rolling stock developed positively overall, benefiting in particular the Components and Mobile Transportation Technology segments, partly due to improved sales in the refurbishment business for end customers.

Automotive industry

According to preliminary calculations, the passenger car market grew by around 2% to 84.6 million new vehicles worldwide in 2017. Europe (EU and EFTA) continued on its growth course in 2017, recording an increase of around 3% to 15.6 million passenger cars. According to the German Association of the Automotive Industry (VDA), the German automotive industry also reported significant sales volume increases for both passenger cars and commercial vehicles (source: VDA, press release December 2017).

In the automotive segment, Schaltbau Group is also benefiting from the wider use of electric commercial vehicles. Overall, the percentage of electric vehicles in Germany in 2017 more than doubled year-on-year (source: GoingElectric, number of electric vehicles registered in 2017). Moreover, the sale of industrial trucks, warehousing and logistics technology-related equipment profited from the growth in online commerce. The omnibus market is also relevant, as door and boarding systems as well as components are also installed in buses. In 2017, the number of new registrations of buses and coaches remained flat in Germany, but still at a high level (Federal Motor Transport Authority 2017) and declined slightly across Europe as a whole (ACEA, 2017).

Capital goods

Cyclical developments within the trade, logistics and energy sectors were of particular importance for the industrial sector. Low selling prices continued to make conditions difficult for industrial customers operating in the raw materials sector. Furthermore, Russia was adversely affected by the EU embargo (source: DIHK study, 2016). In Germany, the market for renewable energy was negatively impacted by the discontinuation of funding programmes and limitations in the choice of locations. At the same time, price erosion continued unabated, as options for boosting efficiency are virtually exhausted. However,

investment volumes grew in China, the USA, Japan, the UK, and India. The number of major projects in the field of port infrastructure relevant for Schaltbau Pintsch Bubenzer decreased. In the view of Schaltbau, consolidation in the market for container shipping is causing port operators and their suppliers to invest with caution, particularly in China.

PROCUREMENT MARKETS

Prices on procurement markets rose significantly in the course of the year under report, but were still generally lower than during the previous 12-month period. The price of copper increased by 2.6% on average. The prices of rolled steel, stainless steel and cast iron were similar to the previous year. Expressed in US dollars, the average price of aluminium climbed by 16.1%. The prices of precious metals (in US dollars), which Schaltbau mainly utilises to manufacture the contacts of its switches and contactors, developed diversely. Nickel prices rose by an average of 6.3%, whereas silver dropped by 2.4% and gold by 1.5%. Prices for electronic printed circuit boards went up slightly.

Schaltbau Group enters into multi-year agreements with many of its suppliers in order to maintain procurement prices at stable levels and guarantee supply security. Nevertheless, material prices increased slightly overall, which had a negative impact on the gross margin.

REGULATORY CONDITIONS

In terms of safety and interoperability, all products manufactured for the railway signals technology sector as well as other electronic control equipment for rolling stock applications in Europe are subject to EU regulations and directives.

Schaltbau products are certified in accordance with European specifications – such as the European standards set out by the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standards Institute (ETSI) and therefore comply with the most important EU standards.

In addition, the European rail sector is subject to the Technical Specifications for Interoperability (TSI) for railway transportation within the European Union. The TSI 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 tendered for the first time in 2016.

On 19 April 2016, the European Parliament and the Council of Europe agreed to a raft of measures under the terms of the „Fourth Railway Package“, which is designed to make rail travel in the EU 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 qualify as being independent for regulatory purposes. The new regulation is likely to lead to a further shortage of approval capacities, thus exacerbating an already difficult situation.

Furthermore, the increasingly international strategy of Schaltbau Group calls for the adaptation of technical processes to meet global standards on the one hand and for local content requirements and market-specific standards to be taken into account on the other. In

particular, certifications in accordance with the China Compulsory Certification (CCC), the Russian GOST standards and those of the Underwriters Laboratories (UL) in the USA are required. The local content quotas stipulated by governments have continually risen in recent years. Schaltbau Group has reacted to this development – where economically viable – by localising production resources and changing product structures.

COURSE OF BUSINESS AND EARNINGS POSITION

RESTRUCTURING AND FINANCIAL STABILISATION

In the year under report, Schaltbau Group made significant progress with the implementation of its restructuring concept and realigned corporate strategy in terms of stabilising its financial and liquidity position and eliminating strategic and operational problems.

New financing arrangements put in place at the end of the first quarter 2017 initially increased the Group's financial headroom for a time-limited period. The banks agreed at that stage to provide secured bridge financing through to 28 February 2018 in order to finance day-to-day operations. At the same time, the terms of the existing secured syndicated credit agreement with a volume of € 100 million were amended and interest rates raised. The term of the secured syndicated credit agreement now ends on 31 December 2019, with no option available to extend or increase borrowings. Interest payable to the creditors of the promissory note during the period from 1 April 2017 to 31 December 2019 increased by 100 basis points. In addition, the promissory note holders were granted an option to terminate the credit agreement by giving six months' notice to the end of 2019.

In May 2017, Schaltbau Holding AG's share capital was increased by € 558,200 to € 8.06 million by issuing 457,580 new shares against cash contributions, partly utilising Authorised Capital 2013/I. The new shares were placed with three long-term oriented institutional investors. The placement price per new share was € 34.11, generating issue proceeds of approximately € 15.6 million. Since they are earmarked to repay the bridge financing, the proceeds have been paid into a trust account and are therefore reported as "restricted cash" at 31 December 2017.

Also using the proceeds arising from the sale of a business on 1 March 2018 and the additional share capital increase dated 16 February 2018, the Group was able to repay the bridge financing plus deferred financial liabilities on schedule, reduce current account liabilities, strengthen its equity position and ease the liquidity situation (see Events after the end of the reporting period, in the notes to the consolidated financial statements).

Restructuring measures included reversing and renegotiating problematic foreign projects, initiating the sale of non-core activities and various measures to cut costs and increase efficiency (see Strategy). Thanks to these measures, the earnings situation of the Group's remaining business has been strengthened and the risk situation improved.

SIGNIFICANT CHANGES TO THE GROUP REPORTING ENTITY

The Schaltbau Group reporting entity did not change significantly during the fiscal year under report. The previously fully consolidated Shenyang Bode Transportation Equipment was sold during the second quarter 2017 to the newly founded joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., in which Schaltbau Bode Group holds a 49% interest. The joint venture is accounted for in Schaltbau Group's consolidated financial statements using the equity method.

At the beginning of 2017, the Group's refurbishment activities were restructured and pooled in the subsidiary Schaltbau Refurbishment, within the Mobile Transportation Technology segment. In 2016, most of these activities were still allocated to the Stationary Transportation Technology segment.

The wholly owned subsidiary Albatros S. L. U. ("Schaltbau Sepsa") was put up for sale on 15 November 2017 and is therefore accounted for in the consolidated financial statements for the year ended 31 December 2017 as a "disposal group" pursuant to IFRS 5. Taking into account the impairment tests conducted in September 2017, write-downs resulted which led to one-time non-operating and non-cash losses totalling € 24.2 million. The sale of Schaltbau Pintsch Bubenzer was also initiated during the year under report and completed on 1 March 2018 (see Events after the end of the reporting period, in the notes to the consolidated financial statements). An impairment loss of € 1.1 million was recognised in the year under report following an impairment test.

OVERALL ASSESSMENT OF FINANCIAL CONDITION

Schaltbau Group largely achieved its revised sales and earnings targets for the fiscal year 2017. EBIT before exceptional items came in at € 2.4 million on sales of € 516.5 million and was therefore at the lower end of the target range. Including negative effects of € 24.2 million and € 1.1 million arising on the revaluation of Schaltbau Sepsa and Pintsch Bubenzer Group respectively, Schaltbau Group closed the fiscal year with a negative EBIT of € 23.0 million.

The failure to meet the original target range for the EBIT margin of 3% to 4% on targeted sales of € 520 million to € 540 million was partly due to lower-than-forecast sales and earnings in the Stationary Transportation Technology segment, mainly reflecting the investment backlog in the market for level crossing technology. In addition, the Stationary Transportation Technology segment's EBIT also includes one-time warranty-related expenses and impairment losses on inventories in connection with the premature termination of a major project with Egyptian National Railways. In view of these developments, the decision was taken mid-year to accelerate the restructuring of the Stationary Transportation Technology segment and to implement measures to cut costs and increase efficiency, including the possible merger of locations. These restructuring measures entail additional one-off expenses which have a negative impact on EBIT. For Schaltbau Group as a whole, operational restructuring measures resulted in an exceptional expense of € 8.0 million, which related in particular to provisions for severance pay, capital restructuring, legal and consulting expenses.

Sales and earnings also fell short of expectations in the Mobile Transportation Technology segment. At Schaltbau Sepsa in particular, project postponements, unplanned expenditure incurred in connection with quality-related issues in the field and lower-than-forecast service business sales all had a negative impact on earnings. Numerous new projects were launched in the Mobile Transportation Technology segment in 2017, most notably during the second half of the year. Establishing and stabilising the related supply chains and production processes resulted in higher expenses, as a consequence of which it was not possible to fully compensate the significant operating loss recorded at the level of Schaltbau Sepsa Group.

By contrast, components business developed positively. Despite the slight drop in sales, the Components segment was able to improve its profit margin significantly. The main contributing factors for the improvement were a favourable development in the product mix and the introduction of measures at the end of 2016 aimed at optimising cost structures, which helped bring down both direct and indirect expenses.

The Group net profit for the year was negatively impacted by rising financing costs, mostly in connection with new financing arrangements and the greater utilisation of available credit lines. In addition, the reversal and write-down of deferred tax assets had the effect of increasing the tax expense for the year.

At the same time, the significant year-on-year increase in order intake (+7.8%) reflects ongoing stable demand in Schaltbau Group's core business and good growth potential. Order intake grew organically by 12.3% in the Mobile Transportation Technology segment (excluding Schaltbau Sepsa) and by 12.5% in the Components segment. Combined with the benefits of restructuring and financial stabilisation measures, and a realigned corporate strategy, Schaltbau Group remains capable of generating profitable organic growth in the coming years.

Outlook / actual comparison for fiscal year 2017

in € million, unless stated otherwise	Outlook provided on 9 Nov. 2016	Outlook provided on 14 Feb. 2017	Outlook provided on 8 Aug. 2017	Actual 2017
Order intake		551.2 (on a par with previous year)	slightly improved	594.0
Sales	550	520-540	520-540 (unteres Ende)	516.5
EBIT	27.5		2-5 (before exceptional items)	2.4 (before exceptional items)
EBIT margin, in %	5	3-4		0.5 (before exceptional items)
Group net profit/loss for the year	16.0			-49.6
Earnings per share, in €	around 2.00			-8.04
Profit / loss before tax of Schaltbau Holding AG in accordance with HGB	moderate profit			-25.8

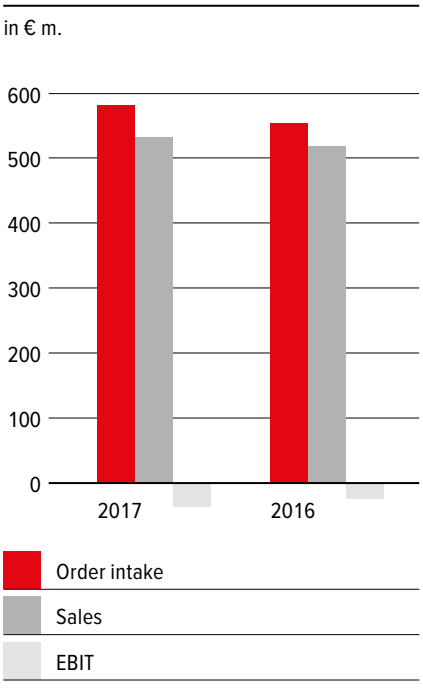
Business and earnings position of Schaltbau Group			
in € million	**2017**	**2016**	**Δ%**
Order intake	594.0	551.2	7.8
Sales	516.5	509.1	1.5
EBIT before exceptional items	2.4	not measured	-
EBIT	-23.0	-14.5	58.6

ORDER INTAKE AND ORDER BOOK

Order intake of Schaltbau Group rose by 7.8% to € 594.0 million (2016: € 551.2 million). Given that order intake was still 7.5% short of the previous year's figure at the mid-year stage, the pace of growth increased dynamically during the remainder of the year.

The Mobile Transportation Technology segment recorded the biggest increase, whereby organic growth was supplemented by the full-year contribution of Schaltbau Sepsa (only consolidated for the fourth quarter in 2016) and the inclusion of the refurbishment business. The volume of incoming orders received by the Components segment also increased, with significant improvements recorded in the second half of the year, particularly at the Group's German locations and in Italy. The Stationary Transportation Technology segment saw a sharp decline in new business for level crossing technology and railway signalling (axle counters and shunting technology). The decline in order volume was attributable partly to weak demand and partly to a deliberate tactic of holding back on tenders for foreign projects as a consequence of the Group's restructuring. Order intake was also modest in the braking systems business unit, which has been sold in the meantime.

Business and earnings position



The order book increased over the twelve-month period by 18.3% to € 508.3 million (2016: € 429.8 million), the bulk of which related to the rolling stock und automotive lines of business.

SALES

At € 516.5 million, Group sales were slightly up on the previous year (2016: € 509.1 million). Here too, business picked up in the second half of the year (+ 6.2%), driven by the completion of a number of major projects. In organic growth terms, sales dipped slightly by 4.0% over the year as a whole, mainly due to a sharp decrease in sales of industrial brakes (Schaltbau Pintsch Bubenzer) and level crossing technology. This was compounded by a decline in business with driver's desks at the level of SPII (part of the Components segment)

which could not be fully offset by the upturn in business with contactors and snap-action switches. Components business in China stabilised and was roughly in line with the previous year's sales performance. The Mobile Transportation Technology segment recorded sales growth (including on an organic basis), with good contributions from Schaltbau Bode (including Schaltbau Rawag) and Schaltbau Alte (Spain). Currency effects reduced sales overall, mainly in connection with the appreciation of the euro against the Chinese renminbi and the US dollar.

34.9% (2016: 33.6%) of sales were generated in Germany and 42.3% (2016: 42.8%) in the rest of Europe, whereby business with customers in the rolling stock sector dominated all sales regions.

EARNINGS

Group EBIT remained negative and deteriorated from € 14.5 million to € 23.0 million. Excluding the non-operating exceptional expense of € 24.2 million arising on the revaluation of Schaltbau Sepsa and the impairment loss of € 1.1 million recognised for Pintsch Bubenzer GmbH, EBIT before exceptional items amounted to € 2.4 million, corresponding to an EBIT margin of 0.1%. The operating margin in the second half of the year therefore improved compared to the first six-month period (-2.0%), mainly reflecting the impact of sales growth. Implementation of the restructuring concept resulted in additional expenses (including severance pay and consulting services) which outweighed the positive effect of cost reductions realised in the period. Schaltbau Sepsa (Spain) made a negative contribution of € 6.5 million (before consolidation adjustments) to EBIT.

Total output of the Schaltbau Group went up by € 26.9 million to € 533.2 million, mainly as a result of sales growth and increased inventories. The cost of materials ratio increased from 50.1% to 51.7% year-on-year, reflecting changes in the product and project mix (partly affected by the inclusion of Schaltbau Sepsa for the full twelve-month period) as well as price increases. The full benefit of measures initiated in the year under report in production and procurement areas aimed at holding down the cost of materials will not be realised until later reporting periods.

Personnel expense increased from € 171.3 million to € 186.9 million, whereby the significant increase was primarily attributable to severance pay, union-negotiated tariff adjustments and the fact that the expense for Schaltbau Sepsa employees is included for the full twelve-month period. The personnel expenses ratio (personnel expense as a percentage of total output) went up from 33.8% to 35.0%. Total output per employee (a measure of productivity) was practically unchanged at € 172,300 (2016: € 173,100).

Depreciation, amortisation and impairment losses totalling € 43.1 million were influenced in particular by impairment losses recognised on investments in Schaltbau Sepsa Group entities. The figure also includes amortisation of intangible assets (including purchase price allocation effects) and depreciation on property, plant and equipment totalling € 9.6 million. In addition, an impairment loss of € 1.1 million was recognised on goodwill allocated to Pintsch Bubenzer. The corresponding figure for depreciation, amortisation and impairment losses reported one year earlier (€ 30.8 million) included impairment losses on capitalised development costs for Stationary Transportation Technology segment projects as well as the write-down of goodwill allocated to Schaltbau Pintsch Bamag.

Other operating expenses decreased to € 62.9 million (2016: € 72.9 million), but nevertheless remained at a very high level. The amount reported was also affected by the full-year inclusion of Schaltbau Sepsa and restructuring expenses. The comparable figure for 2016 includes the expense of allocations to provisions for pending losses on onerous overseas projects in the Stationary Transportation Technology segment. Some of these provisions were utilised during the year under report. Other operating expenses contrasted with other operating income amounting to € 12.2 million (2016: € 8.0 million). The main reason for the increase was the gain arising on the sale of Shenyang Bode to the joint venture operated by Schaltbau and a Chinese partner.

The loss from ordinary activities (negative EBT) increased from € 15.9 million in the fiscal year 2016 to € 35.7 million in the year under report. The more pronounced change in EBT compared to that of EBIT was partly due to the result from investments which deteriorated from a positive amount of € 3.9 million to a negative amount of € 1.8 million. In the previous year, EBT was influenced by a one-time gain of approximately € 7 million arising on the revaluation of the shares held in Schaltbau Sepsa prior to that entity's full consolidation, offset, however, by the negative contribution of € 3.8 million reported by the same entity for the first three quarters of 2016. In 2017, impairment losses totalling € 1.9 million were recognised on investments.

Furthermore, the financial result for the year under report deteriorated to a net negative amount of € 10.9 million (2016: net negative amount of € 5.2 million), mainly due to one-time expenses incurred in conjunction with the renegotiation of external financing and the related higher interest rates charged for credit line utilisation and on promissory notes. A further reason for the increase was the need to utilise a greater volume of the available credit lines in view of the tight financial position (see Net assets and financial position). The inclusion of Schaltbau Sepsa Group for the full twelve-month period also caused the net expense to rise.

Income taxes had a significant impact in 2017, with a tax expense of € 13.9 million (2016: tax income of € 3.8 million). The principal reason for the deterioration was a € 10.7 million reduction in deferred tax assets. Following a reassessment of the amount of tax losses available for carryforward, previously recognised deferred tax assets amounting to € 3.4 million were derecognised with income statement effect. In addition, the surplus of deferred tax assets over deferred tax liabilities within the Schaltbau tax group was written down by € 5.8 million, of which € 3.7 million was recognised with income statement effect and the remainder (relating to pension provisions) recognised directly in equity. The tax income reported in the previous year was influenced by deferred tax income recognised primarily in connection with provisions for pending losses on onerous contracts.

The Group's net loss for the year increased to € 49.6 million (2016: net loss of € 12.0 million). The loss attributable to shareholders of Schaltbau Holding AG amounted to € 51.7 million (2016: loss attributable of € 15.8 million), corresponding to negative earnings per share of € 8.04 (2016: negative earnings per share of € 2.61).

APPROPRIATION OF RESULTS

The accumulated deficit of Schaltbau Holding AG for fiscal year 2017 will be carried forward.

BUSINESS AND EARNINGS PERFORMANCE OF THE SEGMENTS

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

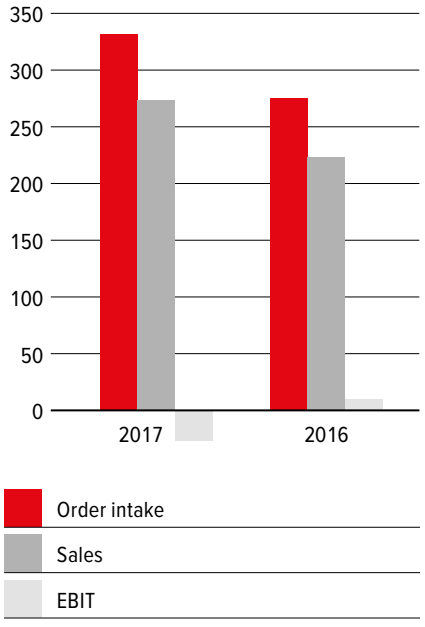
Key performance figures for the Mobile Transportation Technology segment

in € m.	2017	2016	Δ%
Order intake	333.4	263.2	26.7
Sales	265.3	222.2	19.4
EBIT	-26.4	5.2	-

In the Mobile Transportation Technology segment, order intake rose sharply by 26.7% to € 333.4 million (2016: € 263.2 million). The improvement was largely driven by growing demand for boarding and door systems as well as interior fittings for rolling stock, from which the Kassel (Schaltbau Bode) and Rawicz (Schaltbau Rawag) Group production sites benefited in particular. Among other orders, Hitachi Rail Italy awarded Schaltbau Group a major contract for the Trenitalia, Caravaggio project. The contract to deliver components for the first 39 trains was signed in January 2017. Including options, the project comprises up to 300 trains. Bode North America received a major order from Stadler to supply door systems for Caltrain. Order volume for door systems for buses was slightly down on the previous year. In the automotive business field, orders on hand grew, partially due to the increased volumes for Deutsche Post DHL's StreetScooter project. The Group's Spanish subsidiary Schaltbau Alte received further orders as part of the major contract awarded in 2016 to deliver complete sanitary modules for new double-deck coaches for SNCB in Belgium, which are being jointly built by Bombardier Transportation and Alstom Transport, as well as new orders for the Bombardier Transportation projects TET-Uno and East Anglia.

Key performance figures (in € m.)

Mobile Transportation Technology segment



This organic growth was supplemented by the full-year consolidation of Schaltbau Sepsa's business in Spain and North America as well as the relocation of the refurbishment and service business to the Mobile Transportation Technology segment at the beginning of 2017.

Segment sales also grew strongly, totalling € 265.3 million for the twelve-month period (2016: € 222.2 million), largely due to the completion of a major order at the level of Schaltbau Alte and the recovery of Rawag's business in Central and Eastern Europe. The refurbishment business, which was included in the Mobile Transportation Technology segment for the first time, also grew organically. Despite Schaltbau Sepsa's contribution to sales practically doubling due to the full-year consolidation, it still fell short of expectations.

The segment recorded a negative EBIT of € 26.4 million, mainly as a result of the revaluation of the Schaltbau Sepsa Group. Without this effect, the Mobile Transportation Technology segment EBIT would have been a small negative amount of € 2.2 million, down on the previous year's figure of positive € 5.2 million. The result was primarily attributable to the negative operating contribution made by Schaltbau Sepsa and other foreign subsidiaries, which was offset to a large extent by positive margins recorded at the level of Schaltbau Bode and Schaltbau Rawag. The EBIT margin (before exceptional items) came in at -0.1% (2016: 2.3%).

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

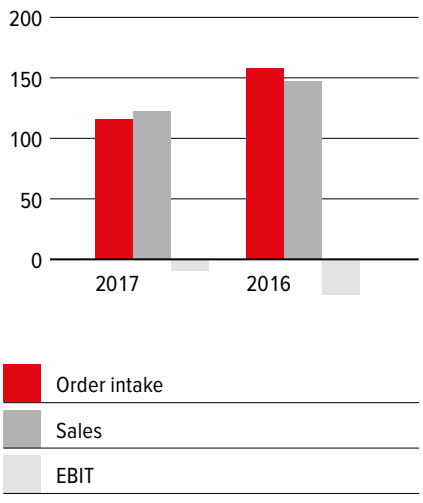
Key performance figures for the Stationary Transportation Technology segment

in € m.	2017	2016	Δ%
Order intake	114.3	157.8	-27.6
Sales	120.5	149.3	-19.4
EBIT	-5.5	-28.1	-80.4

At € 114.3 million, order intake for the Stationary Transportation Technology segment was well below the previous year's figure of € 157.8 million. Excluding the negative impact of the relocation of refurbishment activities to the Mobile Transportation Technology segment, order intake fell sharply. In addition to continued weak market demand and cautious ordering behaviour, the downward trend reflected a conscious reluctance to engage in foreign projects. In the rail infrastructure business field, the massive decline in orders placed for level crossing and railway signals technology had a particularly strong impact. Conversely, however, new business with point heating systems developed steadily. In the industrial brakes business, which was sold with effect from 1 March 2018, order volumes also decreased, mainly due to weak demand in the port infrastructure sector.

Key performance figures (in € m.)

Stationary Transportation Technology segment



Segment sales fell by 19.4% to € 120.5 million (2016: € 149.3 million). The low order volumes

led to a significant decline in sales, especially of brake systems and level crossings. However, sales of axle counters, shunting technology and point heating systems were at a similar level to the previous year. Sales of platform screen doors (PSD) totalled € 3.4 million in the year under report.

The negative volume effect could only be offset to a minor degree by cost-cutting measures initiated in the course of the year. The segment recorded a negative EBIT of € 5.5 million. This performance was nevertheless an improvement on the previous year's negative EBIT of € 28.1 million, which had been adversely influenced by risk expenses relating to the segment's international project portfolio. Segment EBIT in 2017 also includes an impairment loss of € 1.1 million relating to Pintsch Bubenzer. Overall, the EBIT margin came in at -4.6% (2016: -18.8%).

THE COMPONENTS SEGMENT

Key performance figures for the Components segment

in Mio. EUR	2017	2016	Δ%
Order intake	146.3	130.1	12.5
Sales	130.7	137.5	-4.9
EBIT	21.4	17.2	24.8

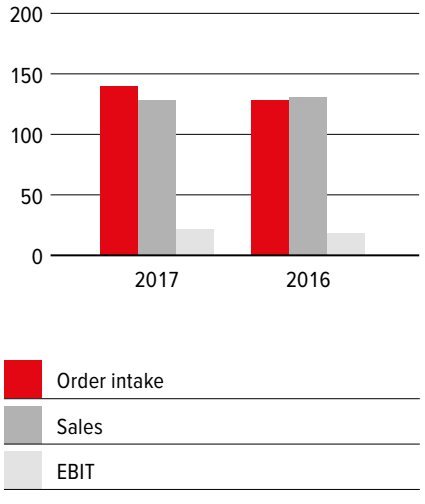
The order situation in the Components segment improved significantly year-on-year. Order intake rose by 12.5% to € 146.3 million (2016: € 130.1 million), largely on the back of higher order volumes for snap-action switches for railway vehicle doors, not only for new equipment being manufactured, but also on the increasingly important aftersales market. In addition, order intake at the Italian subsidiary SPII showed a clear upward trend. In China, business stabilised, despite lower investment volumes in locomotives and passenger coaches on the domestic market. The order situation on the North American market was down on the previous year's level due to project delays.

Sales decreased by 4.9% to € 130.7 million compared to one year earlier (2016: € 137.5 million). The sharp drop in sales at SPII was offset by growth at Schaltbau GmbH.

EBIT for the Components segment rose to € 21.4 million (2016: € 17.2 million). The moderate decline in sales was more than compensated by the impact of the positive product mix as well as cost structure optimisation measures. The EBIT margin therefore rose from 12.5% to 16.4%.

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 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 Schaltbau Group. The main exposures relate to interest rate, currency, counterparty, and country-specific risks.

Schaltbau Group raises most of the funds it needs via the Group's ultimate parent company which is listed on the stock exchange, and allocates them on the basis of intra-Group financing arrangements. In this context, Schaltbau Group took the first steps in 2017 to establish a new treasury management system that will operate across entity boundaries. In order to limit external financing, 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 2017 was based on a syndicated credit agreement with a volume of € 100 million, bridge financing amounting to € 25 million and two promissory notes placed in 2015, with a total volume of € 70 million and maturities of originally seven and ten years.

The syndicated credit runs to the end of 2019. The long-term portion of the credit is classified as a non-current liability, whereas the bridge financing due at the end of February 2018 and the current account portion of the syndicated credit are classified as current liabilities. In an agreement dated 15 December 2017, the banks waived the special cancellation right to which they were entitled in the event of non-compliance with financial covenants. In this context, interest rates were adjusted and the financial covenants (originally based on debt and equity capital ratios) replaced by other requirements. There is now a requirement to comply with planned liquidity levels and with specified ranges for EBITDA. In addition, key milestones of the restructuring concept must be implemented in line with an agreed schedule. In the event of adverse deviations, the banks have a special cancellation right. In addition, certain measures require the approval of the lenders. It is not permitted to pay any dividends before the restructuring has been completed and formally confirmed.

The creditors of the promissory note also have special cancellation rights, which are linked in some aspects to a cancellation of the syndicated credit, but also to other specified circumstances. In addition, the creditors of the promissory note have a special cancellation right at 31 December 2019, which must be exercised by 30 June 2019 at the latest. After modification of the terms, the ten-year tranche of the promissory note for € 41.5 million, due 30 June 2025, is now subject to an interest rate of 3.544% p.a. for the period from 1 April 2017 to 31 December 2019. The seven-year tranche of the promissory note for € 28.5 million, due 30 June 2022, is subject to an interest rate of 2.883% p.a. for the same period.

An equity ratio of between 30% and 35% has been set as the target for Schaltbau Group. This target ratio was not achieved at any time during 2017.

Derivative financial instruments are exclusively used to hedge interest rate and foreign currency risks, and – in exceptional cases – commodity risks. Internal guidelines prohibit the use of derivative financial instruments for speculative purposes. Interest rate hedges totalled € 6.0 million (nominal) at the end of the reporting period. Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

ANALYSIS OF CAPITAL STRUCTURE

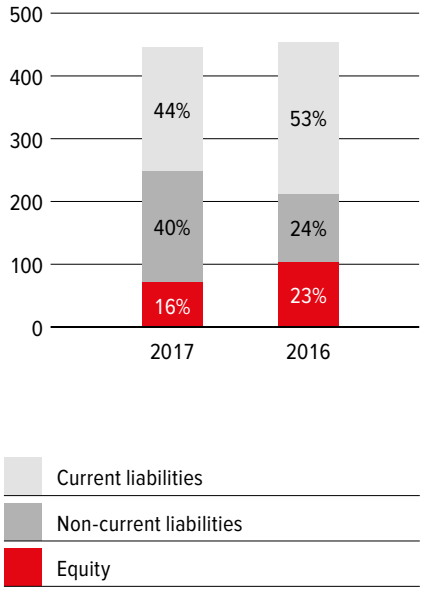
Non-current liabilities stood at € 182.9 million at the end of the reporting period (31 December 2016: € 111.1 million). Based on the agreement reached with the banks in December 2017, both the syndicated credit totalling € 100.0 million and the promissory note debt were classified as non-current financial liabilities. By contrast, at the end of 2016, most of the liabilities to banks and the promissory notes were classified as current financial liabilities since the negotiations for revised financing arrangements had not been completed at that stage.

Pension provisions (reported as non-current liabilities) decreased by € 2.6 million to € 37.5 million as a result of the actuarial impact of increasing the discount rate from 1.6% to 1.7% and the partial utilisation of the provision before year-end. Provisions for pending losses on onerous contracts (included in other provisions) decreased by € 4.9 million to € 8.7 million, mainly due to amounts utilised for the projects in Denmark (level crossing technology) and Brazil (PSD) as well as to reclassifications to current provisions.

Current liabilities decreased from € 240.9 million to € 198.5 million mainly in conjunction with the aforementioned reclassification. The corresponding significant decrease in current financial liabilities was partially offset by the impact of the revaluation of Schaltbau Sepsa Group (treated as a disposal group) and the resulting requirement to recognise related liabilities within current liabilities. The bridge financing liability (including deferred repayments) and the current account portion of the syndicated credit are classified as current financial liabilities at 31 December 2017.

Balance sheet structure

Equity and liabilities



Net financial liabilities (current and non-current bank liabilities plus other financial liabilities less cash and cash equivalents) amounted to € 158.4 million at the end of the reporting period (31 December 2016: € 148.0 million). The increase reflects the higher utilisation of funds (including deferred repayments) as well

as lower cash and cash equivalents. The debt ratio (EBITDA as a percentage of net bank liabilities) at 31 December 2017 was 7.9 compared to 9.1 one year earlier. Schaltbau Group continues to target reductions in net financial liabilities both in absolute terms and, particularly, in relation to EBITDA for the year. The target is a debt ratio of below 3.

Equity decreased by € 36.5 million to € 70.6 million over the twelve-month period (31 December 2016: € 107.1 million), corresponding to an equity ratio of only 15.6% (31 December 2016: 23.3%). The increase in capital reserves recorded in conjunction with the share capital increase was offset by the Group net loss for the year and dividend payments for minority interests in subsidiaries.

LIQUIDITY ANALYSIS

At € 10.5 million, cash flows from operating activities were down on the previous year's figure of € 25.8 million, but nevertheless positive. The principal reason for this positive outcome was that the loss recorded in conjunction with the revaluation of the Schaltbau Sepsa Group had no impact on cash flows. The year-on-year decrease in operating cash flow was mainly due to the weaker performance of the Stationary Transportation Technology segment and to the net cash outflows of Schaltbau Sepsa Group which was consolidated for the full twelve-month period.

Net cash outflows from investing activities amounted to € 34.3 million (2016: € 18.2 million). The increase was mainly due to the € 5.1 million initial capital contribution paid in for the joint venture set up in China and the transfer to a trust account of net proceeds of € 15.6 million received in conjunction with the share capital increase at the level of Group parent company.

Given the above, free cash flow deteriorated to a negative € 23.8 million (2016: positive € 7.6 million), from which negative €15.5 million relate to the restricted cash funds from the May 2017 share capital increase, recognised as money investment.

Net cash inflows from financing activities totalling € 5.7 million (2016: net cash outflows of € 8.7 million) include the proceeds arising from the share capital increase in May 2017 (which correspond to the outflow of funds to the trust account) as well as the overall higher amount of credit lines utilised. Cash was reduced by ongoing debt servicing and distributions to minority shareholders.

Overall, cash and cash equivalents decreased by € 19.0 million (including foreign currency effects) to € 12.2 million over the twelve-month period.

NET ASSETS

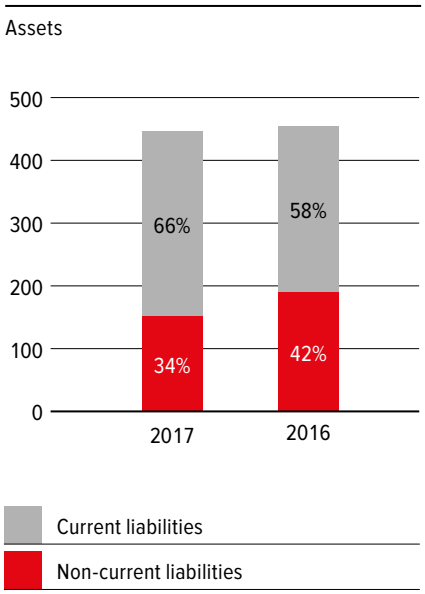
Non-current assets decreased to € 154.7 million at the end of the reporting period (31 December 2016: € 194.6 million).

Intangible assets went down from € 83.7 million to € 67.5 million, mainly reflecting the impairment loss recorded for Schaltbau Sepsa Group and the subsequent reclassification to the line item "Assets held for sale", the combined effect of which was to reduce intangible assets by € 10.5 million. Other items contributing to the decrease were the impairment loss recognised on goodwill and the subsequent reclassification of the Schaltbau Pintsch Bubenzer Group in conjunction with its planned sale amounting to € 4.9 million. In addition, currency fluctuations reduced the carrying amount of intangible assets relating to Schaltbau North America by € 0.7 million. These decreases were offset by the capitalisation of € 6.5 million of development costs.

The marked drop in property, plant and equipment from € 88.4 million to € 72.3 million was also influenced by impairment losses at the level of Schaltbau Sepsa and – along with Schaltbau Pintsch Bubenzer – the reclassification of assets to the line item "Assets held for sale". The foundation of the joint venture Zhejinang Yonggui Bode Transportation Equipment in China, including payment of the initial capital contribution, resulted in an increase in at-equity accounted investments. The € 1.6 million impairment loss recognised on the investment in Zhejinang Yonggui Bode Transportation Equipment at 31 December 2017 worked in the opposite direction. Mainly due to the non-recognition of deferred tax assets on tax losses available for carryforward within the German tax on the one hand and the write-down of the remaining surplus balance of deferred tax assets over deferred tax liabilities within the German tax group on the other, deferred tax assets decreased by € 11.3 million to € 4.1 million.

The significant increase in current assets over the twelve-month period from € 264.4 million to € 297.3 million was attributable to the reclassification of assets relating to Schaltbau Sepsa Group and Schaltbau Pintsch Bubenzer to the line item "Assets held for sale" as well as the inclusion of the restricted cash funds received in conjunction with the share capital increase in May 2017 (€ 15.6 million) in other receivables and assets. The reduction in inventories and receivables is due to the reclassifications pursuant to IFRS 5, and also reflects changes in business volumes on the one hand and the impact of measures undertaken to reduce working capital on the other. Good progress on a number of delayed projects enabled the build-up of inventories recorded during the year to be reversed. Write-downs on inventories at the end of the reporting period totalled € 19.7 million (31 December 2016: € 32.7 million), whereby the decrease was primarily attributable to the nature of the presentation of Schaltbau Sepsa Group in the consolidated balance sheet.

Balance sheet structure



Capital employed fell by 18.6% to € 277.5 million (31 December 2016: € 341.1 million) as a result of the lower level of working capital and the effects related to the reclassifications pursuant to IFRS 5. The return on capital employed (ROCE), measured by dividing EBIT by the average amount of capital employed, was a negative return of 8.3%, compared with a negative return of 4.2% for the fiscal year 2016.

Other receivables and assets went up by € 10.4 million to € 25.4 million (31 December 2016: € 15.0 million. The increase mainly reflects amounts held on a trust account (restricted cash) pertaining to proceeds from the capital increase and earmarked to repay the bridge financing by 28 February 2018. The repayment was made in line with schedule in the new fiscal year and the trust account closed (see Events after the end of the reporting period, in the Other disclosures section in the notes to the consolidated financial statements).

Cash and cash equivalents decreased by € 4.7 million to € 25.3 million, mainly as a consequence of cash used in the ordinary course of business. The difference between the cash and cash equivalents reported in the balance sheet and cash funds reported in the cash flow statement was attributable to the inclusion of current account liabilities in the cash flow statement following a change in the way cash flows within the Group are managed.

NET ASSETS, FINANCIAL AND EARNINGS POSITION OF SCHALTBAU HOLDING AG

The annual financial statements of Schaltbau Holding AG for the fiscal year 2017 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 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. A profit and loss transfer agreements is in place between Schaltbau Holding AG and Schaltbau GmbH. The profit and loss transfer agreement between Schaltbau Holding AG and Pintsch Bamag Antriebs- und Verkehrstechnik GmbH was terminated on 21 December 2017 and rescinded with legal effect from 2 January 2018 following the appropriate entry in the commercial register. The agreement therefore continued to be valid at 31 December 2017. Pintsch Bamag Antriebs- und Verkehrstechnik GmbH terminated its profit and loss transfer agreements with Pintsch Bubenzer GmbH and Pintsch Tiefenbach GmbH as of 31 December 2017, whereby the first of those two agreements was formally rescinded with legal effect from 2 January 2018. In accordance with a share transfer agreement dated 14 March 2017, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH sold its shareholding in Schaltbau Refurbishment GmbH (formerly Pintsch Aben geotherm GmbH) to Schaltbau Holding AG.

EARNINGS POSITION OF SCHALTBAU HOLDING AG

Schaltbau Holding AG closed the fiscal year 2017 with a loss before tax of € 25.8 million. The net loss for the year amounted to € 26.1 million, which, added to the accumulated deficit brought forward of € 14.8 million, resulted in an accumulated deficit carried forward of € 40.9 million.

Earnings were negatively impacted by impairment losses amounting to € 25.8 million (2016: € 0) recognised on investments, most notably in conjunction with the impairment charge on Albatros S.L.U. (€ 23.8 million). In addition, an impairment loss of € 2.0 million was recognised on the investment in Alte Technologies S.L.U. On top of this, it was necessary to record an impairment allowance on receivables from Albatros S.L.U. amounting to € 11.7 million. Depreciation, amortisation and write-downs not relating to financial investments therefore rose from € 0.5 million to € 12.2 million.

Sales revenue of € 3.6 million (2016: € 3.6 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 € 19.0 million (2016: € 10.0 million) reflects the profit transfer recorded at the level of Gebr. Bode GmbH & Co. KG in the fiscal year under report.

Income from profit transfers increased to € 16.7 million (2016: € 5.9 million), mainly as a result of the higher amount transferred by Schaltbau GmbH. Expenses from loss transfers decreased to € 8.6 million (2016: € 21.4 million). The figure for the fiscal year 2017 was influenced by operating losses at the level of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH and its subsidiaries, while the previous year's figure included additional expenses relating to the PSD project as well as to the level crossing projects in Egypt and Denmark.

Other operating expenses comprise mainly financing-related expenses (including the cost of consultants) and administrative expenses. The increase to € 11.5 million (2016: € 6.4 million) was mainly attributable to the preparation of the restructuring report; preparation, continuous updating and implementation of the restructuring concept; and higher expenses for legal advice.

The interest result finished with a net expense of € 3.3 million (2016: net expense of € 0.3 million). The increase in interest expense was attributable to the higher amount of credit lines utilised and adjusted interest margins.

FINANCIAL AND NET ASSETS POSITION OF SCHALTBAU HOLDING AG

Schaltbau Holding AG's balance sheet grew by € 19.6 million to € 209.3 million. The principal reason for the increase was the share capital increase in May, the net proceeds from which were paid into a trust account, thereby increasing other assets and equity.

Financial investments, the main items within fixed assets, amounted to € 112.0 million (31 December 2016: € 116.1 million). Investments in affiliated companies went down from € 104.4 million to € 90.5 million, mainly reflecting the impairment loss of € 13.3 million recognised on the investment in Albatros S.L.U. following an impairment test. Offsetting this decrease, non-current loans receivable from affiliated companies increased from € 11.7 million to € 21.5 million, mainly due to the € 3 million increase in non-current loans receivable from Alte Technologies S.L.U. and a new non-current loan receivable from Gebr. Bode GmbH & Co. KG, granted to finance profit withdrawals.

Current assets increased to € 95.0 million (31 December 2016: € 71.5 million). Receivables from affiliated companies totalling € 74.6 million (31 December 2016: € 71.2 million) include receivables resulting from intra-Group financing as well as receivables from profit and loss transfers. Other assets increased to € 19.6 million (31 December 2016: € 0.3 million), mainly due to the aforementioned trust account with a balance of € 15.6 million. In order to strengthen the liquidity position of an affiliated company, Schaltbau Holding AG acquired goods for resale amounting to € 3.1 million which are also reported as other assets in view of their financing character.

Schaltbau Holding AG and its German operating subsidiaries are financed primarily by funds received in conjunction with the syndicated credit agreement and promissory notes placed on the capital market in June 2015. Liabilities to banks increased by € 16.8 million to € 152.0 million. At the same time, payables to affiliated companies rose sharply to € 17.0 million (31 December 2016: € 4.1 million), mainly due to surplus liquidity received from subsidiaries in connection with cash pooling arrangements and profit and loss transfer agreements.

Provisions were largely unchanged at € 8.4 million (31 December 2016: € 7.9 million), with pension provisions decreasing moderately due to actuarial effects.

At the end of the reporting period, equity amounted to € 30.6 million (31 December 2016: € 41.1 million). Within equity, the accumulated deficit was partially offset by the increase in capital reserves (share premium on share capital increase).

RESEARCH AND DEVELOPMENT

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

During the year under report, Schaltbau Group spent the equivalent of 7.3% of total output on R&D (2016: 6.7%) and was therefore within its budgeted target range. 16.8% of total expenditure was recognised as assets (2016: 16.5%). Scheduled amortisation amounting to € 2,521,000 (2016: € 1,063,000) was recorded on capitalised development costs. Furthermore, impairment losses amounting to € 3.6 million (2016: € 10.3 million) were recognised. The high previous year's figure was impacted by impairment losses recorded for the PSD project and two projects in the field of level crossing systems. An average of 519 employees were engaged in development work during the year under report (2016: 434 employees).

One of the main focuses of R&D was the continuing development of digital products. The rail infrastructure business field (part of the Stationary Transportation Technology segment) focused on the continued development and approval of a switching system for computer-controlled level crossing technology in Germany, the design of standardised LED signal lighting and the establishment of additional interfaces.

In the Mobile Transportation Technology segment, Schaltbau Bode developed, for example, an innovative door system which, based on one sensor fitted inside the door and one on the outside, not only controls the door itself, but also performs safety-related monitoring functions. Together with Schaltbau Refurbishment, Schaltbau Bode and Schaltbau Rawag developed the interior door drives including the door control system for the new Alstom high-speed train Avelia. The new generation of SST-e swinging and sliding doors was developed for the bus segment. Among other advantages, the drastically simplified door systems are also designed for autonomous vehicle concepts and weigh far less than conventional systems. As part of the "Key technologies for electric mobility" initiative, Schaltbau Refurbishment participated in BMBF projects developing rapid charging systems for electric buses in public transport and as a development partner and supplier of the HPC rapid charging system type LEM for the automotive industry.

One of the key developments in the Components segment was the new bi-directional contactor for battery storage systems. With its modular, compact design, the new C310 contactor is suitable for use in electrical energy storage units, inverters and combiner boxes as well as a host of other applications. The range of DC contactors for switching high DC

voltages was launched during the year under report, including new versions for electric buses and hybrid vehicles – for both the charging stations and the vehicles themselves.

EMPLOYEES

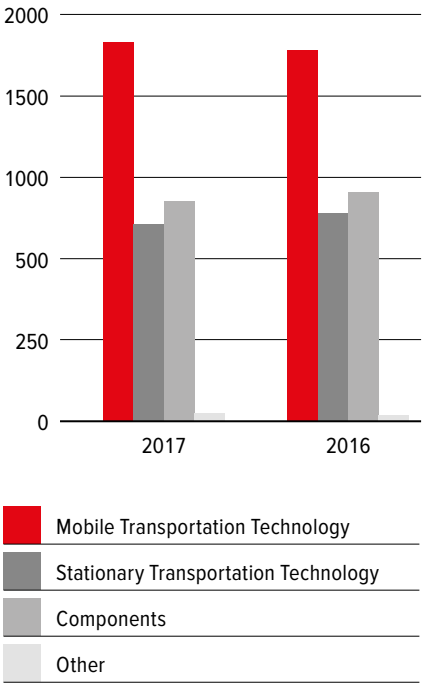
At 3,370 employees, the size of the Schaltbau Group's workforce remained unchanged in the fiscal year 2017. Around 100 new people were recruited for the Mobile Transportation Technology segment, mostly at Schaltbau Bode, Schaltbau Rawag and Schaltbau Alte. The additional manpower was needed to handle the higher project volumes. On the other hand, the figure was offset in the Stationary Transportation Technology segment by a reduction of 70 employees to date, due to restructuring and in response to the segment's poor business performance. Most of the redundancies occurred in Dinslaken (Schaltbau Pintsch Bamag) and Kirchen (Schaltbau Pintsch Bubenzer). The number of employees in the Components segment decreased by 33, partly due to the reduced order volume at SPII in Italy. The sale of Schaltbau Pintsch Bubenzer, which was concluded in March 2018, reduces the number of employees by almost 280.

On average, the number of employees (full-time equivalents) rose from 2,925 to 3,094 in the year under report, mainly due to the full-year consolidation of the Schaltbau Sepsa Group.

At the Dinslaken and Sprockhövel sites, Schaltbau Pintsch Bamag and Schaltbau Pintsch Tiefenbach have negotiated a collective restructuring plan. On 19/20 March 2018, union members at the two plants agreed to the plan. Furthermore, the relocation of the Sprockhövel plant to Dinslaken is planned for the second half of 2018. In the brake systems business field, parts of the production were transferred from Dinslaken to Kirchen, with the exception of assembly.

Development of employee count

at 31.12.



The Schaltbau Group invested € 0.8 million in further training measures during the year under report (2016: € 1.1 million). The main focus was on technical training, product training and advanced courses relating to legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market challenges of the future. At 31 December 2017, a total of 96 young people were undergoing vocational training in various Schaltbau Group companies (31 December 2016: 103), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician.

CUSTOMER RELATIONS

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

Schaltbau GmbH was present at various leading trade fairs, including "Energy" and "Industrial Automation", where it showcased state-of-the-art solutions for safety-related applications, particularly its power and battery contactors, snap-action switches and connectors. The primary focus was on innovative solutions and systems for mechanics, electronics and information technology for Industry 4.0 applications. At the "ees Europe", Schaltbau GmbH presented its latest safety-related solutions for renewable energy applications, including the new C310 contactor.

At "Busworld" in Kortrijk, Belgium, Schaltbau Bode, Schaltbau GmbH and Schaltbau Refurbishment jointly presented innovative technologies for buses. Apart from their swinging and sliding doors and the BIDS door drive system, the companies also showcased their range of e-mobility applications, such as those designed for fast-charging batteries.

REPORT ON OUTLOOK, RISK AND OPPORTUNITIES

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

EXPECTED MACROECONOMIC ENVIRONMENT

In the fiscal year 2018, Schaltbau Group expects a largely stable macroeconomic environment with a global economic growth rate similar to the previous 12-month period. The sector-specific environment is expected to be as follows:

The order situation for rolling stock in the main sales market of Western Europe, including Germany, is forecast to improve slightly overall. The moderate growth trend on the global market is also likely to continue, driven by predicted growth in rail transport services worldwide, particularly in passenger and urban rail transport (source: SCI Transport, Development of Global Rail Transport, March 2017) and the ongoing expansion of rail

infrastructure in emerging markets (source: SCI Transport, Rail Transport: Will the business become Asian? November 2017). In Germany and other European countries, on the other hand, Schaltbau expects investments in rail infrastructure to remain at a relatively constant level, including the field of level crossing systems.

Schaltbau Group also forecasts a stable performance for the automotive business field in 2018, largely based on the favourable order situation in the automotive industry at the end of 2017 (source: VDA press release, December 2017). Additional momentum could also come from the high pace of growth in the e-mobility market.

According to forecasts, the market is likely to see a continuation of the consolidation process among customers in 2018, which is likely to lead to downward pressure on selling prices.

EXPECTED BUSINESS AND EARNINGS POSITION

The measures initiated to focus Schaltbau Group on its strategic core competencies and boost profitability will be systematically continued during the fiscal year 2018. Going forward, Schaltbau continues to not exclude selling any business fields that are not part of its core business or not sustainably profitable in the long term. This realignment of Schaltbau Group is expected to lead to a decrease in sales up to fiscal year 2020, but to an increase in profitability at the same time, which should enable the Group to return to its historic level of profitability in the medium term.

In the fiscal year 2018, the sale of the Schaltbau Pintsch Bubenzer Group (finalised in March 2018) will lead to a reduction in sales that will only partly be offset by the planned moderate organic growth of the Schaltbau Group's remaining subsidiaries. Given the current scope of consolidation, i.e. including the contributions of the Schaltbau Sepsa Group that is due to be sold, Schaltbau Group is targeting sales of € 480.0 million to € 500.0 million for the fiscal year 2018. Group order intake is forecast to be in the range of € 500.0 million to € 520.0 million.

Building on the improved order situation in 2017, the Mobile Transportation Technology segment intends to grow its business, especially with boarding and door systems for rolling stock. The targeted growth is based on the volume effect and a continuously advancing degree of product innovation. In this context, the supply of sliding door systems for the box bodies of the StreetScooter produced by the Deutsche Post DHL Group is also a key contributor to growth. Moreover, Schaltbau Group plans to improve market penetration among railway operators and is targeting a growing volume in the refurbishment business, albeit still at a low sales level.

In the Stationary Transportation Technology segment, no positive development in the order situation can be assumed in the rail infrastructure business field, hence organic sales will likely be developing about sidewards. Furthermore, deconsolidation of the Schaltbau Pintsch Bubenzer Group will eliminate the sales previously recorded for industrial brakes business.

The Components segment expects the positive order situation to continue.

Based on the improved order situation, the Schaltbau Group is targeting improved earnings and forecasts a positive EBIT (before exceptional items) of around 3% of sales. The ongoing restructuring process should also have a beneficial impact, including better productivity driven by optimised manufacturing processes and improved purchasing conditions, which should in turn lead to lower material and personnel costs. There may be non-operational exceptional items in 2018 as well, resulting from restructuring measures and negative earnings effects related to the sale of subsidiaries.

As for Schaltbau Holding AG, due to lower costs for restructuring measures, the Executive Board forecasts profit before tax at break-even level in 2018.

EXPECTED FINANCIAL SITUATION

The sale of Schaltbau Pintsch Bubenzer Group and the share capital increase successfully implemented in February enabled the bridge financing to be repaid on schedule. These measures also strengthened equity, reduced the debt-to-equity ratio and improved liquidity at the same time. Liquidity is also expected to benefit over the course of 2018 from intensified working capital management.

Due to the improved earnings situation, the lower amount tied up in working capital and the release of restricted funds following the full repayment of the bridge financing, free cash flow is expected to improve significantly year-on-year. Simultaneously, the proceeds from the share capital increase will contribute to a reduction in the net debt ratio, even though this is still likely to remain at above the long-term target value of 3.

In the Company's view, the improved financial position will create a basis for continuing the measures already initiated to strategically develop and improve the earnings of the remaining Group activities.

RISK REPORT

RISK MANAGEMENT

RISK STRATEGY AND ORGANISATION OF RISK MANAGEMENT

The business activities of 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 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 Schaltbau Group.

The risk management system is described and defined in guidelines that apply throughout the Schaltbau Group. It includes an appropriately comprehensive system of documentation and reporting. 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 their probability of occurrence and their possible consequences. The risk management officers at Group holding company 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 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 € 000	
low	< 100
medium	100 to 500
high	> 500

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) also need to be appropriately considered. A potential risk at the level of the individual company does not necessarily pose a threat to the going-concern status of the entire Schaltbau Group.

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

Probability of occurrence	
low	0 % - 10 %
medium	10 % - 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 taken 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 officer, 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 topics related to risk and opportunities 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 are 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. The risks attributable to the Pintsch Bubenzer Group sold in March 2018 are no longer included in the presentation. 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 2017, but taking into account the events after the end of the reporting period.

COMPLIANCE

A compliance officer is employed at the level of Schaltbau Holding AG who reports directly to the Executive Board. Schaltbau Holding AG has established compliance functions at Schaltbau GmbH, Gebr. Bode GmbH & Co. KG and Alte Technologies S.L.U. This function is currently being established for the Schaltbau Pintsch 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 Schaltbau Group's Code of Conduct and reinforced by basic and advanced training as necessary. Audits are also aimed at ensuring compliance with statutory regulations and in-house guidelines relevant for Schaltbau Group's German and international companies.

OVERALL ASSESSMENT OF THE SCHALTBAU GROUP'S RISK SITUATION

Schaltbau Group has improved its overall risk situation through the financial stabilisation and restructuring measures implemented both in 2017 and in the early weeks of the fiscal year 2018. Using the proceeds from the sale of the Pintsch Bubenzer Group in March 2018 and the successful share capital increase in February 2018, the bridge financing of € 25 million plus deferred repayments due at the end of February were repaid in full and on schedule, and other measures were taken to strengthen liquidity and equity.

Nevertheless, even after these measures have been implemented, Schaltbau Group is exposed to risks that could impact its development. It has financial liabilities of up to € 100 million, in particular from the syndicated credit agreement due for repayment at the end of 2019. At the end of 2017, utilisation including guarantee lines amounted to € 72.9 million. Furthermore, the creditors of the two promissory notes with a total volume of € 70 million were granted an extraordinary termination right as of 31 December 2019, which can be exercised until 30 June 2019.

There is also an extraordinary termination right in the event that certain conditions or ancillary obligations attached to the financing agreements are not complied with. Early termination could have a significantly adverse effect on the Group's earnings, financial and net assets position and, in the worst case, jeopardise Schaltbau Group's going-concern status. Since certain operational and strategic measures will continue to require the approval of the respective lenders, it may not be possible to make otherwise sensible investments, which could restrict Schaltbau Group's operations and competitiveness.

Schaltbau Group continues to depend on the successful implementation of the restructuring concept in the fiscal year 2018. The corresponding operational measures required to cut costs and improve processes entail significant risks, including delays in implementing necessary measures, the loss of key staff, and production restrictions. Moreover, the implementation of the restructuring concept or the sale of further Group companies may result in impairment losses which, together with annual or event-triggered impairment tests, may have a material impact on the earnings position.

The market-related risks, which are partially attributable to structural changes and consolidation in the Group's main sales markets, combined with political and regulatory risks, have changed only insignificantly compared with the situation at the end of 2016. The same applies to management and internal financing risks that arise from decentralised and complex organisational structures.

RISK CATEGORIES IN THE SCHALTBAU GROUP

Amount of damage	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 by the main individual companies. The comments provided below the table additionally address selected risks that are assessed as low.

SIGNIFICANT RISKS OF SCHALTBAU HOLDING AG AND THE SEGMENTS

Risk category	Segments primarily affected	Assessment from segment perspective
Macroeconomic and sector-specific risks		
Digitalisation and technological change	Schaltbau Group	high
Risks of force majeure (environmental disasters, terrorist attacks, etc.)	Schaltbau Group	high
Political influence on the awarding of contracts	Mobile Transportation Technology	medium
Declining demand	Mobile Transportation Technology, Components	high
Pressure on selling prices	All segments	high
Increasing competitive density and unfavourable competitive position	All segments	medium
Currency risks	All segments	medium
Purchasing risks		
Shortages of raw materials and intermediate products	All segments	high
Development and design risks		
Risks associated with the market launch of new products	Mobile Transportation Technology, Stationary Transportation Technology	high
Design risks	Stationary Transportation Technology	medium
Production and quality risks		
Warranty risks	All segments	medium
Capacity bottlenecks and delivery delays	Stationary Transportation Technology	high
Reputational damage as a secondary risk	All segments	medium
Sales volume and selling risks		
Project delays caused by customer	Components	high
Loss of sales due to the discontinuation of proven payment methods	Components	medium
Approval and certification risks	Stationary Transportation Technology, Mobile Transportation Technology	medium

Risk category	Segments primarily affected	Assessment from segment perspective
IT risks		
IT-related operating interruptions	Mobile Transportation Technology	high
Personnel risks		
Shortage of skilled personnel	Mobile Transportation Technology	medium
Loss of key staff	Stationary Transportation Technology	high
Obligations from pension commitments	Schaltbau Group	high
Labour law-related risks	Schaltbau Group	high
Risk of employee turnover	Schaltbau Group	high
Legal and tax risks		
Legal risks in connection with a project abroad	Stationary Transportation Technology	medium
Insufficient protection of intellectual property	Schaltbau Group	high
Valuation allowances on deferred tax assets	Schaltbau Group	high
Insufficient insurance cover	Schaltbau Group	high
Financial risks		
Violation of financing agreement conditions	Schaltbau Group	medium
Risk of changing interest rates	Schaltbau Group	medium
Liquidity bottleneck	Schaltbau Group	medium
Risks arising from investments		
Integration risks	Schaltbau Holding	medium
Operational performance of subsidiaries/participations	Schaltbau Holding	high
Profitability of subsidiaries	Schaltbau Group	high
Decentralised organisation of subsidiaries	Schaltbau Group	high
Restructuring risks		
Implementation of the restructuring concept	Schaltbau Group	high

MACROECONOMIC AND SECTOR-SPECIFIC RISKS

Economic and political developments affecting sales markets, fluctuations in purchase prices and the impact of global and regional competition can have an influence on Schaltbau Group's order book situation and earnings performance. Due to the Schaltbau Group's presence in various economic areas and the high proportion of public-sector contracts, macroeconomic risks are low. The risk of fluctuating raw materials prices is mitigated by long-term supply contracts, the centralised aggregation of 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 ongoing Brexit negotiations do not entail any significant risks for the Schaltbau Group. This also applies to the Group's entities with operations in the United Kingdom.

Generally speaking, the **technological changes in the rail sector driven by digitalisation** present an opportunity for Schaltbau Group. However, the resulting realignment of strategies by customers could also lead to the electromechanical products previously sold to them – such as driver's cab equipment – being replaced by digital solutions. Moreover, the competitive density for digital products is high and may continue to increase as new suppliers enter the market. In addition, the development of digital products can involve high upfront expenditure for R&D and marketing as well as investments in production facilities and processes. Overall, this could lead to a deterioration in Schaltbau Group's competitive and financial condition.

Political instability and **sanctions** as well as changes in **economic policy** could impair the sale of products in certain regions. In the rail sector, Schaltbau Group generates the majority of its sales with customers that are either directly or indirectly government-controlled. This sometimes causes the business decisions made by these customers with respect to the awarding of orders to be politically influenced or controlled. This type of political control can be seen in particular in the important non-European markets of the Schaltbau Group, such as in China. Furthermore, greater 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.

A **decline in demand** in major areas, such as the rolling stock, rail infrastructure, bus and automotive sectors, could have a negative impact on individual segments or business fields. Governmental and private investment decisions in the rail sector are particularly significant for Schaltbau Group. Spending cuts or a shift of investments into areas not covered by Schaltbau Group could adversely affect the order situation. The 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 number of potential customers in the rail and bus sectors is limited. The existing structures put power in the hands of the customer, resulting simultaneously in increased downward **pressure on selling prices.** This situation applied particularly to the Components business in China and the market for rolling stock in Europe in 2017. Greater **concentration of competition**, caused, for example, by new suppliers entering the market, may result in lower selling prices and the loss of market share. For instance, Schaltbau in-

creasingly finds itself competing against local suppliers for components business in China. Their competitive products developed on the global market could lead to these local companies gaining additional market share. Falling prices have affected the profit margins of Schaltbau Group's companies in the past and could continue to do so in the future, creating a medium risk across all segments.

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

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. 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. The risk of exchange rate effects on earnings performance is therefore classified as low overall.

RISKS ALONG THE VALUE CHAIN

Purchasing risks can arise as result of reduced capacities at the level of raw material 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 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, Schaltbau Group counters purchasing risks by signing long-term supply agreements, through the intensive qualification of suppliers, and by finding additional sources of supply in conjunction with supplier management. Sometimes, it is also possible to find internal solutions.

Despite the risk-mitigating measures, all segments are exposed to medium to high purchasing risks. Extended lead times for primary metals can result in delivery delays for contactors and snap-action switches. In the Mobile Transportation Technology segment, the risk of delivery delays and corresponding contractual penalties increased due to the insolvency-related loss of a supplier in the sanitary systems sector. There is also a medium risk of extended lead times for electronic components for door and boarding systems.

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. Across all segments, there are only low to medium risks connected with the planned introduction of products in various regional markets. On the other hand, the sometimes slow pace of development and response to customer requirements can constitute a medium to high level of risk (see Competitive risks).

Production breakdowns or interruptions can put pressure on costs and also lead to delayed deliveries, while quality problems in the production process or product development can result in customer complaints and hence corresponding warranty risks **(production and quality risks).** 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 partially covered by warranty provisions. Nevertheless, in some cases high risks can arise, given that the economic losses attributable to justified customer complaints may exceed the amount of provisions recognised. Apart from product-related malfunctions or quality defects, capacity-related or delivery delays, for example, can lead to contractual penalties or even delisting in addition to the loss of sales. This risk is considered high for the Mobile and Stationary Transportation Technology segments. Furthermore, technical complications can occur during project implementation, particularly in the Stationary Transportation Technology segment, which delay the project or prevent the final inspection from being performed. These project risks are also assessed as high. The potential amount of damage in the case of the Brazilian PSD project may exceed the risk provision recognised. In addition, production and quality risks are often associated with reputational risks that could have an adverse impact on business in the long term.

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

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

On the other hand, the risk of a drop in sales due to regulatory measures is regarded as high. For example, new certification requirements made by customers may have an impact on the awarding of contracts, or the non-issuing of approvals by national approval authorities may lead to the termination of projects, even though they may be flawless from a

technical point of view. In the case of the business of the Components segment in Russia, sales could be lost as a result of objections to payments made via financing partners due to stricter money laundering legislation.

IT RISKS

Downtimes or the malfunctioning of IT systems that support business processes could have a serious impact on operations. Schaltbau Group companies mitigate IT risks 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 review.

The inventories management system of the Mobile Transportation Technology segment is currently still exposed to a high risk of breakdown. The IT system is, however, scheduled to be replaced in the very near future.

PERSONNEL RISKS

Personnel risks arise as a result of bottlenecks in staff recruitment, a shortage of skilled personnel and employee fluctuation as well as sickness and periods of absence. These risks are mitigated by 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.

The implementation of the restructuring concept currently entails medium to high personnel risks. The job cuts initiated, particularly in the Stationary Transportation Technology segment, as well as the negotiation of collectively agreed restructuring plans, increase the risk of key staff leaving the company who cannot be replaced at short notice.

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

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

LEGAL RISKS

The international operations of Schaltbau Group entities entail legal risks. These can arise principally from legal disputes, patent law infringements and/or claims for damages. 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 legal risks for Schaltbau Group. Litigation is pending at the level of the Stationary Transportation Technology segment related to the termination of a level crossing project by the customer in Egypt, as Schaltbau Pintsch Bamag has filed a lawsuit against this termination. Depending on the court's decision, this may result in claims for damages against Schaltbau Pintsch Bamag or even the resumption of the project.

In order to **protect** its **technological know-how,** Schaltbau Group has either registered or filed for a variety of patents and patent applications and other industrial property rights for its products in various countries. However, unprotected technologies can be used, independently developed and marketed by competitors without hindrance and without having to pay any consideration. Even if a product has been protected by a patent, there is no guarantee that its scope is sufficiently broad to offer economically reasonable protection against third parties. Moreover, the validity of a patent could be contested and revoked. Insufficient protection of the Company's own technological know-how can therefore have a considerable negative impact.

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, which were amended in 2017, are linked to a number of assurances, guarantees and conditions that must be complied with. Furthermore, the financing is based on the successful implementation of certain restructuring measures, which give the banks an extraordinary right of termination if they are not fulfilled. Despite the low probability of occurrence, the risk is assessed as high.

Financing arrangements of subsidiaries based on stand-alone credit agreements also require compliance with additional stipulations. One subsidiary of the Components 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 result from the premature termination of loan agreements. Early termination could have an adverse effect on the Schaltbau Group's solvency. The final repayment of the credit agreement at the end of 2019 and the option of terminating both promissory notes at the end of 2019 will not give rise to any significant risks for 2018 and beyond if net debt is reduced as planned. Based on the success of the measures taken so far to stabilise the liquidity situation, the risk of Schaltbau Holding AG no longer being able to finance the operations of its subsidiaries is therefore estimated to be low.

Some of the major financing agreements, especially the syndicated credit agreement, have variable interest rates. The amount of interest to be paid is tied to the EURIBOR as the reference interest rate and is subject to short-term fixed interest rates. Significant changes in interest rates would therefore influence the profitability, liquidity, and financial position of Schaltbau Group. Schaltbau Group is exposed to the **risk of changing interest rates.** Out of the total variable-interest credit volume of € 79.2 million within the cash pool, € 6.0 million (nominal) was hedged by interest rate swaps at 31 December 2017. The fair value of the interest rate 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.

Schaltbau Group has made **pension commitments** to its employees in the form of pension entitlements for old age, invalidity, and dependent survivor's benefits and recognised provisions accordingly. Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method, which, in addition to the known obligations, also takes into account the effect of future increases in pensions and salaries on the basis of actuarial reports. However, underlying developments may take a different course than assumed and, if unfavourable, could lead to a significant decrease in the fair value of the plan assets or to a higher net pension expense. Should the market conditions or the local legal bases for the calculation of the pension obligations change significantly, this could result in considerable additional expenses for the Schaltbau Group company concerned. No further pension commitments have been granted to Schaltbau Group employees since 31 August 2017.

Significant tax risks exist in the form of possible valuation allowances on deferred tax assets. Moreover, tax risks, also in conjunction with tax field audits, could arise. These risks are mitigated by seeking advice from external consultants at an early stage.

Economic risks can also arise from **insufficient insurance protection.** Schaltbau Group decides on the type and extent of its insurance coverage based on a commercial cost-benefit analysis in order to cover what it considers to be major risks. However, it cannot be ruled out that losses or claims may exceed the scope of the existing insurance cover.

RISKS ARISING FROM INVESTMENTS

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

As a matter of principle, every investment decision is preceded by a prudent valuation of the targeted business and by a thorough analysis of the legal, technical, tax and financial aspects ("due diligence") in order to minimise the risks referred to above. The integration of the companies acquired in Spain in recent years continues to entail risks, which, however, already partially have an impact as a result of the revaluation of Schaltbau Sepsa in 2017. Both Schaltbau Sepsa and Schaltbau Alte finished the year under report with a negative EBIT.

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 as well as 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

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 relevance attached to them by management.

SECTOR-SPECIFIC OPPORTUNITIES

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

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

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

Medium- and long-term prospects for 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.

OPPORTUNITIES ARISING FROM IMPLEMENTING THE RESTRUCTURING CONCEPT

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

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

STRATEGIC OPPORTUNITIES

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

CURRENCY IMPACT

A favourable development in exchange rates could have a positive impact on competitiveness in certain regions and contribute to improved margins on current projects. The principal currencies involved are the US dollar and the Chinese renminbi.

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 components include annually recurring components that depend on Group net profit (before minority interests and in accordance with IFRS) or segment profit. A pension plan is not in place for current members of the Executive Board.

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

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

In accordance with a resolution adopted at the Annual General Meeting held on 14 June 2016, the compensation of individual members of the Executive Board is not disclosed.

Compensation for the current members of the Executive Board totalled € 1,403,000 for the fiscal year 2017 (2016: € 2,352,000). 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 € 1,306,000 (2016: € 977,000) for fixed components and € 97,000 (2016: € 375,000) for performance-related components. Furthermore, in 2016 a severance payment of € 980,000 (2017: € 0) was paid to a former Executive Board member. In 2016, the amount was included in the total compensation for former Executive Board members. A total of € 295,000 was recognised as a provision at 31 December 2017 (31 December 2016: € 397,000).

The contracts of service drawn up for Executive Board members do not contain any arrangements pertaining to the termination of their positions in the Executive Board.

The total compensation received by former members of the Executive Board and their surviving dependents amounted to € 82,000 (2016: € 1,062,000, including the aforementioned severance payment). Pension provisions for this category of people totalling € 533,000 (IFRS) have been recognised (2016: € 575,000).

No loans were granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2017.

The basic compensation for a Supervisory Board member totalled € 15,000 per annum in the year under report. The Chairman of the Supervisory Board received twice this amount and the Deputy Chairman received one-and-a-half times this amount, resulting in basic compensation totalling € 113,000 in 2017.

In accordance with the regulation applicable in 2017, the Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds 4% of share capital. As no dividend was paid in 2017, the special dividend was cancelled.

Membership of committees was not separately compensated.

In accordance with the Articles of Association, one member of the Supervisory Board was paid a total of € 115,000 and two further members were paid a total of € 32,000 for additional work performed in 2017, based on consulting contracts.

In accordance with a resolution passed at the Annual General Meeting held on 6 June 2013, with effect from July 2013, the Chairman of the Supervisory Board is paid a monthly lump-sum expense allowance of € 3,000 to cover office and secretarial expenses as well as general administrative costs, assuming he does not utilise offices and secretarial services provided by Schaltbau Holding AG or its subsidiaries on a time-apportioned basis. Costs for the lump-sum expense allowance totalled € 13,000 in the year under report.

Taking into account the basic compensation, the additional compensation, the additional work performed and the lump-sum expense allowance paid to the formerChairman of the Supervisory Board, compensation totalled € 272,000.

The compensation of the Supervisory Board was revised in accordance with the resolution of the Annual General Meeting held on 8 June 2017. Accordingly, as from fiscal year 2018, the members of the Supervisory Board will each receive compensation of € 30,000 in addition to reimbursement of their expenses after the end of each fiscal year. The Chairman of the Supervisory Board will receive twice this amount and the Deputy Chairman one-and-a-half times this amount. Supervisory Board members who have not been members of the Supervisory Board for the entire fiscal year will be compensated on a pro-rata basis.

Each member of the Supervisory Board will receive additional compensation of € 300 per hour for the time required in excess of five meeting days per fiscal year, including the necessary preparation time, but not exceeding the hourly or daily rate of the representative of the auditor appointed as engagement partner for the relevant fiscal year.

For attendance at meetings of the committees of the Supervisory Board, committee members will additionally receive a meeting fee of € 2,500 per meeting for each individual committee member and double this amount for the committee chairman. The fees become payable after the end of the respective meeting.

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 289a AND SECTION 315a SUBSECTION 1 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

1. At 31 December 2017, the subscribed capital comprised the following: The Company's share capital totalled € 8,063,919.40. It is divided into 6,609,770 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. No major shareholder holds – either directly or indirectly – more than 10% of voting rights. Since 3 November 2017, the shareholders Luxunion, Monolith, the Zimmermann family, and Elrena GmbH have pooled their voting rights by acting in concert and therefore control 28.9% of the Company's voting rights.

4. There are no shareholders with special controlling rights.

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

6. Article 6 of the Articles of Association of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, appoint a deputy of the Executive Board, and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Association. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Association.

7. The Company's subscribed capital (share capital) is divided into 6,609,770 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% 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 2017.

   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. The Company's share capital could therefore have been increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The cancellation of the 2003 conditional capital was entered in the Commercial Register on 10 August 2017.

   Based on a resolution of the Annual General Meeting passed on 14 June 2016, a (new) Conditional Capital II was in place at 31 December 2017 totalling € 3,752,601.66 following the conditional issue 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 € 2,735,752.40 was in place at 31 December 2017. 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 that amount. The authorisation was exercised in February 2018.

8. Schaltbau Holding AG's main credit 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 4 AND SECTION 315 SUBSECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

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

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

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

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

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

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.

Munich, 13 April 2018

Schaltbau Holding AG
The Executive Board

Dr Bertram Stausberg
(Spokesman)

Thomas Dippold

Dr Martin Kleinschmitt

Consolidated Financial Statements according to IFRS of Schaltbau Holding AG, Munich, for the fiscal year from 1 January to 31 December 2017

CONSOLIDATED BALANCE SHEET

ASSETS

In € 000		Notes	**31.12.2017**	31.12.2016
A.	**NON-CURRENT ASSETS**			
I.	Intangible assets	(11)	67,470	83,666
II.	Property, plant and equipment	(11)	72,312	88,361
III.	At-equity accounted investments	(11)	7,773	3,129
IV.	Other investments	(11)	3,023	4,031
V.	Deferred tax assets	(9)	4,104	15,452
			154,682	**194,639**
B.	**CURRENT ASSETS**			
I.	Inventories	(12)	94,274	101,353
II.	Trade accounts receivable	(13)	91,869	115,241
III.	Income tax receivables	(13)	1,471	944
IV.	Other receivables and assets	(13)	25,395	15,009
V.	Cash and cash equivalents	(14)	25,297	30,018
VI.	Assets held for sale	(15)	59,013	1,870
			297,319	**264,435**
			452,001	**459,074**

EQUITY AND LIABILITIES

In € 000		Notes	**31.12.2017**	31.12.2016
A.	**EQUITY**	(16)		
I.	Subscribed capital	(17)	8,064	7,506
II.	Capital reserves	(18)	31,105	16,126
III.	Statutory reserves	(18)	231	231
IV.	Revenue reserves	(18)	49,257	62,344
V.	Reserve for income/expenses recognised directly in equity	(18)	-651	212
VI.	Revaluation reserve	(18)	3,041	3,041
VII.	Group net profit attributable to shareholders of Schaltbau Holding AG		-51,742	-15,822
VIII.	Equity attributable to shareholders of Schaltbau Holding AG		39,305	73,638
IX.	Minority interests	(19)	31,264	33,435
			70,569	**107,073**
B.	**NON-CURRENT LIABILITIES**			
I.	Pension provisions	(20)	37,505	40,154
II.	Personnel - related accruals	(21)	3,778	4,888
III.	Other provisions	(21)	10,431	14,628
IV.	Financial liabilities	(22)	125,186	43,304
V.	Other liabilities	(22)	595	4,557
VI.	Deferred tax liabilities	(9)	5,445	3,535
			182,940	**111,066**
C.	**CURRENT LIABILITIES**			
I.	Personnel - related accruals	(21)	6,108	8,432
II.	Other provisions	(21)	23,493	20,679
III.	Income taxes payable	(22)	463	337
IV.	Financial liabilities	(22)	58,551	134,719
V.	Trade accounts payable	(22)	46,442	42,034
VI.	Advance payments received	(22)	12,758	12,684
VII.	Other liabilities	(22)	21,581	21,508
VIII.	Liabilities relating to assets held for sale		29,096	542
			198,492	**240,935**
			452,001	**459,074**

CONSOLIDATED INCOME STATEMENT

In € 000	Notes	2017	2016
1. Sales	(1)	516,459	509,097
2. Change in inventories of finished goods and work in progress	(2)	9,230	-9,378
3. Own work capitalised	(2)	7,538	6,662
4. Total output		**533,227**	**506,381**
5. Other operating income	(3)	12,230	7,997
6. Cost of materials	(4)	275,585	253,910
7. Personnel expense	(5)	186,850	171,252
8. Amortisation and depreciation		43,113	30,837
9. Other operating expenses	(6)	62,884	72,862
Profit before financial result and taxes (EBIT)		**-22,975**	**-14,483**
a) Result from at-equity accounted investments		123	-3,518
b) Sundry other result from investments		-1,925	7,383
10. Results from investments	(7)	-1,802	3,865
a) Interest income		790	1,275
b) Interest expense		11,719	6,505
c) Other financial result		-9	-5
11. Financial result	(8)	-10,938	-5,235
12. Profit before tax		**-35,715**	**-15,853**
13. Income taxes	(9)	-13,852	3,834
14. Group net loss/profit for the year		**-49,567**	**-12,019**
Allocation of net loss/profit for the year			
attributable to minority interests		2,175	3,803
attributable to shareholders of Schaltbau Holding AG		-51,742	-15,822
Group net loss/profit for the year		**-49,567**	**-12,019**
Earnings per share - undiluted	(10)	**-8.04 €**	**-2.61 €**
Earnings per share - diluted		**-8.04 €**	**-2.61 €**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017			2016		
In € 000	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the year			-49,567			-12,019
Items which will not subsequently be reclassified to profit or loss						
Actuarial gains / losses relating to pensions	1,420	-430	990	-3,445	1,022	-2,423
Adjustment for deferred taxes related to pensions		-2,032	-2,032			
Acquisition of minority interests			0			0
Items which may subsequently be reclassified to profit or loss						
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			-1,130			-3,338
- from at-equity accounted companies			-579			-616
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	177	-53	124	-47	14	-33
- Realised gains (-) / losses (+)	223	-67	156	650	-195	455
	400	**-120**	**-1,429**	**603**	**-181**	**-3,532**
Other comprehensive income			**-2,471**			**-5,955**
Group comprehensive income			**-52,038**			**-17,974**
attributable to minority shareholders			1,327			2,769
attributable to the shareholders of Schaltbau Holding AG			-53,365			-20,743
			-52,038			-17,974

CONSOLIDATED CASH FLOW STATEMENT

In € 000	Notes	2017	2016
Profit before financial result and taxes (EBIT)		**-22,975**	**-14,483**
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		32,278	30,837
Gains/losses on the disposal of intangible assets and property, plant and equipment		-165	-249
Change in current assets		-21,520	5,379
Change in provisions		-523	15,567
Change in current liabilities		19,174	-8,688
Dividends received		0	268
Income taxes paid		-3,751	-7,645
Other non-cash income / expenses		7,957	4,815
Cash flows from operating activities	a)	**10,475**	**25,801**
Payments for investments in:			
- Intangible assets and property, plant and equipment		-17,622	-19,276
- Financial investments		-5,393	-687
- Acquisitions of fully consolidated entities less cash acquired		0	-1,508
- Money investments		-15,550	0
Proceeds from disposal of:			
- Property, plant and equipment		325	67
- Investments		11	190
- Business units		3,933	2,991
Cash flows from investing activities	b)	**-34,296**	**-18,223**
Sale and buy-back of shares		0	4,057
Capital increase		15,537	0
Dividend payment by Schaltbau Holding AG		0	-6,020
Distribution to minority interests		-3,496	-3,224
Loan repayments		-5,989	-6,601
New loans raised		6,641	540
Interest paid		-7,891	-5,666
Interest received		834	432
Change in current financial liabilities		76	7,831
Cash flows from financing activities	c)	**5,712**	**-8,651**
Change in cash funds due to exchange rate fluctuations		-900	-425
Change in cash funds	d)	**-19,009**	**-1,498**
Cash funds at the end of the year		12,168	31,177
Cash funds at the beginning of the year		31,177	32,675
		-19,009	**-1,498**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 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 period	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
Balance at 01.01.2017	**7,506**	**16,126**	**231**	**62,898**	**-554**	**3,041**
Profit brought forward	0	0	0	-15,822	0	0
Capital increase	558	14,979	0	0	0	0
Dividends	0	0	0	0	0	0
Other changes	0	0	0	3,495	0	0
Group net profit for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	-1,040	280	0
Group comprehensive income	0	0	0	-1,040	280	0
Balance at 31.12.2017	**8,064**	**31,105**	**231**	**49,531**	**-274**	**3,041**

Attributable to shareholders of Schaltbau Holding AG				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						
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
1,539	**-1,327**	**-15,822**	**73,638**	**29,622**	**3,813**	**33,435**	**107,073**
0	0	15,822	0	3,813	-3,813	0	0
0	0	0	15,537	0	0	0	15,537
0	0	0	0	-3,496	0	-3,496	-3,496
0	0	0	3,495	-2	0	-2	3,493
0	0	-51,742	-51,742	0	2,175	2,175	-49,567
-284	-579	0	-1,623	-848	0	-848	-2,471
-284	-579	-51,742	-53,365	-848	2,175	1,327	-52,038
1,255	**-1,906**	**-51,742**	**39,305**	**29,089**	**2,175**	**31,264**	**70,569**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 in fiscal year 2017 supplied complete level crossing systems, shunting and signals technology, door and boarding systems for buses, trains and commercial vehicles, sanitary systems and interiors for train, 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.

SIGNIFICANT EVENTS

Sales of Shenyang Bode Transportation Equipment Co. Ltd. in Shenyang, China (BOSY) and foundation of joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. in Tiantai, China (BOYO)

In December 2016, the Company 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 Gebr. Bode GmbH & Co. KG, holds 49%) and to sell BOSY to the joint venture. The corresponding contracts were signed on 18 January 2017 and submitted for regulatory approval. The foundation of the new joint venture (Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (China)) was completed during the second quarter 2017. An amount of € 5,086,000 was paid in as initial capital contribution. In addition, there is a contractual obligation to make a further contribution of CNY 10,600,000 (€ 1,358,000) in 2018. This amount has been recognised as a liability in 2017. Also in the second quarter 2017, the shares in BOSY were transferred to the joint venture. At that stage, in accordance with rules contained in IFRS 10, control of BOSY was transferred from the Schaltbau Group to the joint venture. At 31 December 2017, BOYO is included in the consolidated financial statements using the equity method.

The selling price for BOSY was € 4,263,000. In conjunction with the sale, assets totalling € 1,500,000 and liabilities totalling € 1,774,000 (i.e. net liabilities of € 274,000) were transferred to the new company. In addition, foreign currency differences amounting to € 116,000 were released with income statement impact. The gain recorded in the consolidated financial statements amounted to € 4,653,000. The full amount of the gain was realised within the Schaltbau Group in conjunction with the transition from IFRS 10 to IAS 28. Net proceeds from the disposal amounted to € 3,933,000, comprising gross proceeds of € 4,263,000 less cash on the sold company's balance sheet of € 330,000.

An impairment test was performed as of 31 December 2017 in accordance with IAS 28 in conjunction with IAS 36 on the basis of adjusted forecast figures and actual performance in 2017. As a result, an impairment loss of € 1,600,000 was recognised at the end of 2017, as the recoverable amount of the investment was lower than its carrying amount measured at amortised cost. If the current planning assumptions are not achieved on a sustainable basis in 2018, it may become necessary to recognise an additional impairment loss.

The recoverable amount was determined on the basis of a fixed planning period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three financial years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.6% (pre-tax WACC of 8.5%) and a perpetual annuity growth rate of 4.8%.

Accounting for the investment in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd., Shenyang, China, (PBTE) using the equity method

The investment in PBTE was measured on the grounds of materiality at an acquisition cost of € 267,000 up to 30 June 2017 and reported at this amount under investments. With effect from 30 September 2017, the investment was accounted for using the equity method, measured at amortised cost, in accordance with IAS 28. The share of losses attributable to the Schaltbau Group up to that stage amounting to € 96,000 was recognised in the financial result for the year. The carrying amount of the investment at 31 December 2017, measured at amortised cost and taking into account the share capital increases carried out, was € 380,000.

Schaltbau Sepsa Group

In November 2017, the Executive Board decided to put the Sepsa Group (part of the Mobile Transportation Technology segment) up for sale. The plan is to sell all shares on the basis of a "share deal". With effect from November 2017, Schaltbau Sepsa and its subsidiaries have therefore been accounted for as a "disposal group" in accordance with IFRS 5. This classification results in the application of different measurement methods. The planned sale is expected to be completed within one year of the initial classification as assets held for sale.

An impairment test in accordance with IAS 36 was performed as of 30 September 2017 as a consequence of a pertinent triggering event, namely the receipt of indicative offers to acquire the shares that are significantly lower than their carrying amount. An impairment loss was recognised in view of the fact that revenue expectations had not been met on a sustainable basis due to a lack of customer call-offs, combined with a high cost structure, which is not likely to improve in the near future.

The recoverable amount (value in use) of approximately € 2 million calculated on the basis of the impairment test was significantly lower than the cash-generating unit's carrying amount, thus resulting in a requirement to recognise an impairment loss of € 5,280,000 on goodwill. In addition, it was necessary to recognise impairment losses on intangible assets (€ 4,943,0009), property, plant and equipment (€ 1,819,000) and investments (€ 325,000). No impairment loss was recognised on a plot of land, for which an expert valuation report showed a fair value of € 4.2 million.

The recoverable amount was determined on the basis of a fixed planning period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three financial years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 8.0% (pre-tax WACC of 10.6%) and a perpetual annuity growth rate of 1.0%.

As a result of the decision in November 2017 to put the Schaltbau Sepsa Group up for sale, the measurement rules stipulated by IFRS 5 have been applied, which resulted in additional losses of € 12.2 million in the fourth quarter 2017. At balance sheet date, there were no indications that the Executive Board might deviate from its intention to sell. Among other measures taken, interim financing amounting to € 3,055,000 was provided on 21 December 2017.

Pintsch Bubenzer Group

In December 2017, the Company's Executive Board decided to put the Pintsch Bubenzer Group (part of the Stationary Transport Technology segment) up for sale. The direct parent company of this sub-group is Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. With effect from November 2017, Pintsch Bubenzer and its operating subsidiaries have therefore been accounted for as a "disposal group" in accordance with IFRS 5. This classification results in the application of different measurement methods.

Prior to its reclassification in accordance with IFRS 5, an impairment test was performed in accordance with IAS 36 as a consequence of a pertinent triggering event. The fair value of the disposal group less costs to sell amounted to € 29.5 million. The impairment test identified that the disposal group's carrying amount exceeded its useful value/ fair value less costs to sell, thus resulting in the requirement to recognise an impairment loss of € 1,100,000.

The recoverable amount was determined on the basis of a fixed planning period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three financial years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 5.6% (pre-tax WACC of 7.4%) and a perpetual annuity growth rate of 1.0%.

The measurement rules stipulated by IFRS 5 were applied as of 31 December 2017.

On 24 January 2018, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, a 100% subsidiary of Schaltbau Holding AG, sold 100% of its shares in Pintsch Bubenzer GmbH to Platin1452 GmbH, Frankfurt am Main. In return for the sale of all shares in Pintsch Bubenzer GmbH (including its investments in operating subsidiaries) and in settlement of a shareholder loan from Schaltbau Holding AG to Pintsch Bubenzer GmbH, a purchase price of € 30,250,000 plus interest plus assumption of liabilities was agreed.

The sale was completed on 1 March 2018 following receipt of antitrust approval.

Financing

On 31 March 2017, Schaltbau Holding AG restructured its financing arrangements. The Syndicated Credit Agreement with a volume of € 100 million now expires on 31 December 2019. In addition, bridge financing totalling up to € 25 million was made available with a term to 28 February 2018. As a result of these new arrangements, financial headroom has been increased – in return for increased credit margins – and the applicable financial covenants modified. The shares of all direct subsidiaries of Schaltbau Holding AG were pledged as collateral for both the € 100 million and € 25 million commitments.

A socalled "10% test" was carried out to check whether the changes to the Syndicated Credit required the existing financial liability to be derecognised. In the case of a 10% test, the present value of cash flows based on the new arrangements, discounted at the original effective interest rate, is compared with the present value of the remaining cash flows of the original liability. Since the present value has changed by more than 10% due to changes in the contractual conditions and the modification is therefore substantial, the previous Syndicated Credit was derecognised. Costs arising in conjunction with the modification to the Syndicated Credit (€ 1,082,000) in the fiscal year 2017 were recognised immediately as an expense.

Breaching the covenants would have resulted in an extraordinary right of termination for the financing banks. At the beginning of September 2017, the Executive Board was in a position to predict that the agreed financial covenants would not be fully complied with as of 30 September 2017. For this reason, Schaltbau Holding AG submitted a waiver application to the banking syndicate on 11 September 2017 requesting that the requirement to comply with the applicable covenants as of 30 September 2017 be suspended. The banking syndicate agreed to the suspension of the covenants in a supplement to the credit agreement dated 18 October 2017. However, the suspension of extraordinary rights of termination was initially only granted for a limited period of time and the agreed period subsequently extended on a number of occasions. The Company was required to revise its data basis (liquidity planning and EBITDA planning) by the stipulated date.

In conjunction with the amendment to the two credit agreements (for € 100 million and € 25 million) signed on 15 December 2017, the waiver application submitted on 11 September 2017 relating to non-compliance with financial covenants was definitively accepted, thereby confirming that the banks had waived their extraordinary right of termination. The original Syndicated Credit (€ 100 million) is now due for prolongation again on 31 December 2019 and is reported for the most part as a non-current liability as of 31 December 2017. The current portion of the bridge financing credit agreement (€ 25 million) and the current account portion of the Syndicated Credit are carried as current liabilities at 31 December 2017.

In addition, the amendment dated 15 December 2017 had the effect of adjusting the margin grid (which determines interest rate levels) and removing the previous covenants (leverage and equity ratio covenants). Instead of the deleted covenants, it was necessary to give a commitment to comply – within specified ranges – with liquidity and EBITDA forecasts based on the restructuring concept. Actual EBITDA is permitted to deviate from the forecast EBITDA (based on the assumptions applied in the restructuring concept) by the higher of 10% of the forecast EBITDA and € 3,000,000. The Group's liquidity must also remain positive throughout a defined period of 13 weeks.

Furthermore, the amendment dated 15 December 2017 stipulates that certain key milestones of the restructuring concept must be implemented on schedule. In particular, the bridge financing (€ 25,000,000) due for repayment in February 2018 as well as deferred instalment payments were repaid before the due date.

If the restructuring measures based on the restructuring concept described above are not adhered to going forward, the extraordinary right of termination of the lenders is reinstated.

In order to check whether the modifications to the Syndicated Credit dated 15 December 2017 required the existing financial liability to be derecognised, a socalled "10% test" was performed, involving a comparison of the present value of the cash flows based on the new arrangements (discounted at the original effective interest rate) and the present value of the remaining cash flows of the original liability. The 10%-test showed that the change in cash flows relating to the revised Syndicated Credit dated 15 December 2017 had an impact of less than 10 %, with the result that the modification was not deemed to be material.

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 carried at amortised cost using the effective interest method, with the two tranches subject to effective interest rates of 3.23% and 3.92% respectively. In line with the amendment in the Syndicated Credit with effect from 31 March 2017, interest payable to the promissory note creditors during the period from 1 April 2017 to 31 December 2019 increased by 100 basis points. In addition, the promissory note creditors were granted an option to terminate the loan agreement by giving six months' notice to the end of 2019. One promissory note creditor exercised the right to terminate as at 31 December 2017.

The change in cash flows relating to the promissory notes following the modification to financing arrangements (31 March 2017) triggered the requirement to perform the "10%-test". The measured change in cash flows was less than 10%, with the result that the modification was not deemed to be material. Schaltbau accordingly changed the effective rate applied and reduced the carrying amount of the liability by the amount of transaction costs (€ 390,000).

The promissory note creditors have extraordinary rights of termination. In accordance with the agreements with the promissory note creditors, these extraordinary rights of termination are linked, among other things, to the extraordinary termination of other financial liabilities, in particular the Syndicated Credit.

At 31 December 2017, liabilities relating to promissory notes are reported as non-current financial liabilities.

Share capital increase dated 12 May 2017 out of Authorised Capital

On 12 May 2017, Schaltbau Holding AG issued 457,580 new ordinary shares at € 34.11 per share out of Authorised Capital in return for a cash capital contribution, with the subscription rights of existing shareholders excluded. The proceeds of the issue amounted to € 15,610,000. Expenses (net of deferred taxes) recognised directly in equity amounted to € 72,000. In accordance with the credit agreement, the proceeds arising from the share capital increase were required to be utilised to repay the short-term credit tranche. In line with the credit amendment agreement dated 24 July 2017 (Interim Agreement), which included a stipulation relating to the treatment of the proceeds from the share capital increase, an amount of € 15,550,000 was transferred to a trust account on 26 July 2017. The trust account was not freely accessible by the Company at the balance sheet date.

The monies deposited in the trust account from the share capital increase qualify as "restricted cash" in accordance with IAS 7 and are therefore reported as other receivables at 31 December 2017.

The inflow from the share capital increase is reported in the cash flow statement as "cash flows from financing activities" and the investment of the corresponding amount on the trust account is reported as "cash flows from investing activities / cash investments".

In accordance with the credit amendment agreement dated 15 December 2017, the decision relating to the utilisation of the proceeds of the share capital increase was postponed to 28 February 2018. Under these circumstances, the amount on the trust account continues to qualify as "restricted cash" pursuant to IAS 7 as of 31 December 2017. With the repayment of the bridge financing in February 2018, the amount held on the trust account ceased to be restricted.

Share capital increase dated 19 February 2018 out of Authorised Capital

On 19 February 2018, Schaltbau Holding AG issued 2,242,420 new ordinary bearer shares without nominal value (non-par value shares) on the basis of a share capital increase against cash contributions with subscription rights for existing shareholders (excluded except for 41,712 of the new shares) utilising the Authorised Capital created by the Company's Annual General Meeting on 6 June 2013. In conjunction with the share capital increase, the Company received total gross proceeds of € 49,333,000. Net proceeds after deduction of transaction costs – which will ultimately offset against capital reserves in accordance with IFRS – amounted to € 46,619,000.

Transaction costs amounting to € 1,179,000 which had already arisen during the fiscal year 2017 were accounted for as prepaid expenses at 31 December 2017. All transaction costs will be offset, net of deferred taxes, against equity when the share capital increase is recognised on 19 February 2018.

Development of provisions for onerous contracts

In the previous fiscal year, provisions for onerous contracts totalling € 16,614,000 were recognised, mostly relating to the Stationary Transportation Technology segment. During 2017 – before reclassifications made in accordance with IFRS 5 – these provisions decreased by € 4,612,000 to € 11,704,000. A further € 816,000 was allocated to provisions for onerous contracts and a total amount of € 5,248,000 utilised in 2017. In addition, € 298,000 was reclassified in accordance with IFRS 5.

Provisions for onerous contracts were utilised mainly in the fiscal year 2017 for the projects "Level Crossing Technology in Denmark" (€ 1,297,000) and "platform screen doors in Brazil" (€ 3,893,000).

Restructuring provision

In December 2017, the employees and the Works Council in the Stationary Transportation Technology segment were informed about a detailed restructuring plan. As required by IAS 37, the Company has recorded a restructuring provision amounting to € 2,200,000. All related measures are expected to be completed by mid-2019.

On 19/20 March 2018, union members at the two sites concerned approved the negotiated tariff restructuring agreement.

BASIS OF PREPARATION

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

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

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2017 were approved for publication by the Executive Board on 13 April 2018. The consolidated financial statements and group management report will be posted electronically in the Federal Gazette.

As of 31 December 2017, cash funds reported in the cash flow statement include cash and cash equivalents less current account liabilities with banks. As a result of the way cash flows and liquidity bottlenecks are now managed within the Group, current account liabilities with banks have been subject to regular analysis and measurement since the end of the period under report and therefore constitute an integral part of the Group's cash flow planning system. Consequently, current account liabilities to banks have been included in the calculation of cash funds for the first time. Also as a result of the change in the management of cash flows and liquidity bottlenecks, the cash management balance is now reported as part of cash flows from financing activities and not in cash funds.

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.

Intra-Group revenues, income and expenses and intra-Group receivables and payables are eliminated.

Intra-Group 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 15% 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 (2016: 8) German and 15 (2016: 16) foreign companies are included in the consolidated financial statements of **Schaltbau Holding AG:**

Company	Registered office	Share-holding
Gebr. Bode GmbH & Co. KG [1]	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (Poland)	89,3%
Schaltbau Transportation UK Ltd.	Milton Keynes (UK)	65%
Bode North America Inc.	Spartanburg (USA)	100%
Alte Technologies S.L.U.	Barcelona (Spain)	100%
Albatros S.L.U.	Madrid (Spain)	100%
Albatros North America Inc.	Ballston Spa (USA)	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (The Netherlands))	100%
Schaltbau Refurbishment GmbH [2]	Dinslaken	100%
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (Brazil)	100%
Pintsch Tiefenbach GmbH	Sprockhövel	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	100%
Pintsch Bubenzer GmbH	Kirchen	100%
Schaltbau GmbH 1)	Munich	100%
Schaltbau Austria GmbH	Vienna (Austria)	100%
Schaltbau France S.A.S.	Argenteuil (France)	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	100%
Schaltbau North America Inc.	Hauppauge (USA)	100%
SPII Executive Board	Saronno (Italy)	65%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (China)	50%

1) In accordance with § 264 (3)HGB and § 264b HGB, these companies are exempted from the requirement to publish separate company financial statements and a management report.

2) Name changed from Pintsch Aben geotherm GmbH to Schaltbau Refurbishment GmbH in 2017.

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.

The fully consolidated subsidiaries of Albatros S.L.U., Madrid, Spain, Albatros North America Inc., Ballston Spa, USA, and Pintsch Bubenzer GmbH, Kirchen, are accounted for at 31 December 2017 as assets held for sale in accordance with IFRS 5.

Shenyang Bode Transportation Equipment Co. Ltd, Shenyang, China, which was fully consolidated in the previous year, was sold in 2017 to a joint venture (Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai, China) with a Chinese partner, in which Gebr. Bode & Co. Beteiligungs GmbH (a wholly owned subsidiary of Gebr. Bode GmbH & Co. KG) holds 49% of the shares. The joint venture is reported as an associated company at 31 December 2017.

For further information, see the section "Significant events".

Associated companies are defined as companies over which Schaltbau Holding AG exercises significant influence and of which it holds as a general rule between 15% 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 2017 using the equity method:

Company	Registered office	Shareholding
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50 %
Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (P.R.CH).	Tiantai (China)	49 %
Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.	Shenyang (China)	20 %

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.[2]	Sao Paulo (Brazil)	100%
Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda.[2]	Sao Paulo (Brazil)	100%
Albatros Railway Equipment Co. Ltd.[2]	Shanghai (China)	100%
Albatros Electromechanical Equipment Co. Ltd.[2]	Shanghai (China)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (China)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (China)	100%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Xi'an SPII Electric Co. Ltd.[1]	Xi'an Shaanxi (China)	32.5%
Bubenzer Bremsen America LLC[2]	Flemington (USA)	100%
Pintsch Bubenzer Industrial Brakes (Shenyang) Ltd.[2]	Shenyang (China)	100%
Pintsch Bubenzer MyPort Sdn. Bhd.[2]	Johor (Malaysia)	100%
Pintsch Bubenzer Middle East FZE[2]	Dubai (UAE)	100%
Pintsch Bubenzer Singapore PTE. LTD.[2]	Singapore (Singapore)	100%
Bode Korea Co. Ltd.	Seoul (South Korea)	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
2) Reclassified to assets held for sale in accordance with IFRS 5

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 Ferroviaria, S.A. [1]	Madrid (Spain)	100%
Bubenzer-MyPort Sdn. Bhd. [2]	Johor (Malaysia)	100%

1) In liquidation
2) Reclassified to assets held for sale in accordance with IFRS 5

The following companies were wound up in 2017 and deleted from the commercial register. As in previous years, they no longer had any operations.

Unternehmen	Sitz	Kapitalanteil
Machine Electrics Ltd.	Cwmbran (UK)	100%
Trukaids Ltd.	Cwmbran (UK)	100%
Direct Contact Ltd.	Cwmbran (UK)	100%
Electrical Spare Parts & Accessories Ltd.	Cwmbran (UK)	100%
Fabricon Ltd.	Cwmbran (UK)	100%

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

Shenyang Bode Transportation Equipment Co. Ltd, Shenyang, China, which was previously fully consolidated, was sold in 2017 to a joint venture (Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai, China) with a Chinese partner, in which Gebr. Bode & Co. Beteiligungs GmbH (a wholly owned subsidiary of Gebr. Bode GmbH & Co. KG) holds 49% of the shares. The joint venture is reported as an associated company at 31 December 2017. For further information, see the section “Significant events”.

The investment in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd., Shenyang, China, which was previous accounted for an acquisition cost on the grounds of materiality, was accounted for the first time with effect from 30 September 2017 using the equity method, measured at amortised cost, in accordance with IAS 28. For further information, see the section “Significant events”.

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 are drawn up, generally involving a forecast of future expected cash flows. These valuations are dependent to a high degree on assumptions taken by management regarding future changes in value and on assumed changes in the discount factor applied.

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, inventories, 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 18). 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	
	31.12.2017	31.12.2016	**2017**	2016
Chinese renminbi yuan	7.8044	7.3202	7.6286	7.3489
US dollar	1.1993	1.0541	1.1297	1.1064
British pound	0.8872	0.8562	0.8764	0.8190
Turkish lire	4.5464	3.7072	4.1230	3.3429
Polish zloty	4.1770	4.4103	4.2561	4.3634
Brazilian real	3.9729	3.4305	3.6060	3.8595

ACCOUNTING PRINCIPLES AND POLICIES

The principal accounting policies used to prepare the consolidated financial statements for the fiscal year 2017 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 three to ten years and capitalised development costs over a period of three to ten years, or in individual project-related items, over the period of the project.

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

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This is carried out at the level of the CGU to which the goodwill was allocated. If the carrying amount of the CGU exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a CGU is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations of the use in value per CGU are based on forecasts approved by the Executive Board and by the Supervisory Board for the following three-year period and which are also used for internal company purposes. As a general rule, for the purposes of the calculation it is assumed for all items that growth of one percent will be achieved after the third year.

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

The following forecast assumptions were applied for impairment tests performed in 2017:

In %	Sales growth		Cost increases	
	2018	**2019/2020**	**2018**	**2019/2020**
Components segment				
SPII Executive Board	30.3	9.3	17.2	5.9
Schaltbau North America Inc.	10.0	7.7	14.5	8.1
Stationary Transportation Technology segment				
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	27.3	-1.1	-6.4	-1.3
Pintsch Bubenzer GmbH	22.8	4.9	15.9	2.8
Pintsch Tiefenbach GmbH	-16.3	5.3	-7.1	-2.4
Pintsch Tiefenbach US Inc.	-12.5	10.0	-12.0	7.1
Mobile Transportation Technology segment				
Gebr. Bode GmbH & Co. KG	22.2	2.2	13.6	1.5
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	16.5	7.1	7.8	6.2
Schaltbau Transportation UK Ltd.	74.9	4.8	28.1	4.6
Alte Technologies S.L.U.	-12.4	14.4	-16.9	9.9
Albatros S.L.U.	10.3	2.8	5.2	-0.9

Budgeted sales for the fiscal year 2018 were for the most underpinned by orders already received.

The following discount rates were applied:

In %	WACC after-tax		WACC pre-tax	
	2017	2016	**2017**	2016
SPII Executive Board	7.7	7.9	10.0	10.8
Schaltbau North America Inc.	6.1	5.6	7.3	8.5
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	5.6	5.0	7.3	6.6
Pintsch Bubenzer GmbH	5.6	5.0	7.3	6.6
Pintsch Tiefenbach GmbH	5.6	5.0	7.3	6.8
Pintsch Tiefenbach US Inc.	6.1	5.6	7.3	8.7
Gebr. Bode GmbH & Co. KG	5.6	5.0	7.3	6.6
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	7.3	7.1	9.5	9.6
Schaltbau Transportation UK Ltd.	6.8	6.3	8.8	8.3
Alte Technologies S.L.U.	7.8	8.0	10.2	10.2
Albatros S.L.U.	7.8	8.0	10.7	10.7

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

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as **investments** are not classified as financial instruments. They 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 5.6% and 11.7% for each individual investment. 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.

Non-current loans reported in the balance sheet line investments are treated as loans and receivables, measured at amortised cost.

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

Under the equity method of accounting, interests in joint ventures are initially measured at acquisition cost. The carrying amount of those interests is subsequently increased or decreased by the Group's share of profit or loss as well as the Group's share of changes in 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 36, the total carrying amount of the Group's interest is tested for impairment as a single asset, whereby the recoverable amount is compared with the carrying amount if there are any indications that the investment may be impaired when applying IAS 39. An impairment loss recognised under these circumstances is not allocated to any particular asset. The Group's share of the present value of the expected future cash flows expected to be generated by the associated company (including cash flows from the associated company's activities as well as the proceeds from the final sale of the Group's share), are required to be estimated in order to determine the current value in use of the interest.

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 carry-forward 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 and liabilities comprise non-derivative and derivative receivables and payables. In accordance with IAS 39 Financial Instrument: Recognition and Measurement, financial instruments held by the Schaltbau Group are classified into the following categories:

- Loans and receivables,
- Financial liabilities measured at amortised cost,
- Financial assets and liabilities held for trading.

The fair value option pursuant to IAS 39 is not applied.

For all categories of financial assets, the criterion for recognising assets is the trading date, in other words the date on which the obligation to buy or sell the instrument was entered into. 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. Subsequently they are measured at either at amortised cost or fair value, depending on which category they have been allocated to in accordance with IAS 39. The amortised cost of a financial asset or financial liability is calculated using the effective interest method, based on the amount at which a financial instrument was initially measured, less any repayments, impairments or uncollectible amounts.

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.

Financial instruments are derecognised when the right to receive cash flows expires or is transferred and the Schaltbau Group has, all material respects, transferred all the risks and rewards incidental to ownership. The Schaltbau Group does not sell any of its receivables.

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

The categories "loans and receivables" and "financial liabilities measured at amortised cost" include non-derivative financial instruments which are measured at amortised cost. The main items involved are cash and cash equivalents, trade accounts receivable and payable, other loans receivable, other receivables and financial liabilities. "Financial assets and liabilities held for trading" are measured at fair value through profit or loss. This relates in particular to derivative financial instruments that are mainly used in the form of forward currency contracts to hedge the foreign currency exposures arising from operations. In addition, the Schaltbau Group applies hedge accounting to selected forward currency contracts and to interest rate swaps to hedge interest rate risks pertaining to financial liabilities. Derivative financial instruments are reported in the balance sheet under the headings "Other receivables and assets" or "Other liabilities".

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. Fair value gains and losses are recognised as other operating income or expenses.

Hedge accounting rules are applied if the hedging relationship between underlying transaction and hedging instrument is documented and hedge-effectiveness demonstrated. The relevant hedging instrument offsets the risk from the underlying transaction highly effectively, as measured prospectively and retrospectively using the Dollar-Offset method, whereby the hedged item is determined with the aid of a so-called "hypothetical derivative". When hedging currency and interest rate risks from future cash flows (cash flow hedges), changes in the fair value of the effective portion of the hedging instrument are initially recognised directly in equity and only recognised in profit or loss when the underlying transaction affects profit or loss. Any ineffective portion is recognised immediately in profit or loss.

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, see the comments made in the section on risk management and hedging activities. In the event of actual losses, the relevant receivable is derecognised.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is expected to be recovered primarily through a sale transaction and the sale is highly probable. They are tested for impairment and measured at the lower of their carrying amount or fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not subject to scheduled depreciation. Assets and liabilities classified as held for sale are presented separately in the balance sheet as current items.

The **revaluation reserve** comprises the amounts included directly in equity in conjunction with the fair value measurement of land on firsttime 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 oldage, invalidity and dependent survivors' pension benefits promised by Group companies. Oldage 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 parttime 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 lossfree valuation for unrealised losses. Provisions that contain an interest component are discounted using an appropriate market interest rate.

Provisions for early retirement parttime working arrangements (based on work and workfree 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 are recognised in the case of 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 **Amendment to IAS 7** – Disclosure Initiative prescribes additional disclosures. The amendments improve the information provided to users of financial statements about changes in liabilities arising from financing activities. The Schaltbau Group provides 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 are also 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 disclosed.

The information is presented in the form of a statement reconciling the opening and closing balance sheets amounts.

The reconciliation statements shows the changes that have occurred between the opening and closing balances of the relevant financial liabilities.

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

The **Annual Improvements to IFRS (2014-2016)** amended three Standards, of which only the following were required to be applied in 2017:

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).

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

Standards, Interpretations and Amendments issued but not yet applied

The Schaltbau Group does not plan to apply early any of the following new or amended Standards and Interpretations which do not become mandatory until sub-sequent 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 Schaltbau Group will apply IFRS 9 for the first time with effect from 1 January 2018.

In future, financial assets will be classified and measured on the basis of the operating business model and the structure of cash flows. A financial asset is therefore classified on initial recognition as either "measured at amortised cost", "measured at fair value through profit or loss" or "measured at fair value through other comprehensive income". The classification and

measurement of financial liabilities under IFRS 9 are largely unchanged compared to the current requirements of IAS 39. IFRS 9 requires that present value increases to financial liabilities caused by modifications to their terms and conditions must be recognised through profit or loss.

The introduction of new measurement categories for financial assets under IFRS 9 will not have a significant impact on the consolidated financial statements.

Due to the retrospective application of the regulations relating to modifications of financial liabilities, the impact on transition is expected to be € 2,520,000.

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". At the time of firsttime application of the new rules, impairment allowances will increase to approximately € 2,223,000. 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 transition to the new rules for hedge accounting will not have a significant impact. In addition, the scope of disclosure requirements will increase substantially.

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 relevant Interpretations.

Application of IFRS 15 is mandatory with effect from 1 January 2018.

The implementation project for accounting for revenue from contracts with customers has been completed. No significant changes are expected compared to the previous practices applied in accordance with IAS 18.

For the purposes of the transition to IFRS 15, the Group has decided to apply the modified retrospective method in its consolidated financial statements, with cumulative adjustments recognised as at 1 January 2018.

The **Amendment 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 are mandatory for the first time with effect from 1 January 2018.

The **Annual Improvements to IFRSs (2014-2016)** amended three standards, of which the following two amendments are not applicable until 2018: 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.

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

In January 2016, the IASB published **IFRS 16.** IFRS 16 results in a uniform accounting model requiring leases to be recognised in the lessee's balance sheet. A lessee requires recognises a right-of-use asset, representing the lessee's right to use the underlying item, and a liability for the lease arrangements, 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 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.

As lessee, the Group can apply the Standard using one of the following methods;

- the retrospective method or
- the modified retrospective method with optional practical expedients.

The lessee is required to apply the selected method to all leases consistently.

The Group intends to apply IFRS 16 for the first time with effect from 1 January 2019, using the modified retrospective method. For this reason, the cumulative effect of the application of IFRS 16 will be recognised as an adjustment to the opening balance sheet amounts of revenue reserves as of 1 January 2019 without adjustments to comparative information.

When applying the modified retrospective method to leases classified as operating leases under IAS 17, the lessee may elect for each individual lease whether exemptions are to be used on transition. The Group is currently determining the potential impact of using exemptions. Based on the latest information, however, the transition is not expected to have a material impact on the consolidated financial statements.

Not yet endorsed by the EU:
During 2017 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.

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 adoption is permitted. Retrospective application 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 application 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.

The **Amendments to IFRS 9** – Prepayment Features with Negative Compensation pertain to a limited revision of the assessment criteria relevant for the classification of financial assets. Under certain circumstances, financial assets involving prepayment features with negative compensation may be carried at amortised cost or at fair value through other comprehensive income rather than at fair value through profit or loss.

The amendments – subject to EU endorsement – are mandatory for the first time at 1 January 2019.

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

The **Amendments to IAS 28** – Longterm Interests in Associates and Joint Ventures clarify that IFRS 9 is applicable to longterm investments in associates or joint ventures that are not accounted for using the equity method.

The amendments – subject to EU endorsement – are mandatory for the first time at 1 January 2019.

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

IFRIC 23 - Uncertainty over Income Tax Treatments deals with the tax treatment of certain issues and transactions that may depend on future acceptance by tax authorities or tax courts. IAS 12 Income Taxes sets out the requirements for accounting for current and deferred taxes. IFRIC 23 supplements the requirements in IAS 12 relating to uncertainties over the income tax treatment of certain issues and transactions.

The Interpretation – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 01 January 2019. Earlier adoption is permitted.

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

Four IFRSs have been amended by the **Annual Improvements to IFRSs (2015-2017).**

IFRS 3 clarifies that an entity is required to apply the principles for business combinations achieved in stages when it obtains control over a business operation, in which it previously held an interest in conjunction with a joint operation. The equity interest previously held by the acquirer must be remeasured.

IFRS 11 stipulates that when a party obtains joint control over a business operation, in which it previously held an interest on the basis of a joint operation, it does not revalue the interest previously held.

IAS 12 is being amended so that all income tax consequences of dividend payments are required to be recognised in the same way as the income that generated distributable profits.

The amendments to IAS 23 stipulates that when general borrowings have been used to acquire qualifying assets, an entity shall not – for the purposes of determining the capitalization rate – take into account specific borrowings raised to acquire qualifying assets until the relevant qualifying asset is completed.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

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

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

Sales by segment	**2017**	2016
In € 000		
Mobile Transportation Technology	265,255	222,164
Stationary Transportation Technology	120,496	149,336
Components	130,654	137,498
Holding	54	99
	516,459	**509,097**

Sales recognised during the year under report on the basis of the percentage-of-completion method amounted to € 150,000 (2016: € 3,647,000). No other sales were required to be recognised.

Sales by market	**2017**	2016
In € 000		
Germany	179,991	170,872
Other EU countries	185,275	186,232
Other European countries	33,444	31,821
China / Hong Kong	62,892	78,569
North America	44,150	29,993
Other countries	10,707	11,610
	516,459	**509,097**

82.8% (2016: 83.5%) of sales were billed in euro, 5.2% (2016: 5.9%) in Chinese renminbi yuan, 2.9% (2016: 2.4%) in Polish zloty and 7.3% in US dollar (2016: 4.2%); other currencies accounted for 2.6% (2016: 2.6%). On the expense side, 86.1% (2016: 86.1%) of personnel, material and other non-personnel expenditure were settled in euro, 4.7% (2016: 4.1%) in Polish zloty, 3.1% (2016: 3.1%) in renminbi yuan, 3.9% in US dollar (2016: 4.1%) and 2.3% (2016: 2.6%) in other currencies. Sales generated with the five largest customers amounted to € 151,827,000 or 29.4% of sales (2016: € 153,303,000 or 31.3%).

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

In € 000	**2017**	2016
Change in inventories	9,230	-9,378
Own work capitalised	7,538	6,662
	16,768	**-2,716**

(3) OTHER OPERATING INCOME

In € 000	**2017**	2016
Reversal of provisions	3,018	2,158
Reversal of allowances	825	814
Exchange rate gains	198	1,862
Public-sector grants	53	89
Sundry operating income	8,136	3,074
	12,230	**7,997**

The other operating income includes income of € 4,147,000 (2016: € 3,419,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). Sundry operating income includes € 4,653,000 relating to the sale of shares in Shenyang Bode Transportation Equipment Co. Ltd. For further details, see the section "Significant events". Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

In € 000	**2017**	2016
Cost of raw materials, supplies and purchased goods	235,080	215,310
Cost of purchased services	40,505	38,600
	275,585	**253,910**

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	**2017**	**2016**
Wages and salaries	154,623	142,570
Social security, pension and welfare expenses	32,227	28,682
	186,850	**171,252**

Number of employees	**2017**	2016
Development	519	434
Purchasing and logistics	312	268
Production	1,565	1,583
Sales and marketing	387	351
Administration including Executive Board members and group company directors	286	264
Trainees	25	25
	3,094	**2,925**

The above disclosures show the weighted average number of employees of fully consolidated companies based on monthend 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	**2017**	2016
Administrative expenses	27,189	21,171
Selling expenses	18,039	20,590
Operating expenses	8,198	7,320
Employee-related costs	1,738	2,222
Exchange rate losses	3,177	1,889
Other taxes	1,047	970
Allowances on receivables	966	322
Losses on the sale of non-current assets	69	163
Allocation to provisions for pending losses on onerous contracts	790	16,397
Sundry other expenses	1,671	1,818
	62,884	**72,862**

Expenses relating to prior periods totalled € 588,000 (2016: € 544,000).

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

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 2017 and 2016 was € 5,681,000 and € 5,296,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 4,286,000 (2016: € 4,494,000) payable in up to one year, € 7,260,000 (2016: € 7,278,000) payable in up to five years and € 1,424,000 (2016: € 272,000) payable later than five years.

Purchases from the five largest suppliers accounted for 5.4% (2016: 4.3%) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

In € 000	**2017**	2016
Result from at-equity accounted investments	123	-3,518
Other results from investments	-1,925	7,383
	-1,802	**3,865**

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 results (reporting period ended 31 December 2017) of BoDo Bode-Dogrusan A.S. (Turkey), Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China), and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. (China). Entities accounted for using the equity method did not make any distributions during the year under report.

Other results from investments includes impairment losses recognised on the carrying amounts of Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda., Sao Paulo, Brazil, and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Zhejiang, China. For further details, see the section "Significant events". The positive amount of other results from investments in the previous year includes mainly a onetime gain arising on the revaluation of the investment in the Schaltbau Sepsa Group as of 30 September 2016. With effect from that date, Schaltbau Holding gained control over the Schaltbau Sepsa Group, which was fully consolidated thereafter in the consolidated financial statements.

If the relevant exchange rates had been 10% more favourable or less favourable, the result from equity-accounted companies would have been a profit of € 140,000 / profit of € 108,000 (2016: loss of € 3,483,000 / loss of € 3,547,000).

(8) FINANCIAL RESULT

In € 000	**2017**	2016
Other interest and similar income	790	1,275
(of which from affiliated companies)	(5)	(505)
Interest and similar expenses	-11,719	-6,505
(of which to affiliated companies)	(-3)	(0)
Other financial result	-9	-5
(of which to affiliated companies)	(0)	(0)
	-10,938	**-5,235**

Interest income includes income arising on the unwinding of discounted receivables amounting to € 0 (2016: € 488,000). 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 in the previous fiscal year.

Interest expenses include the interest portion amounting to € 741,000 (2016: € 922,000) arising on the allocation to personnelrelated provisions and an interest expense of € 768,000 (2016: € 218,000) in conjunction with discounted payables to their net present value. The use of interest rate swaps and their designation as cash flow hedges of interest-bearing liabilities increased interest expense by € 352,000 in the year under report (2016: € 592,000). The derecognition of the call option relating to the acquisition of the remainder of the shares in Albatros S.L. gave rise to an expense of € 124,000 in the previous fiscal year.

(9) INCOME TAXES

In € 000	**2017**	2016
Income tax benefit	3,128	5,420
Deferred tax expense (2016: –income)	10,724	-9,254
	13,852	**-3,834**

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

The tax group arrangements between Schaltbau Holding AG (as controlling company) and Pintsch Bamag GmbH (as controlled company), as well as those between Pintsch Bamag GmbH (as intermediate controlling company) and Pintsch Bubenzer GmbH (as controlled company) pursuant to §§ 14 et seq. of the German Corporation Tax Act (KStG) were terminated as at the end of 31 December 2017.

Deferred taxes related to the following balance sheet items:

In € 000	**31.12.2017**			31.12.2016		
	Deferred tax	Deferred tax liabilities	Result	Deferred tax	Deferred tax liabilities	Result
Fixed assets	565	10,475	-51	1,470	11,362	3,830
Inventories	2,558	141	-916	3,474	132	257
Other current assets	799	390	-523	925	11	162
Pension provision	2,468	0	-747	5,675	0	-72
Other provisions	2,830	0	-3,522	6,343	0	5,203
Liabilities	143	188	133	386	447	-597
Tax losses available for carryforward	490	0	-5,098	5,596	0	471
Offset	-5,749	-5,749	-	-8,417	-8,417	-
	4,104	**5,445**	**-10,724**	**15,452**	**3,535**	**9,254**

During the period under report, € 3,370,000 of deferred tax assets were derecognised with a negative income statement effect (2016: positive income statement impact of € 807,000) following a revaluation. In addition, the surplus of deferred tax assets over deferred tax liabilities for the tax group amounting to € 5,781,000 was written down, whereby the amount attributable to actuarial valuation of the pension provision (€ 2,032,000) was recognised directly in equity and the remainder (€ 3,749,000) was recognised through the income statement.

No deferred tax assets are recognised on corporation tax and municipal trade losses available for carryforward amounting to € 47,555,000 (2016: € 7,701,000) and on foreign tax losses available for carryforward amounting to € 76,996,000 (2015: € 63,353,000). These tax losses can be carried forward indefinitely. The increase in the amount of deferred taxes assets not recognised on losses available for carryforward in Germany mainly reflects the recent history of losses, as a result of which no deferred tax assets were recognised. The increase in foreign loss carryforwards reflects business developments. No deferred tax liabilities were recognised at 31 December 2017 for planned dividend payments in connection with socalled "outside basis differences" since these are not considered to be significant.

Reconciliation of expected and actual expense in the income statement

In € 000	**2017**	2016
Loss before tax	**-35,715**	**-15,853**
Expected tax expense (30%)	-10,715	-4,756
- different computation of taxes outside Germany	-476	-1,434
- tax-exempt income	-770	-944
- non-deductible expenses	4,060	2,229
- associated companies and interests accounted for using the equity method	756	-954
- tax expense and reimbursements for prior years	-168	70
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	10,659	1,497
- effect of tax rate changes	-101	-
- Foreign withholding taxes	337	276
- measurement of deferred taxes	6,437	-
- other differences	3,833	182
Income tax expense	13,852	-3,834
Effective tax rate	-38.8 %	24.2 %

The line item "non-deductible expenses" includes an effect arising from the impairment loss recognised on fixed assets at the level of Sepsa (€ 2,565,000) and on goodwill allocated to Pintsch Bubenzer GmbH (€ 330,000). The line item "associated companies and interests accounted for using the equity method" includes an amount of € 561,000 relating to the impairment losses recognised on the investments in ZhejiangYonggui Bode Transportation Equipment Co Ltd, China, and Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda, Brazil. The line item "changes in valuation allowances on deferred tax assets on tax losses available for carryforward" mainly reflects the fact that, given the recent history of tax losses at the level of Schaltbau Holding AG as the tax group parent company, it is no longer permitted to recognise deferred tax assets on tax losses available for carryforward and has written down amounts previously recognised. In addition, a valuation allowance has been recognised on the surplus of deferred tax assets over deferred tax liabilities and the resulting impact reported in the line item "measurement of deferred taxes". In addition, the tax reconciliation is influenced by the fact that Sepsa is accounted for at the end of the reporting period as "held for sale". The line item "measurement of deferred taxes" includes an amount of € 2,512,000 relating to the full writedown of all deferred tax assets previously recognised. The line item "other differences" includes an amount of € 3,534,000 for the correction of the expected tax effect of writing down assets in accordance with IFRS 5 measurement requirements.

(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.

At 31 December 2017, a total of 6,602,125 ordinary shares were in circulation (2016: 6,152,190 shares). The Company began to repurchase own shares in 2014 (see explanatory comments in note 18 Capital/ Revenue/ Other Reserves).

	2017	2016
Shares in circulation at beginning of year	6,152,190	6,152,190
Shares bought back at the year end	-7,645	-7,645
Share capital increase	457,580	-
Calculated weighted number of shares at end of fiscal year	6,440,528	6,050,966
Further potential shares from share options (diluted)	-	192 (186)
Actual and potential shares at end of year (diluted)	6,602,125	6,051,152
Shares - undiluted at 31 December	**6,602,125**	**6,050,966**
Shares - diluted at 31 December	**6,602,125**	**6,051,152**
Weighted shares - undiluted	**6,440,528**	**6,050,966**
Weighted shares - diluted	**6,440,528**	**6,050,152**

Earnings per share	**2017**	2016
Group net loss for the year (€ 000)	-49,567	-12,019
Attributable to minority shareholders (€ 000)	2,175	3,803
Attributable to shareholders of Schaltbau Holding AG (€ 000)	-51,742	-15,822
Earnings per share - undiluted	**- 8.04 €**	**-2.61 €**
Earnings per share - diluted	**- 8.04 €**	**-2.61 €**

	2017	2016
Weighted shares - undiluted	6,440,528	6,050,966
Weighted shares - diluted	6,440,528	6,051,152
Earnings per share - undiluted	**-8.04 €**	**-2.61 €**
Earnings per share - diluted	**-8.04 €**	**-2.61 €**

Reconciliation between undiluted and diluted weighted shares	**2017**	2016
Weighted shares - undiluted	6,440,528	6,050,966
192 options not exercised by 31.12.2016; weighted	-	186
Weighted shares - diluted	**6,440,528**	**6,051,152**

EXPLANTORY NOTES TO THE CONSOLIDATED BALANCE SHEET

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

Goodwill can be analysed as follows:

In € 000	**2017**	2016
SPII Executive Board	14,813	14,813
Schaltbau North America Inc.*	5,700	6,444
Components segment	**20,513**	**21,257**
Pintsch Bubenzer GmbH**	0	3,415
Pintsch Tiefenbach GmbH	696	696
Pintsch Tiefenbach US Inc.	214	214
Stationary Transportation Technology segment	**910**	**4,325**
Gebr. Bode GmbH & Co. KG	381	381
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.*	11,920	11,289
Schaltbau Transportation UK Ltd.*	4,232	4,386
Alte Technologies S.L.U.	8,172	8,172
Albatros S.L.U.***	0	5,342
Mobile Transportation Technology segment	**24,705**	**29,570**
	46,128	**55,152**

* Subject to currency fluctuations
** Reclassification of € 2,315,000 to "Assets held for sale" after recognition of impairment losses pursuant to IAS 36
*** Reclassification of € 0 to "Assets held for sale" after recognition of impairment losses pursuant to IAS 36

As a result of business developments, it was necessary in 2017 to recognise impairment loss on goodwill allocated to Albatros S.L.U. (€ 5,280,000) and to Pintsch Bubenzer GmbH (€ 1,100,000) (both Mobile Transportation Technology segment). In the previous year, goodwill allocated to Pintsch Bamag Antriebs- und Verkehrstechnik GmbH (Stationary Transportation Technology segment) amounting to € 1,645,000 was written down. A 10% reduction in forecasts for sensitivity analysis purposes would not result in any impairment loss on goodwill allocated to SPII Executive Board

The recoverable amount (value in use) of the cash-generating unit SPII Executive Board is € 22,744,000. Apart from goodwill, there are other assets with an indefinite useful live.

Intangible assets include **capitalised development costs** with a carrying amount of € 4,630,000 (2016: € 15,119,000) and relate primarily to the Stationary Transportation Technology segment. Capitalised development costs totalling € 3,423,000 were written down for impairment in 2017. The impairment loss relates to the Mobile Transportation Technology segment (relating to the Sepsa Group CGU). The impairment loss was recognised in view of the CGU's negative earnings and modest outlook. In addition, further impairment losses amounting to € 219,000 were recognised for the

Sepsa Group in accordance with IFRS 5. In the previous year, impairment losses totalling € 9,649,000 were recognised on capitalised development costs at the level of the Stationary Transportation Technology segment (relating to the Pintsch Bamag Antriebs- und Verkehrstechnik GmbH CGU). The impairment loss in the previous year was recognised on the basis of the risk assessment of the Executive Board, given that overseas level crossing system projects were not expected to generate positive cash flows and the decision had 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	**31.12.2017**	31.12.2016
Carrying amount after fair value adjustments	10,347	10,295
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	**5,992**	**5,940**

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.

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	**2017**				2016			
	BODO	BOYO	PBTE	Σ	BODO	ALBA	PBTE	Σ
Carrying amount at 1.1.	2,861	0	268	3,129	3,045	8,423		11,468
Share purchase / foundation	-	6,444	-	6,444	-	-	-	-
Profit / loss	741	-484	-135	122	319	-3,837	-	-3,518
Change in capital	-	-	256	256	-	1,302	-	1,302
Currency adjustment	-528	-41	-9	-578	-503	-	-	-503
Consolidation / write-down	-	-1,600	-	-1,600	-	-5,888	268	-5,620
Carrying amount at 31.12.	**3,074**	**4,319**	**380**	**7,773**	**2,861**	**0**	**268**	**3,129**

In € 000	31.12.2017			31.12.2016		
Name	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0 %	3,074	-	50,0%	2,861	-
PBTE	20.0 %	380	143	15%	268	146
BOYO	49.0 %	4,319	384*	-	-	-
Carrying amount at 31.12.		**7,773**	**143**		**3,129**	**146**

BODO: BoDo Bode-Dogrusan A.S.
PBTE: Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.
ALBA: Albatros S.L.U.
BOYO Zhejiang Yonggui Bode Transportation Equipment Co. Ltd.
* Provisional result

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

BoDo Bode-Dogrusan A.S. In € 000	**31.12.2017**		31.12.2016	
	100 %	Group's share	100 %	Group's share
Non-current assets	4,688	2,344	5,475	2,738
Current assets	8,297	4,148	6,370	3,185
Non-current liabilities	48	24	-	-
Current liabilities	6,052	3,026	6,123	3,061
Sales	16,276	8,138	13,434	6,717
Profit/loss for year	1,482	741	639	319
Other comprehensive income	-	-	-	-
Total comprehensive income	1,482	741	639	319
Distributions	-	-	-	-

Yonggui BODE Transportation In € 000	**31.12.2017**		31.12.2016	
	100 %	Group's share	100 %	Group's share
Non-current assets	1,112	545	-	-
Current assets	5,519	2,705	-	-
Non-current liabilities	-	-	-	-
Current liabilities	1,639	803	-	-
Sales	483	236	-	-
Profit/loss for year	-988	-484	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-988	-484	-	-
Distributions	-	-	-	-

The foundation of the joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., based in Tiantai (China) was completed during the second quarter 2017. This entity is consolidated using the equity method. Further information is provided in the section "Significant events".

During the financial year under report, objective evidence came to light that the investment in Zhejiang Yonggui Bode Transportation Equipment Co Ltd, Tiantai (China), might be impaired. Accordingly, an impairment test was performed.

The recoverable amount of the investment, which accounted for in the consolidated financial statements using the equity method, was determined on the basis of its value in use and is calculated using the discounted cash flow (DCF) method. Computations relating to the value in use are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal company purposes. For the purposes of the calculation, it is assumed that growth of 4.8% will be achieved after the third year.

The following planning assumptions are used for the impairment test of BOYO:

In %	Sales growth		Cost increases	
	2018	2019 / 2020	2018	2019 / 2020
Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (China).	>100*	23.6	>100	10.0

* Company founded in 2017

The following discount rate was applied:

In %	WACC after-tax		WACC pre-tax	
	2017	2016	2017	2016
Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (China).	7.6	-	8.5	-

In addition, the shareholding in PBTE was increased from 15% to 20% during the year under report, as a result of which the cost of investment went up by € 256,000

In the fiscal year 2017, an impairment loss of € 1,600,000 was recognised on the carrying amount of the investment in Zhejiang Yonggui Bode Transportation Equipment Co Ltd, Tiantai (China), since the value in use was lower than the carrying amount.

DEVELOPMENT OF FIXED ASSETS 2017

In € 000

		Acquisition/manufacturing cost						
		1.1.2017	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassfications/ reversals of impairment losses	31.12.2017
I.	**Intangible assets**							
1.	Concessions and similar rights	26,082	-36	500	0	-7,336	0	19,210
2.	Software	14,697	-5	397	-624	-5,092	87	9,460
3.	Goodwill	84,951	-328	0	0	-8,696	0	75,927
4.	Capitalised development costs	20,498	-245	1,470	-5,886	-7,666	2,331	10,502
5.	Ongoing development projects	10,888	0	5,048	-4,531	-691	-2,331	8,383
6.	Payments in advance	47	0	182	0	0	-38	191
		157,163	**-614**	**7,597**	**-11,041**	**-29,481**	**49**	**123,673**
II.	**Property, plant and equipment**							
1.	Land and buildings	76,934	-324	917	-308	-9,632	10	67,597
2.	Plant and machinery	56,894	-172	3,124	-1,420	-15,616	2,864	45,674
3.	Other plant and equipment	57,742	-183	3,378	-3,127	-11,524	98	46,384
4.	Leased property, plant and equipment	291	9	0	0	0	-170	130
5.	Assets under construction	3,331	4	2,607	0	-543	-2,851	2,548
		195,192	**-666**	**10,026**	**-4,855**	**-37,315**	**-49**	**162,333**
III.	**Investments**							
1.	Investments in subsidiaries	4,971	0	203	0	-3,809	604	1,969
2.	At-equity accounted investments	3,308	0	6,701	0	-1,068	0	8,941
3.	Participations	1,089	0	0	0	0	0	1,089
4.	Non-current loans receivable from Group companies	1,163	0	0	0	-1,023	-140	0
5.	Non-current marketable securities	104	1	0	0	0	0	105
6.	Other loans	19	0	0	-11	-8	0	0
		10,654	**1**	**6,904**	**-11**	**-5,908**	**464**	**12,104**
		363,009	**-1,279**	**24,527**	**-15,907**	**-72,704**	**464**	**298,110**

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

	Accumulated amortisation, depreciation and impairment losses						Carrying amounts	
1.1.2017	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassfications/ reversals of impairment losses	31.12.2017	31.12.2017	31.12.2016
15,388	15	5,354	0	-7,037	0	13,720	5,490	10,694
12,043	-2	1,344	-620	-4,868	-1	7,896	1,564	2,654
29,799	0	6,380	0	-6,380	0	29,799	46,128	55,152
11,736	-176	5,812	-5,886	-6,890	0	4,596	5,906	8,762
4,531	0	350	-4,531	-158	0	192	8,191	6,357
0	0	0	0	0	0	0	191	47
73,497	**-163**	**19,240**	**-11,037**	**-25,333**	**-1**	**56,203**	**67,470**	**83,666**
27,407	-292	3,143	-274	-2,925	1	27,060	44,797	53,881
38,096	-199	5,349	-1,393	-13,007	186	29,032	16,642	18,798
45,566	-160	4,520	-3,033	-8,663	-131	38,099	8,285	12,176
116	3	26	0	0	-55	90	40	175
0	0	0	0	0	0	0	2,548	3,331
111,185	**-648**	**13,038**	**-4,700**	**-24,595**	**1**	**94,281**	**72,312**	**88,361**
2,153	0	325	0	-2,942	604	140	1,829	2,818
179	579	1,600	0	-1,068	-122	1,168	7,773	3,129
0	0	0	0	0	0	0	1,089	1,089
1,163	0	0	0	-1,023	-140	0	0	0
0	0	0	0	0	0	0	105	104
0	0	8	0	-8	0	0	0	19
3,495	**579**	**1,933**	**0**	**-5,041**	**342**	**1,308**	**10,796**	**7,159**
188,177	**-232**	**34,211**	**-15,737**	**-54,969**	**342**	**151,792**	**150,578**	**179,186**

In den Nettowerten der Grundstücke und Bauten sind folgende Werte für die Neubewertung der Grundstücke enthalten, T€ 94 were reclassified pursuant to IFRS 5:	4,260	4,354

DEVELOPMENT OF FIXED ASSETS 2016

In € 000		Acquisition/manufacturing cost						
		1.1.2016	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ 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	Reclassfications/ reversals of impairmentlosses	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

Expenditure on research and development totalled € 38,785,000 (2016: € 34,113,000), the corresponding expense recognised in the income statement was € 32,267,000 (2016: € 28,485,000). Accordingly, an amount of € 6,518,000 (2016: € 6,056,000) was capitalised.

(12) INVENTORIES

In € 000	**31.12.2017**	31.12.2016
Raw materials and supplies	51,745	57,655
Work in progress	30,073	30,079
Finished products, goods for resale	10,884	12,329
Advance payments to suppliers	1,572	1,290
	94,274	**101,353**

Writedowns totalling € 3,037,000 (2016: € 6,336,000) were recognised on inventories in the year under report, comprising € 1,284,000 for the Stationary Transportation Technology segment, € 303,000 for the Mobile Transportation Technology segment and € 1,450,000 for the Components segment. Reversals of writedowns on inventories amounted to € 984,000 (2016: € 756,000) were recorded. Writedowns on inventories at the end of the reporting period totalled € 19,661,000 (2016: € 32,738,000), whereby the decrease was primarily attributable to the reclassification to assets held for sale.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

In € 000	**31.12.2017**	31.12.2016
Trade accounts receivable	91,869	115,241
Receivables from affiliated companies	1,594	6,573
Receivables from associated companies	669	763
Income tax receivables	1,471	944
Trust account for restricted cash	15,550	-
Other assets	7,582	7,673
	118,735	**131,194**

Receivables from affiliated and associated companies all relate to trade accounts receivable at 31 December 2017. At the end of the previous year, this line item also included loans receivable amounting to € 263,000.

Allowances comprised the following:

In € 000	**1.1.17**	Group reporting entity	Utilised	Reversed	Allocated	Reclassification*	Currency / other	**31.12.17**
Trade accounts receivable	6,643	0	561	825	361	-1,637	-73	3,908
Other receivables	123	0	0	0	604	-123	0	604
Total	**6,766**	**0**	**561**	**825**	**965**	**-1,760**	**-73**	**4,512**

* Reclassification to “Assets held for sale” in accordance with IFRS 5

The maximum credit risk corresponds to the carrying amount of accounts receivable. Receivables totalling € 18,337,000 (2016: € 18,581,000) were insured against default.

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

In € 000	31.12.2017			31.12.2016		
	Gross	Allowance	Carrying amounts	Gross	Allowance	Carrying amounts
Overdue						
up to 30 days	13,042	-104	12,938	13,424	-128	13,296
31 to 60 days	5,600	-154	5,446	5,649	-140	5,509
61 to 90 days	2,382	-84	2,298	3,748	-118	3,630
91 to 180 days	5,012	-248	4,764	6,442	-253	6,189
181 to 365 days	3,440	-200	3,240	5,341	-319	5,022
more than one year	4,271	-2,984	1,287	7,447	-5,536	1,911
	33,747	**-3,774**	**29,973**	**42,051**	**-6,494**	**35,557**
Not yet due	62,030	-134	61,896	79,833	-149	79,684
	95,777	**-3,908**	**91,869**	**121,884**	**-6,643**	**115,241**

Of the trade accounts receivable total reported at 31 December 2017, 36.0% (2016: 28.2%) relate to the five largest debtors.

75.4% (2016: 69.6%) of receivables and non-current loans are denominated in EUR, 13.8% (2016: 14.0%) in CNY, 5.5% (2016: 4.0%) in PLN and 3.0% (2016: 10.0%) in USD.

(14) CASH AND CASH EQUIVALENTS

In € 000	31.12.2017	31.12.2016
Cheques and cash on hand	42	35
Cash at bank	25,255	29,983
	25,297	**30,018**

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

Schaltbau Sepsa Group

On 15 November 2017, the Executive Board of Schaltbau Holding AG announced the sale of its wholly-owned subsidiary Albatros S.L.U., Madrid, Spain, and its indirect subsidiaries (hereafter referred to as the „Schaltbau SEPSA Group"). All assets allocated to the SEPSA cash-generating unit (CGU) within the Mobile Transportation Technology segment are to be sold. The impairment test performed in accordance with IAS 36 resulted in the recognition of impairment losses totalling € 12.4 million as at 30 September 2017. Measurement in accordance with IFRS 5 resulted in the recognition of a further € 12.2 million of impairment losses in the fourth quarter 2017. The Executive Board was of the opinion that the subsidiary met the criteria for classification as held for sale at this time for the following reasons:

- The Schaltbau SEPSA Group can be sold immediately and can be sold to a buyer in its current condition
- The measures necessary to implement the sale have been initiated and should be completed within one year from the date of the initial classification
- A potential buyer has been found and the related negotiations had been initiated prior to the balance sheet date
- The Supervisory Board has approved the planned sale

Further detailed information is provided in the section "Significant events".

The assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 31 December 2017 in the line items "Assets held for sale" and "Liabilities in conjunction with assets 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 2017 are shown in the following table.

In € 000	Assets		Liabilities
	31.12.2017		31.12.2017
Intangible assets	358	Other non-current provisions	851
Property, plant and equipment	1,740	Other non-current financial liabilities	6,862
Other non-current financial assets	-	Other non-current non-financial liabilities	208
Inventories	9,620	Other current provisions	1,196
Trade accounts receivable	6,792	Current financial liabilities	2,125
Other current non-financial assets	868	Trade accounts payable	5,661
Current income tax receivables	61	Other current financial liabilities	906
Cash and cash equivalents	1,056	Other current non-financial liabili-ties	2,557
Assets held for sale	**20,495**	**Liabilities in conjunction with as-sets held for sale**	**20,366**

The line item "Liabilities in conjunction with assets held for sale" does not include deferred tax liabilities amounting to € 129,000.

Pintsch Bubenzer GmbH

On 18 December 2017, the Executive Board decided to sell Pintsch Bubenzer GmbH and its five operating subsidiaries (hereafter referred to as the "Pintsch Bubenzer Group").

All assets allocated to the Pintsch Bubenzer CGU within the Stationary Transportation Technology segment are to be sold. Based on the impairment test carried out in accordance with IAS 36 at the date of classification pursuant to IFRS 5, an impairment loss of € 1,100,000 was recognised. The Executive Board was of the opinion that the subsidiary met the criteria for classification as "held for sale" on 18 December 2017 for the following reasons:

- The Pintsch Bubenzer Group can be sold immediately and can be sold to a buyer in its current condition
- The measures necessary to implement the sale have been initiated and should be completed within one year from the date of the initial classification
- A potential buyer has been found and the related negotiations had been initiated prior to the balance sheet date
- The Supervisory Board has approved the planned sale

Further detailed information is provided in the section "Significant events".

The assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 31 December 2017 in the line items "Assets held for sale" and "Liabilities in conjunction with assets 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 2017 are shown in the following table.

In € 000	Assets		Liabilities
	31.12.2017		**31.12.2017**
Goodwill	2,315	Pension provision	360
Intangible assets	1,474	Other non-current provisions	580
Property, plant and equipment	11,075	Other non-current financial liabilities	1,366
Other non-current investments	867	Other non-current non-financial liabilities	0
Inventories	8,329	Other current provisions	1,375
Trade accounts receivable	7,904	Current financial liabilities	245
Other current financial assets	6,319	Trade accounts payable	3,137
Other current non-financial assets	224	Other current financial liabilities	1,015
Current income tax receivables	-	Other current non-financial liabilities	652
Cash and cash equivalents	11		
Assets held for sale	**38,518**	**Liabilities in conjunction with as-sets held for sale**	**8,730**

The held-for-sale assets and liabilities of the Schaltbau Sepsa Group and Pintsch Bubenzer Group were written down to their fair value less costs to sell. Fair value in this situation corresponds a non-recurring fair value that is determined using observable input factors, namely on the basis of the sale of the Pintsch Bubenzer Group on 24 January 2018 and a binding purchase offer for the Schaltbau Sepsa Group.

It is therefore allocated to Level 2 of the fair value hierarchy. The fair value was determined by applying transaction prices based on the selling price or binding purchase offer. No further impairment losses pursuant to IFRS 5.15 were required to be recognised at the balance sheet date.

(16) CHANGES IN GROUP EQUITY

Details relating to the line items presented in the balance sheet are shown in the **consolidated statement of changes in equity.**

(17) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is subdivided into 6,609,770 (2016: 6,152,190) non-par value ordinary shares. The arithmetic par value at the end of the reporting period and at 31 December 2017 is € 1.22 per share.

Number	**31.12.2017**	31.12.2016
Ordinary shares issued	6,609,770	6,152,190
Treasury shares	7,645	7,645

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2016: € 234.24) was in place until 31 December 2016; the Company's share capital could therefore have been increased by up to € 234.24 by the issue of up to 192 new ordinary bearer shares **(Conditional Capital I).** The cancellation of Conditional Capital 2003 was entered in the commercial register on 10 August 2017.

On the basis of the resolution taken at the Annual General Meeting on 6 June 2013 and after partial utilisation, an **authorised capital** of € 2,735,752.40 is in place at the end of the reporting period (2016: € 3,294,000.00). The Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital through to 5 June 2018 by up to a maximum of € 3,294,000, of which € 558,247.60 has already been utilised by 31 December 2017.

On 12 May 2017, Schaltbau Holding AG issued 457,580 new ordinary shares at € 34.11 per share out of Authorised Capital in return for a cash capital contribution, with the subscription rights of existing shareholders excluded. The proceeds of the issue amounted to € 15,610,000. Expenses (net of deferred taxes) recognised directly in equity amounted to € 72,000.

For further information, see the section "Significant events".

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 is in place at 31 December 2017 following the conditional issue of up to 3,075,903 bearer ordinary shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue through 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

Due to the share capital increase out of Authorised Capital carried out in May 2017, **capital reserves** increased by € 14,979,000 to € 31,105,000.

In addition, capital reserves include a share premium of € 13,701,000 (2016: € 13,701,000) which had arisen in conjunction with share capital increases at the level of Schaltbau Holding AG in previous years. Furthermore, it was necessary in previous years to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 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.U. 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 € 280,000 (2016: € 422,000) from the fair value measurement of derivative instruments included in cash flow hedges and a positive impact of € 1,041,000 (2015: negative impact of € 2,423,000) from pension provisions and the necessary adjustment to deferred tax assets in view of the recent history of tax losses.

In accordance with the share buyback 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 fiscal years. These treasury shares may be offered as consideration in conjunction with equity participations and/or business acquisitions or be used to strengthen the existing shareholder structure. 125,000 shares (approximately 2.03% of share capital) were sold during the fiscal year 2016 to longterm 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 0.116% (2016: 2.16%) of the Company's share capital.

Treasury shares developed as follows:

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

Overall, treasury shares held at the end of the 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 is included in other revenue reserves.

In addition, an amount of € 1,431,000 (2016: 4,925,000) 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 Executive Board and Schaltbau Transportation UK Inc. Other changes therefore mainly comprise € 3,494,000 relating to the valuation of options to acquire minority interests in SPII Executive Board and Schaltbau Transportation UK Inc.

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 firsttime 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 Executive Board, 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	**31.12.2017**	31.12.2016
Claims under reinsurance policies relating to pension commitments	**51**	**52**

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	**31.12.2017**	31.12.2016
Employer contributions to state pension insurance plans	**10,519**	**10,213**

Pension provisions developed as follows:

In € 000	**2017**	2016
Balance at 1.1	40,154	37,351
Service cost	536	544
Interest expense	614	816
Benefit payments	-2,036	-1,994
Remeasurements	-1,420	3,445
Foreign currency translation	12	-8
Other items	5	0
Reclassification to liabilities in conjunction with assets held for sale	-360	0
Carrying amount of provision at 31.12.	**37,505**	**40,154**

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.

Before the reclassification to liabilities in conjunction with assets held for sale, the total pension provision at the end of the reporting period comprised € 11,051,000 (2016: € 12,332,000 relating to current employees, € 3,943,000 (2016: € 3,560,000) relating to former employees with vested entitlements and € 22,871,000 (2016: € 24,262,000) relating to pensioners and surviving dependants. Before the reclassification to liabilities in conjunction with assets held for sale, € 10,753,000 relates to current employees, € 3,943,000 to former employees with vested entitlements and € 22,809,000 to pensioners and surviving dependants.

The main actuarial assumptions applied were as follows:

	31.12.2017	31.12.2016
Interest rate	1.8 %	1.6 %
Salary trend	2.1 %	2.4 %
Pension trend	1.7 %	1.7 %
Fluctuation rate	1.7 %	1.6 %

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 2017 would have been as follows:

In € 000	Change	Increase	Decrease
Discount rate	0.50 %	-2,507	2,830
Salary trend	0.22 %	351	-328
Pension trend	0.24 %	1,063	-1,018
Fluctuation rate	0.41 %	-115	117
Prior year disclosures			
Discount 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

As of 31 December, the weighted average period of defined benefit plan pension obligations is 14.2 years (2016: 14.5 years).

Pension expense comprised the following:

In € 000	**2017**	2016
Current service cost	630	544
Past service cost/income	-95	0
Gains / losses arising from settlements	0	0
Total service cost (personnel expense)	535	544
Interest expense	614	816
Pension expense recognised in the consolidated income statement	1,149	1,360
Effect of changes in demographic assumptions	54	0
Effect of changes in financial assumptions	-1,102	3,648
Effect of experience adjustments	-372	-203
Remeasurements recognised in the consolidated statement of comprehensive income	-1,420	3,445
Total pension expense	**-271**	**4,805**

Future cash flows:

Contributions for pension obligations in the fiscal year 2018 are expected to amount to € 1,199,000. Benefit payments in coming years are shown in the following table:

In € 000	**2018**	**2019**	**2020**	**2021**	**2022**
Benefit payments	1,774	1,764	1,745	1,736	1,733

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

(21) OTHER PROVISIONS

Other provisions developed as follows:

In € 000	01.01.17	Utilised	Reversed	Allocated	Interest impact	IFRS 5 reclass.*	Currency / other**	31.12.17
Non-current provisions								
Personnel	4,888	-1,015	-14	424	127	-647	15	3,778
Warranties	926	-41	0	396	0	-682	0	599
Pending losses on onerous contracts	13,548	-2,412	0	0	0	0	-2,441	8,695
Other provisions	154	0	-16	1,100	0	-101	0	1,137
	19,516	**-3,468**	**-30**	**1,920**	**127**	**-1,430**	**-2,426**	**14,209**
Current provisions								
Personnel	8,432	-6,552	-1,084	5,580	0	-252	-16	6,108
Income taxes	905	-205	-218	262	0	0	103	847
Warranties	8,961	-1,090	-1,218	3,163	0	-1,575	-16	8,225
Outstanding supplier invoices	5,557	-4,467	-184	7,730	0	-358	-70	8,208
Pending losses on onerous contracts	3,066	-2,836	-180	816	0	-298	2,441	3,009
Other provisions	2,190	-1,306	-323	2,765	0	-86	-36	3,204
	29,111	**-16,456**	**-3,207**	**20,316**	**0**	**-2,569**	**2,406**	**29,601**
Total	**48,627**	**-19,924**	**-3,237**	**22,236**	**127**	**-3,999**	**-20**	**43,810**

* Reclassification to liabilities in conjunction with assets held for sale in accordance with IFRS 5
** Includes exchange rate differences and reclassifications between current and non-current amounts

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 2018. 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 preretirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to preretirement part-time working arrangements. Claims against insurance companies amounted to € 505,000 (2016: € 337,000) and are offset against non-current personnel-related provisions.

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

Provisions for pending losses on onerous contracts relate primarily to the provision for the platform screen door (PSD) project in Brazil and a level crossing system project in Denmark. The provision is measured on the basis of the unavoidable costs necessary to settle contractual obligations. The unavoidable costs for one contract reflect the minimum net cost of exiting the contract; this represents the lower of expected settlement costs and any compensation or penalties that would result from non-performance. Overhead expenses associated with the onerous contract concerned were included in the calculation of unavoidable costs.

In addition to a restructuring provision for the Stationary Railway Technology segment amounting to € 2,200,000, other provisions mainly include provisions for the yearend Company and Group audits, legal disputes and Supervisory Board compensation.

There were no reimbursement claims.

(22) LIABILITIES

In € 000	**31.12.2017**	31.12.2016
Non-current liabilities		
Liabilities to banks	124,181	37,465
Finance lease liabilities	27	38
Other financial liabilities	978	5,801
Financial liabilities	125,186	43,304
Other liabilities	595	4,557
	125,781	**47,861**
Current liabilities		
Current income tax payable	463	337
Liabilities to banks	57,553	131,984
Finance lease liabilities	12	37
Other financial liabilities	986	2,698
Financial liabilities	58,551	134,719
Trade accounts payable	46,442	42,034
Advance payments received	12,758	12,684
Liabilities to affiliated companies	1,442	338
Liabilities to other group entities	2,152	595
Liabilities relating to derivatives	422	1,762
Sundry other liabilities	17,565	18,813
(of which for taxes)	(3,157)	(4,058)
(of which to employees)	(6,387)	(6,779)
(of which for social security)	(857)	(1,402)
Other liabilities	21,581	21,508
	139,795	211,282
Total liabilities	**265,576**	**259,143**

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

In € 000	31.12.2017	31.12.2016
Overdue		
up to 30 days	19,370	13,313
31 to 60 days	1,712	1,776
61 to 90 days	671	850
91 to 180 days	1,176	1,004
181 to 365 days	1,099	1,003
more than 1 year	171	250
	24,199	**18,196**
Not yet due	22,243	23,838
Carrying amounts	**46,442**	**42,034**

Collateral of € 134,418,000 (2016: € 35,114,000) has been given to cover **liabilities to banks**; of this amount € 100,005,000 (2016: € 0) relates to investments in affiliated companies and € 34,413,000 (2016: € 35,114) to mortgages.

Credit lines from banks total € 253,132,000 (2016: € 229,275,000), of which € 41,539,000 is freely available as of 31 December 2017. The weighted average interest rate as at 31 December 2017 for liabilities to banks during the past year was 4.0% (2016: 2.4%).

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

In € 000	
2018	57,553
2019	114,025
2020	2,834
2021	2,742
2022	1,792
thereafter	2,788
	181,734
Prior year disclosures	
2017	133,249
2018	5,313
2019	5,608
2020	17,601
2021	3,199
thereafter	6,786
	171,756

Liabilities to banks due for repayment in the year 2018 include current account liabilities amounting to € 14,196,000 (2016: € 3,719,000) which are extended from year to year.

Further information relating to new financing arrangements agreed in 2017 is provided in the section "Significant events".

Mortgages totalling € 34,413,000 (2016: € 35,114,000) have been given as collateral for liabilities to banks.

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 pay-ments	39	2	41	13	28	0
Discounting	0	0	2	1	1	0
Present value / carrying amount	39	2	39	12	27	0

Other **financial liabilities** include trade accounts payable of Alte Technologies S.L.U., which are to be repaid in instalments over the next 7 to 12 years. These are measured at amortised cost using the effective interest method and subjected to an interest rate of 3.75%. Other financial liabilities also include liabilities of Albatros S.L.U. with terms through to 2043 that are subjected to an interest rate of 7.21% and reported as "Liabilities in conjunction with assets held for sale".

Of the **trade accounts payable** total reported at 31 December 2017, 7.4% (2016: 11.1%) relate to the five largest creditors.

Payables are mainly denominated in the following currencies: 92.2% in Euro (2016: 92.7%), 0.6% in USD (2016: 2.2%), 3.3 % in PLN (2016: 1.7 %) and 2.5% in CNY (2016: 2.3%).

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

DISCLOSURES ON NOTIFICATIONS ON CHANGES IN VOTING RIGHTS

The following notifications have been made by the Company pursuant to § 26 (1) and § 40 (1) of the Securities Trading Act (WpHG):

Notification dated 19.02.2018

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
X	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Landkreis Biberach	Biberach an der Riss, Germany

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Kreissparkasse Biberach

5. Date on which threshold was crossed or reached

15.02.2018

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	4.90 %	0.00 %	4.90 %	8852190
Previous notification	5.02 %	0.00 %	5.02 %	/

7. Details of voting rights held

a. Voting rights (§§ 33, 34 WpHG)

ISIN	absolute		in %	
	direct (§ 33 WpHG)	indirect (§ 34 WpHG)	direct (§ 33 WpHG)	indirect (§ 34 WpHG)
DE0007170300		433757	%	4.90 %
Total	433757		4.90 %	

b.1. Instruments according to § 38 (1) no. 1 WpHG

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

b.2. Instruments according to § 38 (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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Landkreis Biberach	%	%	%
Kreissparkasse Biberach	4.90 %	%	%

9. In case of proxy voting according to § 34 Abs. 3 WpHG

(only possible in case of indirect holding pursuant to § 34 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 28.12.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: End of "acting in concert" voting

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Jürgen Cammann, Date of birth: 29.07.1953	

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

20.12.2017

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	0.27 %	0 %	0.27 %	6609770
Previous notification	9.97 %	0 %	9.97 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	5000	12735	0.08 %	0.19 %
Total	17735		0.27 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Dr. Jürgen Cammann	%	%	%
SATORA Beteiligungs GmbH	%	%	%

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

The agreement for "acting in concert" voting with Active Ownership Fund SICAV FIS-SCS was terminated on 20.12.2017.

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: End of "acting in concert" voting

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Alexandra Cammann, Date of birth: 20.03.1956	

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

20.12.2017

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	0.08 %	0 %	0.08 %	6609770
Previous notification	9.97 %	0 %	9.97 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	5528	0	0.08 %	0 %
Total	5528		0.08 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

The agreement for "acting in concert" voting with Active Ownership Fund SICAV FIS-SCS was terminated on 20.12.2017.

Notification dated 07.11.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Hans-Jakob Zimmermann, Date of birth: 22.10.1943	

4. Names of shareholder(s)

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

Luxempart S.A., Monolith Duitsland B.V., Elrena GmbH

5. Date on which threshold was crossed or reached

03.11.2017

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	28.90 %	0.00 %	28.90 %	6609770
Previous notification	7.77 %	0.00 %	7.77 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	411920	1498085	6.23 %	22.66 %
Total	1910005		28.90 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

"Acting in concert" between Luxunion S. A., Monolith Duitsland B. V., Hans-Jakob Zimmermann, Dr. Johannes Zimmermann, Coleano Vermögensverwaltungs-GmbH and Elrena GmbH

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Johannes Zimmermann, Date of birth: 25.09.1975	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Hans-Jakob Zimmermann, Luxempart S. A., Monolith Duitsland B. V., Elrena GmbH

5. Date on which threshold was crossed or reached

03.11.2017

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	28.90 %	0.00 %	28.90 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	51445	1858560	0.78 %	28.12 %
Total	1910005		28.90 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Dr. Johannes Zimmermann	%	%	%
Coleano-GbR	%	%	%
Coleano Vermögens-verwaltungs-GmbH	%	%	%

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

"Acting in concert" between Luxunion S. A., Monolith Duitsland B. V., Hans-Jakob Zimmermann, Dr. Johannes Zimmermann, Coleano Vermögensverwaltungs-GmbH and Elrena GmbH

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Luxunion S. A	Leudelange, Luxemburg

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Luxempart S. A., Hans-Jakob Zimmermann, Monolith Duitsland B. V., Elrena GmbH

5. Date on which threshold was crossed or reached

03.11.2017

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	28.90 %	0.00 %	28.90 %	6609770
Previous notification	6.83 %	0.00 %	6.83 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		1910005	%	28.90 %
Total	1910005		28.90 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Luxunion S. A.	%	%	%
Foyer Finance S. A.	%	%	%
Luxempart S. A.	7.00 %	%	7.00 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

"Acting in concert" between Luxunion S. A., Monolith Duitsland B. V., Hans-Jakob Zimmermann, Dr. Johannes Zimmermann, Coleano Vermögensverwaltungs-GmbH and Elrena GmbH

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Stichting Administratiekantoor Monolith	Amsterdam, Netherlands

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Monolith Duitsland B. V., Hans-Jakob Zimmermann, Luxempart S. A., Elrena GmbH

5. Date on which threshold was crossed or reached

03.11.2017

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	28.90 %	0.00 %	28.90 %	6609770
Previous notification	5.37 %	0.00 %	5.37 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		1910005	%	28.90 %
Total	1910005		28.90 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Stichting Administratie-kantoor Monolith	%	%	%
Monolith Duitsland B. V.	6.84 %	%	6.84 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

"Acting in concert" between Luxunion S. A., Monolith Duitsland B. V., Hans-Jakob Zimmermann, Dr. Johannes Zimmermann, Coleano Vermögensverwaltungs-GmbH and Elrena GmbH

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Elrena GmbH	Basel, Schweiz

4. Names of shareholder(s)

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

Hans-Jakob Zimmermann, Luxempart S. A., Monolith Duitsland B. V.

5. Date on which threshold was crossed or reached

03.11.2017

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	28.90 %	0.00 %	28.90 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	272475	1637530	4.12 %	24.77 %
Total	1910005		28.90 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

"Acting in concert" between Luxunion S. A., Monolith Duitsland B. V., Hans-Jakob Zimmermann, Dr. Johannes Zimmermann, Coleano Vermögensverwaltungs-GmbH and Elrena GmbH

Notification dated 17.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Florian Schuhbauer, Date of birth: 24.04.1975	

4. Names of shareholder(s)

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

Active Ownership Fund SICAV-FIS SCS; SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

11.10.2017

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	9.97 %	0.00 %	9.97 %	6609770
Previous notification	11.21 %	0.00 %	11.21 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	0	658887	0 %	9.97 %
Total	658887		9.97 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Florian Schuhbauer	%	%	%
Active Ownership Advisors GmbH	%	%	%
Active Ownership Capital S. à r. l.	%	%	%
Active Ownership Fund SICAV-FIS SCS	9.97 %	%	9.97 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Klaus Röhrig, Date of birth: 21.07.1977	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Active Ownership Fund SICAV-FIS SCS; SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

11.10.2017

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	9.97 %	0.00 %	9.97 %	6609770
Previous notification	11.21 %	0.00 %	11.21 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	0	658887	0.00 %	9.97 %
Total	658887		9.97 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Klaus Röhrig	%	%	%
Tamlino Investments Ltd.	%	%	%
Tamlino Import & Advisory LP	%	%	%
3R Investments Limited	%	%	%
Active Ownership Capital S. à r. l.	%	%	%
Active Ownership Fund SICAV-FIS SCS	9.97 %	%	9.97 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Jürgen Cammann, Date of birth: 29.07.1953	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

SATORA Beteiligungs GmbH, Active Ownership Fund SICAV FIS-SCS

5. Date on which threshold was crossed or reached

11.10.2017

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	9.97 %	0 %	9.97 %	6609770
Previous notification	14.92 %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	5000	653887	0,08 %	9,89 %
Total	658887		9.97 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Dr. Jürgen Cammann	9.97 %	%	9.97 %
SATORA Beteiligungs GmbH	9.97 %	%	9.97 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 16.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Alexandra Cammann, Date of birth: 20.03.1956	

4. Names of shareholder(s)

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

SATORA Beteiligungs GmbH, Active Ownership Fund SICAV FIS-SCS

5. Date on which threshold was crossed or reached

11.10.2017

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	9,97 %	0 %	9,97 %	6609770
Previous notification	11,21 %	0 %	11,21 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	30528	628359	0,46 %	9,51 %
Total	658887		9,97 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Jürgen Cammann, Date of birth: 11.10.1953	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

SATORA Beteiligungs GmbH, Active Ownership Fund SICAV FIS-SCS

5. Date on which threshold was crossed or reached

11.10.2017

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	9.97 %	0 %	9.97 %	6609770
Previous notification	14.92 %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	5000	653887	0.08 %	9.89 %
Total	658887		9.97 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Dr. Jürgen Cammann	9,97 %	%	9,97 %
SATORA Beteiligungs GmbH	9,97 %	%	9,97 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 06.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
BNY Mellon Service Kapitalanlage Gesellschaft mbH	Frankfurt am 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

01.10.2017

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	0,06 %	0,00 %	0,06 %	6.609.770
Previous notification	5,17 %	0,00 %	5,17 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	0	4.290	0,00 %	0,06%
Total	4.290		0,06 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

At 1 October 2017, BNY Mellon Service Kapitalanlage-Gesellschaft ceased to be the management company of Frankfurter Aktienfonds' für Stiftungen. The voting rights attached to the shares of the aforementioned issuer held in the name of that fund were therefore transferred to the new management company on that date.

Notification dated 04.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Axxion S. A.	Grevenmacher, Luxemburg

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

01.10.2017

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	8.98 %	0.00 %	8.98 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	6750	586653	0.10 %	8.88 %
Total	593403		8.98 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

On 01.10.2017, Axxion S. A. became the management company for Frankfurter Aktienfonds für Stiftungen. The voting rights attached to the aforementioned shares were therefore transferred from the previous management company to Axxion S. A.

Notification dated 04.09.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Luxunion S. A.	Leudelange, Luxemburg

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Luxempart S. A.

5. Date on which threshold was crossed or reached

15.05.2017

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	6.83 %	0 %	6.83 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE 0007170300		143561	%	2.17 %
DE 000A2E4KK8		307610	%	4.65 %
Total	451171		6.83 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Luxunion S. A.	%	%	%
Foyer Finance S. A.	%	%	%
Luxempart S. A.	6.83 %	%	6.83 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

This notification replaces the notification made by the subsidiary of Luxunion S. A. (Foyer Finance S. A.).

Notification dated 10.07.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acquisition of voting rights via administered special fund

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Universal-Investment-GmbH	Frankfurt am 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

05.07.2017

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	5.14 %	0 %	5.14 %	6609770
Previous notification	3.02 %	0 %	3.02 %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	0	339719	0 %	5.14 %
Total	339719		5.14 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Universal-Investment-Gesellschaft mit beschränkter Haftung	%	%	%
Universal-Investment-Luxembourg S. A.	%	%	%

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 16.05.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Foyer Finance S.A.	Leudelange, Luxemburg

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Luxempart S. A.

5. Date on which threshold was crossed or reached

15.05.2017

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	6.83 %	0 %	6.83 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE 0007170300		143561	%	2.17 %
DE 000A2E4KK8		307610	%	4.65 %
Total	451171		6.83 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Foyer Finance S.A.	%	%	%
Luxempart S.A.	6.83 %	%	%

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 12.05.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Midlin NV	Maarsbergen, Netherlands

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

11.05.2017

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	3.26 %	0 %	3.26 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	200469		3.26 %	%
Total	200469		3.26 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Teslin Capital Management BV	Maarsbergen, Netherlands

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Midlin NV

5. Date on which threshold was crossed or reached

11.05.2017

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	3.26 %	0 %	3.26 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		200469	%	3.26 %
Total	200469		3.26 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 11.05.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Florian Schuhbauer	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

05.05.2017

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	11.21 %	0 %	11.21 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	100	689698	0.002 %	11.21 %
Total	689798		11.21 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Florian Schuhbauer			
Active Ownership Advisors GmbH	%	%	%
Active Ownership Capital S. à r.l.	%	%	%
Active Ownership Fund SICAV-FIS SCS	11.21 %	%	11.21 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Klaus Röhrig	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

05.05.2017

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	11,21 %	0 %	11,21 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	100	689698	0,002 %	
Total	689798		11,21 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Klaus Röhrig	%	%	%
Tamlino Investments Ltd.	%	%	%
Tamlino Import & Advisory LP	%	%	%
3R Investements Ltd.	%	%	%
Active Ownership Capital S. à r. l.	%	%	%
Active Ownership Fund SICAV-FIS SCS	11,21 %	%	11,21 %

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
X	Other reason: Acting in concert

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Alexandra Cammann	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

05.05.2017

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	11.21 %	0 %	11.21 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	57528	632270	0.935 %	10.277 %
Total	689798		11.21 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 26.09.2016

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Massimo Malvestio	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

Hermes Linder Fund SICAV PLC

5. Date on which threshold was crossed or reached

19.09.2016

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	3.04 %	0 %	3.04 %	6.152.190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		186753	%	3.04 %
Total	186753		3.04 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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

	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 issuer (1)
X	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Massimo Malvestio	%	%	%
Finpartes Ltd	%	%	%
Veniero Investments Ltd	%	%	%
Praude Asset Management Ltd	3.04 %	%	%

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total voting rights
	Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Hermes Linder Fund SICAV PLC	Birkirkara, Malta

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

19.09.2016

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	3.04 %	0 %	3.04 %	6.152.190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	186753		3.04 %	%
Total	186753		3.04 %	

b.1. Instruments according to § 25 Abs. 1 no. 1 WpHG

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

b.2. Instruments according to § 25 Abs. 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 issuer (1)
	Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

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

9. In case of proxy voting according to § 22 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 22 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 23.06.2014

Stichting Administratiekantoor Monolith, Amsterdam, Netherlands notified us on 19.06.2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the thresholds of 3% and 5% on 01.05.2014 and amounted to 5.37% at that date (corresponding to 330,565 voting rights). 5.37% (this corresponds to 330,565 voting rights) are to be attributed to Stichting Administratiekantoor Monolith pursuant to § 22 (1), sentence 1, no. 1 WpHG. The voting rights attributable to Stichting Administratiekantoor Monolith are held through the following company which is controlled by it and whose voting rights in Schaltbau Holding AG exceed 3%: Monolith Duitsland B.V.

Notification dated 14.05.2014

Monolith Duitsland B.V., Amsterdam, Netherlands notified us on 13.05.2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went below the thresholds of 3% and 5% on 01.05.2014 and amounted to 5.37% at that date (corresponding to 330565 voting rights).

Notification dated 08.02.2013

FPM Funds SICAV, Luxembourg, Luxembourg notified us on 06.02.2013 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the threshold of 3% on 31.01.2013 and amounted to 2.99% at that date (corresponding to 183,926 voting rights).

Deutsche Bank AG advised us the following:

Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 4 January 2011

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

Notification dated 13.12.2012

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

Notification dated 16.08.2011

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

Notification dated 10.01.2011

On 4 January 2011,Deutsche Bank AG advised us the following:

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

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

Notification dated 10.02.2006

Hans Jakob Zimmermann, Essen, gave notice on 6 February 2006 pursuant to § 21 WpHG that his share of voting rights in the Company on 4 May 2005 had gone below the 10% threshold and that it amounted to 7.77% on that date (corresponding to 132,003 votes).

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for the external auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (hereafter PwC GmbH) amounted to € 622,000 (2016: € 460,000). In addition, PwC GmbH provided other attestation services amounting to € 928,000 (2016: € 8,000), tax advisory services amounting to € 46,000 (2016: € 70,000) and other services amounting to € 80,000 (2016: € 0).

Other attestation services include services performed in connection with the share capital increase in 2018 amounting to € 908,000, which were accounted for as prepaid expenses at 31 December 2017.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In € 000	31.12.2017	31.12.2016
Other financial commitments		
Rental and lease expenses	12,970	11,953
Sundry commitments	2,350	2,593

Contingent liabilities amounting to € 2,282,000 (2016: € 1,000,000) 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 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 € 4,286,000 (2016: € 4,494,000), between one and five years € 7,260,000 (2016: € 7,278,00) and later than five years € 1,424,000 (2016: € 272,000).

As at 31 December 2017, Group guarantees amounted to € 38,451,000 (2016: € 13,309,000) and bank guarantees to € 20,950,000 (2016: € 43,872,000). The Company estimated the likelihood of utilization at less than ten percent.

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

Guarantees totalling € 15,107,000 were in place in connection with the „Assets held for sale" reported for the Schaltbau SEPSA Group at 31 December 2017.

DISCLOSURES ON FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

Carrying amounts and fair values

The balance sheet contains non-derivative financial instruments such as receivables and payables as well as derivative financial instruments such as forward currency contracts and swap transactions whose value is derived from the base value of the contract. Financial instruments are measured in accordance with IAS 39 on the basis of the allocation of items to various measurement categories.

The following table shows the reconciliation of balance sheet items to carrying amounts by measurement category and fair value by class of financial instrument as at 31 December:

31.12.2017 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:			Loans and receivables
Measurement at:			Amortised cost
Assets-side financial instruments			
Other non-current investments [1]	3,023	3,023	-
Trade accounts receivable [2]	91,869	-	91,869
Current income tax receivables	1,471	1,471	-
Other current assets [2]	25,395	1,613	23,782
Cash and cash equivalents [2]	25,297	-	25,297
Total assets excluding assets held for sale	**147,055**	**6,107**	**140,948**
Assets-side financial instruments held for sale			
Other non-current investments [1]	867	867	-
Trade accounts receivable [2]	14,695	-	14,695
Current income tax receivables	61	61	-
Other current assets [2]	6,319	-	6,166
Cash and cash equivalents [2]	1,067	-	1,067
Total assets held for sale	**23,009**	**928**	**21,928**
Total assets	**170,064**	**7,035**	**162,876**
Liabilities-side financial instruments			
Non-current financial liabilities	125,186	27	-
Non-current other liabilities	595	595	-
Current income tax payable	463	463	-
Current financial liabilities	58,551	12	-
Trade accounts payable [2]	46,442	-	-
Other liabilities [2]	21,581	215	-
Total liabilities excluding liabilities in conjunction with assets held for sale	**252,818**	**1,312**	**-**
Liability-side financial instruments liabilities in connection with assets held for sale			
Non-current financial liabilities	8,228	-	-
Current financial liabilities	2,370	-	-
Trade accounts payable [2]	8,797	-	-
Other current financial liabilities [2]	1,921	-	-
Total liabilities: liabilities in conjunction with assets held for sale	**21,316**	**-**	**-**
Total liabilities	**274,134**	**1,312**	**-**

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 investments. The carrying amounts of investments in non-consolidated companies included therein do not fall within the scope of application of IAS 39.

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

3) All fair values were determined according to fair value hierarchy Level 2.

Carrying amounts based on IAS 39

Financial liabilities measured at amortised cost	Available-for-sale financial assets		Held for trading	Derivatives in hedging relationships		
Amortised cost	Fair value (directly in equity)	Amortised cost	Fair value (through profit and loss)	Fair value directly in equity)	Total carrying amounts based on IAS 39	Fair values
-	-	-	-	-	-	-
-	-	-	-	-	91,869	-
-	-	-	-	-	-	-
-	-	-	-	-	23,782	-
-	-	-	-	-	25,297	-
-	-	-	-	-	**140,948**	-
-	-	-	-	-	-	-
-	-	-	-	-	14,695	-
-	-	-	-	-	-	-
-	-	-	124	29	6,319	-
-	-	-	-	-	1,067	-
-	**-**	**-**	**124**	**29**	**22,081**	**-**
-	**-**	**-**	**124**	**29**	**163,029**	**-**
125,160	-	-	-	-	125,160	125,250 [3)]
-	-	-	-	-	-	-
-	-	-	-	-	-	-
58,539	-	-	-	-	58,539	-
46,442	-	-	-	-	46,442	-
20,944	-	-	-	422	21,366	-
251,085	**-**	**-**	**-**	**422**	**251,507**	**125,250[3)]**
8,228	-	-	-	-	8,228	8,536[3)]
2,370	-	-	-	-	2,370	-
8,797	-	-	-	-	8,797	-
1,921-	-	-	-	-	1,921	-
21,316	**-**	**-**	**-**	-	**21,316**	**8,536[3)]**
272,401	**-**	**-**	**-**	**422**	**272,823**	**133,786**

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:			Loans and receivables
Measurement at:			Amortised cost
Assets-side financial instruments			
Other non-current investments [1)]	4,030	4,030	-
Trade accounts receivable [2)]	115,241	-	115,241
Other current assets [2)]	15,009	1,715	13,264
Cash and cash equivalents [2)]	30,018	-	30,018
Total assets	**164,298**	**5,745**	**158,523**
Liabilities-side financial instruments			
Non-current financial liabilities	43,304	38	-
Non-current other liabilities	4,557	-	-
Current financial liabilities [2)]	134,719	37	-
Trade accounts payable [2)]	42,034	-	-
Other liabilities [2)]	21,508	159	-
Total liabilities	**246,122**	**234**	-

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 investments. In the previous year, one investment with a carrying amount of zero was sold in 2016 for a total of € 190,000. The carrying amounts of investments in non-consolidated companies included therein do not fall within the scope of application of IAS 29.

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

3) All fair values were determined according to fair value hierarchy Level 2.

Carrying amounts based on IAS 39

Financial liabilities measured at amortised cost	Available-for-sale financial assets		Held for trading	Derivatives in hedging relationships		
Amortised cost	Fair value (directly in equity)	Amortised cost	Fair value (through profit and loss)	Fair value directly in equity)	Total carrying amounts based on IAS 39	Fair values
-	-	-	-	-	-	-
-	-	-	-	-	115,241	-
-	-	-	31	-	13,295	-
-	-	-	-	-	30,018	-
-	-	-	31	-	**158,554**	-
43,266	-	-	-	-	43,266	36,788[3)]
4,557	-	-	-	-	4,557	4,093[3)]
134,681	-	-	-	-	134,681	-
42,034	-	-	-	-	42,034	-
21,349	-	-	62	793	21,349	-
245,887	**-**	**-**	**62**	**793**	**245,887**	**40,881**

The fair value of financial instruments is measured on the basis of conditions apply-ing at the end of the reporting period, such as interest rates or exchange rates, and using recognised models, such as discounted cash flow models, taking account of the credit risk. The carrying amount of non-derivative financial assets and liabilities approximate fair value. The fair values of interest rate swaps are determined on the basis of proprietary valuation models developed by banks. The market value of for-ward 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.

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)

At 31 December 2017, the financial assets and liabilities shown in the following table were measured at fair value.

In € 000	Level 1	Level 2	Level 3	31.12.2017
Financial assets Held for trading				
Derivatives not in hedging relationships	-	-	-	-
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	-	-	-
Financial liabilities Held for trading				
Derivatives not in hedging relationships	-	-	-	-
Derivatives not in hedging relationships reclassified in accordance with IFRS 5	-	124	-	124
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	422	-	422
Derivatives in hedging relationships reclassified in accordance with IFRS 5	-	29	-	29

There were no reclassifications of fair value measurements between Level 1 and Level 2 in either 2017 or 2016. Similarly, there were no reclassifications within Level 3 in connection with fair value measurements.

In € 000	Stufe 1	Stufe 2	Stufe 3	31.12.2016
Financial assets Held for trading				
Derivatives in hedging relationships	-	31	-	31
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives not in hedging relationships	-	-	-	-
Financial liabilities Held for trading				
Derivatives not in hedging relationships	-	62	-	62
Not classified to category pursuant to IAS 39 (directly in equity)				
Derivatives in hedging relationships	-	793	-	793

NET GAINS AND LOSSES BY MEASUREMENT CATEGORY

In € 000	31.12.2017	31.12.2016
Financial assets and liabilities held for trading	156	157
Loans and receivables	-3,310	502
Financial liabilities measured at amortised cost	-1,787	262
Available-for-sale	-	190

Net gains on financial assets and liabilities held for trading related mainly to changes in fair values. Net losses relating to loans and receivables related mainly to currency factors, changes in allowances and changes in fair values. Net losses relating to financial liabilities measured at amortised cost related mainly to the impact of interest rates on fair value measurement.

Net gains of € 124,000 (2016: net losses of € 33,000) arising on derivative instru-ments in a hedging relationship were recognised directly in equity. These are not included in the analysis above. Derivative transactions are concluded in accordance with the German Framework Agreement for Financial Forward Transactions or ISDA (International Swaps and Derivatives Association). They do not meet the offsetting requirements of IAS 32 (Financial Instruments) given the fact that netting is only enforceable in the event of insolvency. Derivative instruments with positive fair values do not necessarily relate to the same banks as derivatives with negative fair values. For this reason, there was no potential to offset items in the event of insolvency at the reporting date.

Total interest income and expenses relating to financial instruments not measured at fair value through profit or loss were as follows:

In € 000	2017	2016
Interest income	790	865
Interest expense	-10,975	-5,671
Total	**-10,185**	**-4,806**

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. In the course of its operating activities, the Schaltbau Group is exposed to market price risks (foreign currency and interest rate risks), credit default risks and liquidity risks.

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

Forward currency contracts were in place with banks at 31 December 2017 to hedge cash flows from foreign customers amounting to US $ 2,877,000 (2016: US $ 4,061,000), of which US $ 305,000 (2016: US $ 2,061,000) have been designated as cash flow hedges. The forward currency contracts comprise entirely sales contracts. At 31 December 2016, these contracts have a positive fair value of € 153,000 (2016: negative fair value of € 85,000) and remaining terms of up to three months (2016: seven months).

At the end of the reporting period, the Group had the following currency risk exposures (after offsetting receivables and payables): USD: € 52,000 (2016: € 5,927,000), GBP: € 10,000 (2016; € 311,000) and CNY: €-1,405,000 (2016: €+8,000). Risks relating to other foreign currencies are not significant. The impact of the hedging transactions described above is taken into account in this presentation.

Foreign currency sensitivity for financial instruments not classified as available-for-sale is shown below. The following table shows the impact of a 10% deterioration of each currency shown against the Euro (compared with the balance sheet date).

Currency risk	**USD**		**CNY**		**GBP**	
In € 000	**2017**	2016	**2017**	2016	**2017**	2016
Trade accounts receivable	-26	-375	-	-	-2	-32
Receivables from affiliated companies	-1	-181	-	-	-	-
Other assets	-	-	-4	-	-	-
Trade accounts payable	9	14	0	-	1	4
Payables to affiliated companies	13	11	123	1	-	-
Other liabilities	-	-	-	-	-	-
Impact on profit or loss	**-5**	**-531**	**119**	**1**	**-1**	**-28**
Impact on revenue reserves / derivative financial instruments	-	-	-	-	-	-

The following table shows the impact of a 10% improvement of each currency shown against the Euro (compared with the balance sheet date).

Currency risk	**USD**		**CNY**		**GBP**	
In € 000	**2017**	2016	**2017**	2016	**2017**	2016
Trade accounts receivable	26	375	-	-	2	32
Receivables from affiliated companies	1	181	-	-	-	-
Other assets	-	-	4	-	-	-
Trade accounts payable	-9	-14	0	-	1	-4
Payables to affiliated companies	-13	-11	-123	-1	-	-
Other liabilities	-	-	-	-	-	-
Impact on profit or loss	**5**	**531**	**-119**	**-1**	**1**	**28**
Impact on revenue reserves / derivative financial instruments	-	-	-	-	-	-

Foreign currency sensitivity for financial instruments classified as available-for-sale is shown below. The following table shows the impact of a 10% deterioration of each currency shown against the Euro (compared with the balance sheet date).

Currency risk	USD	CNY	GBP
In € 000	**2017**	**2017**	**2017**
Trade accounts receivable	-167	-	-7
Other current financial assets	+265	-	-
Trade accounts payable	8	-	-
Impact on profit or loss	**-396**	**-**	**-7**
Impact on revenue reserves / derivative financial instruments	-28	-	-

The following table shows the impact of a 10% improvement of each currency shown against the Euro (compared with the balance sheet date).

Currency risk	USD	CNY	GBP
In € 000	**2017**	**2017**	**2017**
Trade accounts receivable	167	-	7
Other current financial assets	218	-	-
Trade accounts payable	-8	-	-
Impact on profit or loss	**354**	**-**	**7**
Impact on revenue reserves / derivative financial instruments	23	-	-

In addition, the Schaltbau Group is exposed to interest rate risk from variable-interest financial assets and liabilities. One interest rate swap (2016: five) was held at the end of the reporting period in conjunction with a cash flow hedge to hedge the interest rate risk attached to the Syndicated Credit Agreement amounting to € 6,000,000. The interest rate swap concerned is shown in the following table:

No	Nominal value in €000	Fair value in €000 at 31.12.2017	Fair value in €000 at 31.12.2016	Maturity date
1	6.000	-422	-702	28.06.2019
2	1.200	-	-14	31.08.2017
3	600	-	-8	31.08.2017
4	500	-	-8	31.08.2017
5	500	-	-6	31.08.2017
Σ	**8.800**	**-422**	**-738**	

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 2017 (assuming that there would be no other changes to balances of cash at, and liabilities to, banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In € 000	Balance at 31.12.2017		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Δ Fair value	Income statement impact	Δ Equity impact	Δ Fair value	Income statement impact	Δ Equity impact
Interest rate swap	-422	4,37 %	77	-	54	-77	-	-54
Bank interest				-676			676	
Sundry other interest				-15			15	
Total CF sensitivity				**-692**			**692**	

In € 000	Balance at 31.12.2016		+ 100 basis points			- 100 basis points		
	Fair value	Interest rate	Δ Fair value	Income statement impact	Δ Equity impact	Δ Fair value	Income statement impact	Δ 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**	

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

As a result of obligations relating to the interestrate swap, an amount of € 225,000 (2016: € 415,000) was reclassified from revenue reserves to interest expense in the income statement.

As a result of hedge accounting, € 156,000 (2016: € 455,000) of amounts previously recognised directly in OCI were reclassified to other operating expenses, interest expense and deferred taxes (see Group Statement of Comprehensive Income).

Credit risk is managed as part of receivables management. Creditworthiness information is obtained from credit insurance agencies for all major new customers and the appropriate payment terms and conditions stipulated. The payment behaviour of existing customers is continuously monitored. In the event of any deterioration, payment terms are amended and the payment behaviour of the customer concerned is carefully monitored. In order to limit losses or avoid bad debts, supply restrictions (such as delivery stop and delivery against upfront payment) are put in place. A small volume of rolling receivables balances are insured against loss. Advance payments from customers reduce the risk of bad debts, particularly in the area of project work. For further information on credit risk, please refer to the maturity analyses of trade receivables.

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

The expected cash outflows from financial liabilities are spread over the coming years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

For further information on credit and liquidity risk, please refer to the maturity analyses of trade receivables.

The expected cash outflows from liabilities not pertaining to assets held for sale are spread over coming few years as shown below (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	183,738	213,371	65,210	140,281	7,880
Trade accounts payable	46,442	46,442	46,442	-	-
Derivative instruments	422	422	422	-	-
Other liabilities	22,002	21,440	21,407	32	-
	252,604	**252,868**	**127,065**	**122,224**	**3,578**

The expected cash outflows from liabilities pertaining to assets held for sale are spread over coming few years as shown below (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	10,598	14,026	2,370	6,844	4,812
Trade accounts payable	8,797	8,797	8,797	-	-
Other current financial liabilities	1,921	1,921	1,921	-	-
Other non-financial liabilities	3,419	5,340	5,131	208	-
	24,735	**28,163**	**16,299**	**7,052**	**4,812**

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 2017 as a result of the loss recorded for the year. This contrasted with the positive effect of the share capital increase in May 2017. Equity stood at € 107.1 million at the end of the reporting period, € 17.7 million down on the previous year. With a slightly lower balance sheet total, the Group equity ratio deteriorated from 23.3% to 15.6%. Taking into account the capital increase carried out in February 2018, the aim is to achieve an improvement in the Group equity ratio. Compared to the end of the previous financial year, the debt coefficient (net bank liabilities to banks / EBITDA) decreased, reflecting minimally lower net liabilities to banks and a higher EBITDA and now stands at 7.8 (2016: 8.5). Including other financial liabilities (net financial liabilities / EBITDA), the debt coefficient is 7.9 (2016: 9.1). 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 20 December 2017 at www.schaltbau.com/investor-relations/corporate-governance/declaration-of-compliance/

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	
	2017	2016	**2017**	2016
Associated companies				
Goods and services	715	315	1,995	2,764
Other transactions	0	96	606	22
Non-consolidated companies				
Goods and services	12,684	11,841	3,432	3,455
Other transactions	387	554	1,301	2,122

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. Amounts reclassified to assets and liabilities held for sale are not included (see Note 15).

In € 000	Receivables		Payables	
	2017	2016	**2017**	2016
Associated companies	669	763	2,152	595
Non-consolidated companies	1,886	6,801	1,442	338

In addition to the above, receivables from/payables to affiliated and non-consolidated companies amounting to € 6,123,000 and € 123,000 respectively are reported at the end of the reporting period as assets and liabilities held for sale in accordance with IFRS 5.

Noerr LLP has been engaged to provide legal advisory services in connection with the implementation of individual restructuring measures. The member of the Executive Board and Chief Restructuring Officer, Dr Kleinschmitt, has been a lawyer and partner at Noerr LLP since 2001. Expenses incurred in 2017 for consulting services provided by Noerr LLP amounted to € 825,000. The portion thereof relating to the activities of the Executive Board is disclosed in the section "REMUNERATION OF PERSONS IN KEY POSITIONS".

On 7 June 2017, a consulting agreement was concluded with the Deputy Chairman of the Supervisory Board, Helmut Meyer. The subject of the consulting agreement was advising Schaltbau Sepsa Group in special questions relating to the restructuring and in the evaluation of strategic options, and advising the Company with regard to the restructuring expert opinion and providing support for the Executive Board in questions relating to both risk management as well as general finance. The consulting agreement ended on 31 December 2017. The expense incurred for consulting services provided by Helmut Meyer in 2017 amounted to € 8,000.

On 20 October 2017, a consulting agreement was concluded with PALMURA s.a.s.u., Saint-Quen, France, represented by the owner Andreas Knitter (Supervisory Board member of Schaltbau Holding AG). The consultancy agreement ended on 31 December 2017. The subject of the consulting agreement was the support of Schaltbau Sepsa Group in special questions relating to the restructuring and in the evaluation of strategic options, as well as support in the business development and distribution of Schaltbau Sepsa Group. The expense incurred for consulting services provided by Andreas Knitter in 2017 amounted to € 24,000.

On 22 December 2017, a consulting agreement was concluded for the term from 1 January 2018 to 31 March 2018 with Gesellschaft für Unternehmens- und Technologieberatung (GfUT), Munich, represented by the Partner and CEO Dr Albrecht Köhler (member of the Supervisory Board of Schaltbau Holding AG). The subject of the consulting agreement is providing support at Bode Kassel GmbH & Co. KG in Kassel in the strategic advancement of the three business segments (rail, road and automotive). Dr Albrecht Köhler did not provide any consulting services in 2017.

During the fiscal year under report, Hans Jakob Zimmermann provided services in addition to his normal Supervisory Board activities, which were remunerated in accordance with § 13 of the Articles of Association dated 22 June 2016. The expense incurred for the additional services provided by Andreas Knitter in 2017 amounted to € 115,000.

Apart from the above, there have been no other significant transactions and legal relationships with related parties since 31 December 2016.

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.**	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
Capital	50.0 %	50.0 %	10.7 %	10.7 %
Voting rights	50.0 % [1]	50.0 % [1]	10.7 %	10.7 %
Group net profit / loss	2,808	3,108	322	423
Equity	16,654	18,108	5,471	5,167
Assets [2]	20,657	22,042	5,292	4,532
Liabilities [2]	4,003	3,935	1,275	818
Net profit / loss for the year [2]	2,808	3,108	322	423
Other comprehensive income for the year [2]	-983	-538	201	-118
Total comprehensive income [2]	1,825	2,570	523	305
Cash flows				
from operating activities	1,958	5,603	-54	583
from investing activities	-7	-121	-125	-144
from financing activities	-3,253	-2,429	-247	-752

1) Board majority
2) Before elimination of intra-Group transactions

In € 000	SPII Executive Board		Schaltbau Transportation UK Ltd.	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016
Capital	35.0 %	35.0 %	35.0 %	35.0 %
Voting rights	35.0 %	35.0 %	35.0 %	35.0 %
Group net profit / loss	-436	461	-519	-179
Equity	7.525	7.961	1.614	2.198
Assets [1)]	12.175	13.267	3.031	2.890
Liabilities [1)]	4.650	5.305	1.577	852
Net profit / loss for the year [1)]	-436	461	-519	-179
Other comprehensive income for the year [1)]	0	0	-65	-360
Total comprehensive income [1)]	-436	461	-584	-539
Cash flows				
from operating activities	1,085	987	-241	-177
from investing activities	-52	-96	-181	-55
from financing activities	471	-896	94	459

1) Before elimination of intra-Group transactions

SEGMENTS

The Group's segment designations are productoriented. 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 ex-penditure		External sales	
	31.12.2017	31.12.2016	**31.12.2017**	31.12.2016	**31.12.2017**	31.12.2016
Germany	218,458	210,364	11,800	15,688	179,991	170,872
Other EU countries	156,394	159,555	5,173	3,320	185,275	186,232
Other European countries	3,074	2,861	-	-	33,444	31,821
China / Hong Kong	46,149	50,122	6,750	547	62,892	78,569
North America	26,281	34,620	417	562	44,150	29,993
Other countries	1,645	1,552	387	109	10,707	11,610
	452,001	**459,074**	**24,527**	**20,226**	**516,459**	**509,097**

RECONCILIATIONS

In € 000	Sales	
	2017	2016
Total sales of segments	520,928	510,461
Other sales	3,589	3,558
Consolidation	-8,058	-4,922
Sales as per income statement	**516,459**	**509,097**

In € 000	EBIT	
	2017	2016
Total EBIT of segments	-10,541	-5,823
Other EBIT	-12,441	-9,036
Consolidation	7	376
EBIT as per income statement	**-22,975**	**-14,483**

	Assets	
Total segment assets	458,965	472,416
Other assets excluding deferred tax assets	144,697	87,779
Deferred taxes	-23	-133
Consolidation	-151,638	-100,988
Group assets as per balance sheet	**452,001**	**459,074**

	Liabilities	
Total segment liabilities	341,322	295,982
Other liabilities excluding deferred tax liabilities	179,602	149,785
Deferred taxes	266	-4,364
Consolidation	-140,057	-89,402
Group liabilities as per balance sheet	**381,433**	**352,001**

„Other sales“ comprise almost entirely sales recorded at the level of Schaltbau Holding AG for IT services provided to subsidiaries. These sales, together with intersegment 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. The year-on-year increase was mainly attributable to restructuring consulting services.

„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 intersegment 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 intersegment payables.

PRODUCT-ORIENTED SEGMENT INFORMATION

In € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2017	2016	**2017**	2016
Order intake (external)	333,426	263,152	114,287	157,827
Sales	269,107	222,881	120,505	149,436
- of which external	265,255	222,164	120,496	149,336
- of which with other segments	3,852	717	9	100
Order book (external)	351,111	263,243	68,703	93,771
EBITDA *7)	6,518	14,129	-809	-12,400
Result from operating activities (EBIT)	-26,422	5,151	-5,505	-28,124
Result from at-equity accounted companies	258	-3,518	-135	0
Sundry other result from investments	-1,925	6,926	0	190
Interest income	515	375	246	15
Interest expense	-4,177	-1,531	-2,078	-2,376
Income taxes	-2,215	-1,233	-4,933	7,739
Segment result / Group result	-33,975	6,165	-12,405	-22,556
Change in fixed assets due to expansion in Group reporting entity	0	12,462	0	0
Capital expenditure on investments	6,445	230	307	333
Capital expenditure *1)	10,255	7,706	3,868	6,728
Amortisation and depreciation *1)	-22,111	-8,978	-4,696	-15,724
Impairment losses (without investments)	-516	-443	-1,946	-5,387
Reversal of impairment losses (without investments)	-903	-866	-97	-339
Other significant non-cash expenses	-17,326	-5,822	-12,147	-11,581
Segment assets *2)	203,062	202,432	109,478	117,711
Investments accounted for at-equity	7,393	2,861	380	267
Capital employed *3)	145,763	163,601	36,916	79,549
Segment liabilities *4)	169,561	117,020	84,847	89,589
Employees (average)	1,675	1,411	634	699
EBIT margin *5)	-10.0%	2.3%	-4.6%	-18.8%
Return on capital employed (ROCE) *6)	-18.1%	3.1%	-14.9%	-35.4%

*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
*7) Earnings before interest, taxes, depreciation and amortisation

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
146,281	130,073	593,994	551,052	54	98	594,048	551,150
131,316	138,144	520,928	510,461	-4,469	-1,364		
130,654	137,498	516,405	508,998	54	99	516,459	509,097
662	646	4,523	1,463	-4,523	-1,463		
88,524	72,829	508,338	429,843			508,338	429,843
26,375	22,813	32,084	24,542	-11,946	-8,188	20,138	16,354
21,386	17,150	-10,541	-5,823	-12,434	-8,660	-22,975	-14,483
0	0	123	-3,518	0	0	123	-3,518
0	268	-1,925	7,384	0	-1	-1,925	7,383
123	67	884	457	-94	818	790	1,275
-1,516	-1,608	-7,771	-5,515	-3,948	-990	-11,719	-6,505
-2,949	-3,397	-10,097	3,109	-3,755	725	-13,852	3,834
17,044	12,480	-29,336	-3,911	-20,231	-8,108	-49,567	-12,019
0	0	0	12,462	0	-8,688	0	3,774
152	40	6,904	603	0	345	6,904	948
2,767	4,262	16,890	18,696	733	582	17,623	19,278
-4,984	-5,663	-31,791	-30,365	-487	-472	-32,278	-30,837
-1,541	-736	-4,003	-6,566	0	0	-4,003	-6,566
-809	-337	-1,809	-1,542	0	0	-1,809	-1,542
-5,453	-5,925	-34,926	-23,328	-10,536	-2,916	-45,462	-26,244
146,425	152,273	458,965	472,416	-6,964	-13,342	452,001	459,074
0	0	7,773	3,128	0	1	7,773	3,129
105,578	108,641	288,257	351,791	-10,736	-10,729	277,521	341,062
86,914	89,373	341,322	295,982	40,111	56,019	381,433	352,001
761	789	3,070	2,899	24	25	3,094	2,924
16.4%	12.5%					-4.4%	-2.8%
20.3%	15.8%					-8.3%	-4.2%

CASH FLOW STATEMENT

a) Cash flows from operating activities (indirect method)

Based on the loss before financial result and taxes (EBIT) of € 23.0 million, the positive cash flow from operating activities in 2017, amounting to € 10.5 million, was € 15.3 million down on the previous year.

Despite the lower volume of business in some areas, the first-time inclusion of the Sepsa Group for the full twelve-month period increased total output by 5.3% compared to the previous year. In view of the earnings situation at the level of the Sepsa Group and the Executive Board's decision to put the Sepsa Group up for sale, EBIT was negatively impacted by impairment losses totalling € 24.2 million, resulting in a clearly negative EBIT. These items accounted largely for the high level of depreciation, amortisation, impairment losses and increased amount of non-cash expenses. The tax payments relate primarily to foreign companies with positive earnings.

Overall, net positive cash flows from operating activities were significantly lower than one year earlier.

b) Cash flows from investing activities

Cash outflows for investing activities totalled € 34.3 million in 2017 and were therefore well below the previous year's figure (€ 18.2 million).

At € 17.6 million, payments for investments in intangible assets and property, plant and equipment were again lower than the previous year's high level (€ 19.3 million). Capitalised development costs included in this figure amounting to € 5.0 million were at a similar level to the previous year (€ 5.1 million). Further investments primarily at Schaltbau GmbH, Bode KG and Schaltbau Transportation UK, Ltd. locations resulted in cash outflows for land and buildings and assets under construction (in total € 3.5 million). The outflow was, nevertheless, lower than the corresponding figure one year earlier (€ 4.6 million). Investments in "Other operational and office equipment" and "Plant and machinery" also decreased by around € 0.4 million compared to the previous year.

Cash outflows for investments included € 5.1 million relating to the foundation of the joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai, China. 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., Spain. Outflows for cash investments related mainly to the proceeds received in connection with the share capital increase out of Authorised Capital, the execution of which was entered in the commercial register on 15 May 2017. These cash funds in the amount of € 15.5 million are reported as "restricted cash" within other receivables and assets. Proceeds from the disposal of business units amounting to € 3.9 million relate to the sale of Shenyang Bode Transportation Equipment Co. in Shenyang, China. In the previous year, the sale of the Warning Systems operations of Pintsch Bamag GmbH gave rise to proceeds amounting to € 3.0 million.

c) Cash flows from financing activities

A share capital increase out of authorised capital executed during the fiscal year under report gave rise to proceeds of € 15.5 million, which were reinvested and classified as „restricted cash". In addition, available credit lines were utilised and interest paid.

d) Composition of cash funds

Cash funds comprise:

In € 000	**31.12.2017**	31.12.2016
Cash and cash equivalents	26,364	30,825
Current account liabilities	-14,196	-
Balance on cash management accounts	-	352
	12,168	**31,177**

As a result of the way cash flows are now managed within the Group, current account liabilities with banks have been subject to regular analysis and measurement since the fiscal year 2017 and are therefore included for the first time in the calculation of cash funds. As current account liabilities were not included in cash funds in the previous year, the above table shows "-" for the previous year. Also as a result of the change in the management of cash flows and liquidity bottlenecks, the cash management balance is now reported as part of cash flows from financing activities and not in cash funds.

For information on liquid funds (reported in other receivables and assets) to which the Group does not have access, see the comments changes in Group equity in the section "Significant events".

Cash balances decreased compared to the end of the previous year. Cash balances and current account liabilities reported as assets and liabilities held for sale are included in cash funds.

In € 000	31.12.2016	Cash relevant 2017	Cash relevant 2017	**31.12.2017**
Change in other financial liabilities	178,500	16,239	-403	194,336
thereof non-current	43,304	6,955	83,156	133,415
thereof current	135,196	9,284	-83,559	60,921
	178,500	**16,239**	**-403**	**194,336**

EVENTS AFTER THE END OF THE REPORTING PERIOD

Sale of Pintsch Bubenzer Group

On 24 January 2018, Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, a 100% subsidiary of Schaltbau Holding AG, sold 100% of its shares in Pintsch Bubenzer GmbH to Platin1452 GmbH, Frankfurt am Main. In return for the sale of all shares in Pintsch Bubenzer GmbH (including its investments in operating subsidiaries) and in settlement of a shareholder loan from Schaltbau Holding AG to Pintsch Bubenzer GmbH, a purchase price of € 30,250,000 plus interest was agreed.

Completion of the sale was subject to customary closing conditions including receipt of necessary antitrust approval. The transaction was completed on 1 March 2018.

As of 31 December 2017, the Pintsch Bubenzer Group was accounted for in accordance with the classification requirements of IFRS 5. We refer to our comments in the section "Assets and liabilities held for sale".

Share capital increase out of Authorised Capital

On 19 February 2018, Schaltbau Holding AG issued a total of 2,242,420 new ordinary bearer shares without nominal value (non-par value shares) with a notional value of EUR 1.22 in the share capital of € 1.22 per share and gross issue proceeds amounting to € 49,333,000. After deduction of transaction costs amounting to € 2,702,000 (offset against capital reserves), the Company received provisional net issue proceeds amounting to € 46,619,000, of which € 43,930,000 will be transferred to capital reserves. We refer to our comments in the section "Significant events".

Repayment of bridge financing including deferred instalment payments

On 31 March 2017 Schaltbau Holding AG concluded a contract for bridge financing in an amount of up to € 25,000,000 with the lending banks, time-limited until 28 February 2018. On 22 February 2018, the Company repaid the bridge financing amounts € 25,000,000 (all of which had been drawn down) as well as deferred instalment payments amounting to € 7,000,000 and interest amounting to € 465,000.

Following the repayment of the bridge financing, the cash funds generated by the share capital increase in May 2017 amounting to € 15,500,000 which has been transferred to a trust account, became unrestricted and are therefore freely available to the Company.

Exercise of option of minority shareholder in Schaltbau Transportation UK Ltd., Milton Keynes, United Kingdom (hereafter BOUK)

At 31 December 2017, via its subsidiary Gebr. Bode & Co. Beteiligungs GmbH, Kassel, (hereinafter BOBE), Schaltbau Holding AG holds 65% of the shares in BOUK.

During the course of preparing the annual and consolidated financial statements as of 31 December 2017, BOBE received notice that all of BOUK's minority shareholders (with the exception of two) intend to exercise their put options relating to 34.8% of the shares of BOUK in accordance with the purchase agreements dated 25 October 2011 and 26 September 2013.

Under the terms of those purchase agreements, BOUK's minority shareholders are entitled to require BOBE (a fully consolidated subsidiary of Schaltbau Holding AG) to purchase the shares on the basis of a contractually defined calculation formula. The resulting compensation obligation amounting to € 868,000 is reported at 31 December 2017 within other financial obligations.

Financing of subsidiaries

On 14 March 2018, the Company submitted a waiver application to the banking syndicate, requesting approval for the Company to make additional loans of € 1,500,000 and € 1,400,000 to ALTE Technologies S.L.U., Barcelona, Spain and Schaltbau Transportation Ltd., Milton Keynes, United Kingdom, respectively, and to provide additional guarantees on behalf of Bode North America Inc, Spartanburg, USA amounting to € 1,800,000. In addition, the members of the Executive Board were granted further options in connection with the Schaltbau Sepsa Group. The banking syndicate approved the application on 29 March 2018 in the form of a supplement to the credit agreement.

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

MEMBERS OF THE EXECUTIVE BOARD

Dr Bertram Stausberg Spokesman, CEO (since 1 April 2017)	No external mandates
Thomas Dippold Member of the Executive Board, CFO (since 1 January 2017)	No external mandates
Dr Martin Kleinschmitt Member of the Executive Board, Chief Restructuring Officer (CRO) (since 9 August 2017)	**Chairman of the Supervisory Board** G&H Bankensoftware AG (since 2017) SAF-HOLLAND GmbH (since 2014) **Member of the Board of Directors of** SAF-HOLLAND S.A. (since 25 April 2013) **Member of the Management Board** Noerr Consulting AG (since 14 December 2006) **Partner** Noerr LLP
Helmut Meyer Spokesman, CEO (1 December 2016 to 31 March 2017) Member of the Executive Board (1 April 2017 to 31 May 2017)	**Member of the Supervisory Board** Blitz 16-612 SE, Munich (22 December 2016 to 15 February 2017) **Member of the Advisory Board** Ventilatorenfabrik Oelde GmbH, Oelde (since May 2008) **Chairman of the Advisory Board** Martor KG, Solingen (since October 2010)
Ralf Klädtke Member of the Executive Board (1 August 2015 to 30 June 2017)	No external mandates

MEMBERS OF THE SUPERVISORY BOARD

Dr Ralph Heck Chairman (since 8 Junue 2017) Member (14 June 2016 to 8 June 2017) *Senior Director* *Mc Kinsey & Company, Düsseldorf*	**Member of the Advisory Board** Würth Group, Künzelsau (since 1 January 2016) **Member of the Boards of Trustees** Bertelsmann Stiftung (since 27 September 2012) **Member of the Supervisory Board** Bilfinger SE, Mannheim (since 11 May 2016) **Board Member** Formel D GmbH (since 4 July 2017)

Helmut Meyer Deputy Chairman (since 8 June 2017) Member (1 June to 8 June 2017) *Business Consultant*	**Member of the Supervisory Board** Blitz 16-612 SE, Munich (22 December 2016 to 15 February 2017) **Member of the Advisory Board** Ventilatorenfabrik Oelde GmbH, Oelde (since May 2008) **Chairman of the Advisory Board** Martor KG, Solingen (since October 2010)
Andreas Knitter Member (since 8 June 2017) *Business Consultant*	**Member of the Supervisory Board** BEACON RAIL Lux Holdings S.a.r.l., Luxembourg (since October 2017) **Member of the Advisory Board** Dellner Couplers AB, Sweden
Dr Albrecht Köhler Member (since 13 September 2017) *CEO und Partner, Gesellschaft für Unternehmens- und Technologieberatung, Mainz*	No external mandates
Herbert Treutinger Member (since 13 September 2017) *Employee Representative*	**Chairman** Group Works Council of Schaltbau Holding AG, Munich (since 8 June 2017 Works Council of Schaltbau GmbH
Hans Jakob Zimmermann Chairman (until 8 June 2017)	**Deputy Chairman of the Supervisory Board** Sport Total AG (since 3 September 2014) **Chairman of the Advisory Board** ante-holz GmbH, Bromskirchen-Somplar (since 2 January 2005)
Friedrich Smaxwil Member (until 8 June 2017)	No external mandates
Marianne Reindl Member (until 9 June 2017) *Employee Representative*	**Chairwoman** Group Works Council of Schaltbau Holding AG, Munich (4 June 2002 to 31 December 2016) General Works Council of Schaltbau GmbH (4 March 2005 to 31 December 2016) **Deputy Chairman** Works Council of Schaltbau GmbH, Aldersbach plant (12 April 2002 to 31 December 2016)
Thomas Farnschläder Member (until 1 March 2018) *Employee Representative*	**Chairman** Works Council of Pintsch Bubenzer GmbH, Kirchen (since 30 January 2014) **Member** Group Works Council of Schaltbau Holding AG, Munich (since 18 May 2014)

SUMMARY OF CHANGES IN THE EXECUTIVE BOARD AND SUPERVISORY BOARD DURING THE FISCAL YEAR 2017:

Dr Bertram Stausberg has been a member of the Executive Board, and its Spokesman, since 1 April 2017. He is responsible for Corporate Development, Marketing and Sales, Technology and departments as well as for the administration of subsidiaries.

Thomas Dippold has been a member of the Executive Board and Chief Financial Officer (CFO) since January 2017. He is responsible for Finances/Controlling, Human Resources, IT and Compliance.

Dr Martin Kleinschmitt has been a member of the Executive Board and Chief Restructuring Officer (CRO) since January 2017. He is responsible for updating and implementing the Restructuring Concept and supporting the companies of the Schaltbau Group in the restructuring measures.

Dr Ralph Heck was elected as a member of the Supervisory Board for the first time in June 2016. Since June 2017, he has been the Chairman of the Supervisory Board.

Helmut Meyer was elected to the Supervisory Board for the first time in June 2016. Since June 2017, he has been the Deputy Chair of the Supervisory Board. Since June 2017, he has been the Chairman of the Supervisory Board. In addition, Helmut Meyer was Spokesman of the Executive Board during the period from 1 December 2016 to 31 March 2017. During the period from 1 April 2017 to 31 May 2017, he served as a member the Executive Board. During his period of office on the Executive Board, Helmut Meyer's mandate on the Supervisory Board was dormant.

Andreas Knitter was elected as a member of the Supervisory Board for the first time in June 2017.

Dr. Albrecht Köhler was appointed as a member of the Supervisory Board by decision of the Local Court Munich in September 2017.

Herbert Treutinger was appointed as a member of the Supervisory Board as Employee Representative by decision of the Local Court Munich in September 2017.

Ralf Klädtke served as a member the Executive Board during the period from 1 August 2015 to 30 June 2017.

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the active members of the Executive Board for the fiscal year 2016 amounted to € 1,403,000 (2016: € 2,352,000). This includes benefits-in-kind based on the value of company car usage pursuant to the tax authority's guidelines. These benefits-in-kind are taxed at the level of each individual Executive Board member. The total remuneration comprises € 1,306,000 (2016: € 977,000) for non-performance-related compensation and € 97,000 (2016: € 375,000) for performance-related compensation. In addition, an amount of € 980,000 was paid as compensation for a former member of the Executive Board in the previous year (2017: € 0) . In the previous year, this amount was included in total remuneration for former members of the Executive Board. An amount of € 295,000 (2016: € 397,000) was recognised as a provision at the end of the reporting period.

The contracts of the members of the Executive Board do not contain any commitments in the event of the termination of Executive Board activities which, in their legal form, deviate significantly from commitments made to employees.

The total remuneration of former members of the Executive Board and their surviving dependents amounted to € 82,000 (2016: € 1,062,000). In the previous year, € 980,000 related to severance payments (2017: € 0). Provisions recognised for this circle of persons amounted to € 533,000 (2016: € 575,000).

No loans were granted to members of the Executive Board or Supervisory Board in the fiscal year 2017.

The basic remuneration of a member of the Supervisory Board is € 15,000 The Chairman of the Supervisory Board receives twice this amount, the Deputy Chairman one and a half times this amount. For the fiscal year 2016, this resulted in a total basic remuneration of € 113,000.

Supervisory Board members receive an additional remuneration if the dividend distributed to the shareholders exceeds 4% of the Company's issued share capital. No special dividend was paid in 2017, reflecting the fact that the Company did not pay any dividend during the year under report.

Membership of committees is not remunerated separately.

In accordance with the Articles of Association, one member of the Supervisory Board was paid a total of € 115,000 in 2017 for additional time worked and two further members of the Supervisory Board were paid a total of € 32,000 on the basis of consulting agreements.

In accordance with the resolution taken at the Annual General Meeting on 6 June 2013, with effect from July 2013, the Chairman of the Supervisory Board is paid a monthly lump-sum expense allowance of € 3,000 to cover expenses for office rental, secretarial staff and general administrative expenses, unless office space and secretarial services are provided by Schaltbau Holding AG or its subsidiaries on a time-apportioned basis. The lump-sum expense allowance in 2017 totalled € 13,000.

Including basic remuneration, additional remuneration, compensation for additional time worked and the lump-sum expense allowance to the Chairman of the Supervisory Board, total remuneration in 2017 amounted to € 272,000.

The Company has taken out D&O insurance for the members of the Executive Board and Supervisory Board. In view of the amount paid as remuneration to the Supervisory Board, the insurance arrangement do not provide for a deductible. A deductible has been contractually agreed upon for the members of the Executive Board with effect from the beginning of 2010.

As at 31 December 2017, no shares of the Company were held by members of the Executive Board.

The current members of the Supervisory Board do not hold any shares in the Company. No stock options are in place and no holding agreements or sales restrictions have been agreed.

PROPOSED APPROPRIATION OF RESULTS

The accumulated deficit of Schaltbau Holding AG amounting to € 40,904,979.56 will be carried forward.

Munich, 13 April 2018
The Executive Board

Dr Bertram Stausberg
(Spokesman)

Thomas Dippold

Dr Martin Kleinschmitt

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Fi-nancial State-ments 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, 13 April 2018

Schaltbau Holding AG
The Executive Board

Dr Bertram Stausberg
(Spokesman)

Thomas Dippold

Dr Martin Kleinschmitt

INDEPENDENT AUDITOR'S REPORT TO SCHALTBAU HOLDING AG, MÜNCHEN

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Schaltbau Holding AG,München, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Schaltbau Holding AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the „Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the „Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters..

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of intangible assets
2. Provisions for pending losses and measurement of work in progress for long-term projects
3. Accounting treatment of the syndicated loan agreement and the promissory note loans

Our presentation of these key audit matters has been structured in each case as follows:

I. Matter and issue
II. Audit approach and findings
III. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of intangible assets

I. In Schaltbau Holding AG's consolidated financial statements intangible assets amounting to EUR 67.5 million (15% of total assets) are reported as at 31 December 2017. Among other things, intangible assets include goodwill amounting to EUR 46.1 million as well as internally generated intangible assets from the capitalization of development costs amounting to EUR 14.1 million. During the financial year, goodwill impairments amounting to EUR 6.4 million and an impairment of internally generated intangible assets amounting to EUR 3.4 million were recognized. While goodwill must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for intangible assets with definite useful lives if there are indications of impairment ("triggering events"). The Company has identified certain indicators, which are monitored and in case of negative development cause an impairment test for goodwill or intangible assets with definite useful lives. Goodwill and internally generated intangible assets are tested for impairment at the level of the group of cash-generating units to which the relevant goodwill is allocated respectively at the level of the internally generated intangible assets. In the context of impairment test the carrying amount of the respective cash-generating unit including the affected goodwill respectively internally generated intangible assets is compared against the higher of the value in use (recoverable amount) and the fair value less costs of disposal. The present value of the future cash flows from the respective group of cash-generating units or the respective intangible assets normally serves as the basis of valuation. Present value is calculated using discounted cash flow models. The starting point is the Group's planning projections, which is extrapolated using long-term rates of growth. An impairment is recognized if the recoverable amount is lower than the respective carrying amount of the cash-generating units respectively the intangible asset. The discount rate used is the weighted cost of capital for the respective cash-generating unit, group of cash-generating units or intangible assets. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows, the discount rates used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

II. As part of our audit, we evaluated whether any triggering event had occurred, as well as the methods used by Schaltbau Holding AG for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. In particular, we assessed whether the recoverable amounts had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. Therefore we evaluated whether the underlying future cash inflows and the costs of capital used form, as a whole, an appropriate basis. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as the executive directors' detailed explanations regarding key planning value drivers. We also assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or long-term rates of growth can in some cases have a material impact on the values in use of groups of cash-generating units and other intangible assets calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. We evaluated the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. We examined that the necessary disclosures were made in the notes to the consolidated financial statements relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

III. The Company's disclosures in the notes to the consolidated financial statements relating to the recoverability of goodwill and other intangible assets are contained in the section "Summary of accounting policies" and note 1 "Noncurrent assets" of the notes to the consolidated financial statements.

2. Provisions for pending losses and measurement of work in progress for long-term projects

I. In Schaltbau Holding AG's consolidated financial statements provisions for pending losses for construction projects amounting to EUR 11.7 million are reported under the balance sheet items "other non-current provisions" and "current provisions". The underlying risk assessment and the estimation as to whether and in what amount it is necessary to recognize a provision for pending losses is based on estimates and assumptions made by the executive directors. In the present case, these provisions for pending losses relate to stationary traffic technology projects for which the costs of performing the contractually agreed service exceed the agreed consideration. Furthermore, work in progress primarily related to the projects was written down. From our point of view, these matters were of particular significance, as recognition and measurement of these material items are to a large extent based on the Company's executive directors' estimates and assumptions.

II. As part of our audit, we assessed the process established by the Group, including the relevant controls for capturing pending losses. We addressed the audit risk inherent in this audit area by audit procedures that were consistently carried out throughout the Group. Therefore, we evaluated the planned costs as well as the actual costs incurred in the context of the material construction projects. In the knowledge that estimated values bear an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on consolidated profit, we assessed the recognition and appropriateness of the carrying amounts for provisions for pending losses, including by taking past experience into consideration and by evaluating the consistent application of the calculation methods. We examined the calculation of the expected obligations by means of discussions with project managers, the central Controlling department and the executive directors, and by way of inspection of the project documentation. We were able to satisfy ourselves that the systems and processes in place are overall appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that the provisions for pending losses were appropriately recognized and measured, as well as the appropriately measuring of the related work in progress.

III. The Company's disclosures in the notes to the consolidated financial statements relating to the measurement of inventories and on the accounting treatment used for provisions for pending losses are contained in section "(21) Other provisions".

3. Accounting treatment of the syndicated loan agreement and the promissory note loans

I. In the consolidated financial statements a total of EUR 183.7 million in financial liabilities is recognized in the consolidated statement of financial position. The liabilities result from the borrowing of a syndicated loan and two promissory note loans. By an agreement dated 31 March 2017, the interest rate for the syndicated loan was adjusted and the duration was shortened from 20 August 2020 to 31 December 2019. With respect to the promissory note loans, by a loan amendment agreement dated 31 March 2017 raised the interest rate for the period from 1 April 2017 to December 2019 and granted the note holders termination option as at 31 December 2019. Pursuant to the loan amendment agreement dated 15 December 2017, the interest rate was once again adjusted for the syndicated loan. Schaltbau Holding AG performed a 10% present value test to determine whether the contractual amendments were subject to accounting treatment as repayment and new borrowing. If the change in present value exceeds 10%, this constitutes a substantial modification accounted for as a disposal in the consolidated financial statements. For a non-substantial modification, the effective interest rate is adjusted. Based on the present value test carried out by Schaltbau Holding AG, the amendment made to the syndicated loan on 31 March 2017, which modified the loan conditions and governed the use of proceeds from future capital increases, constituted a substantial modification. The amendment of the promissory note loans and the syndicated loan on 15 December 2017 was recognized as a non-substantial modification in the consolidated financial statements. In addition, Schaltbau Holding AG classified it as a non-current liability. Against this background and in light of the material significance of the syndicated loan agreement and the promissory note loans for the Company's financial position, and due to the complexity of the accounting treatment, this matter was of particular significance in the context of our audit.

II. As part of our audit and with the assistance of the specialists from our national office for accounting, we evaluated the contractual bases – in particular the supplements to the agreements – and assessed the methodology used for measuring the syndicated loan agreement and the promissory note loans in the context of the 10% present value test, including the accounting treatment of the results of the present value test. We have assessed the modifications to the agreement dated 31 March 2017 with respect to the syndicated loan agreement and the promissory note loans to determine the extent to which the modifications made to the contractual terms on 31 March 2017 and 15 December 2017 are substantial and should be recorded as a repayment of the loan and new borrowing. In doing so, we evaluated whether, in particular due to the loan amendment agreement dated 15 December 2017, the syndicated loan and the promissory note loans must be reported as a non-current liability as at the balance sheet date and whether the cash inflow from the capital increase is subject to restrictions on availability within the meaning of IAS 7. From our point of view, the executive directors' assessments underlying this accounting treatment are sufficiently documented and substantiated, and overall result in appropriate recognition of the syndicated loan and the promissory note loans in the consolidated financial statements.

III. The Company's disclosures in the notes to the consolidated financial statements relating to the accounting treatment used for the syndicated loan and promissory note loans are contained in the section entitled "Material events".

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "MANAGEMENT AND CONTROL" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on June 8, 2017. We were engaged by the supervisory board on 23 November 2017. We have been the group auditor of Schaltbau Holding AG, Munich, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, 13 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Wirtschaftsprüfer
(German Public Auditor)

Michael Popp
Wirtschaftsprüfer
(German Public Auditor)

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