



**Group Interim Report**  
as at 30 June 2018

## Schaltbau Group key figures

		30 June 2018	30 June 2017
<b>Order situation</b>			
Order intake	In € m.	301.9	295.7
Order book at period-end	In € m.	533.2	491.7
<b>Income statement</b>			
Sales	In € m.	251.5	234.9
Total output	In € m.	263.1	248.6
EBITDA	In € m.	17.2	4.9
Profit before financial result and taxes (EBIT)	In € m.	9.4	-4.7
EBIT before exceptional items		6.6	-4.7
EBIT margin	%	3.8	-2.0
EBIT margin before exceptional items	%	2.6	-2.0
Group net profit	In € m.	3.5	-10.9
thereof attributable to Schaltbau Holding AG	In € m.	1.6	-11.5
Return on capital employed	%	3.1	-2.7
<b>Balance sheet at period-end</b>			
Fixed assets	In € m.	138.6	182.2
Working capital	In € m.	160.5	166.8
Capital employed	In € m.	306.5	349.0
Group equity	In € m.	116.0	108.5
Net financial liabilities to banks	In € m.	106.5	161.4
Balance sheet total	In € m.	418.4	469.6
<b>Employees</b>			
Employees at period-end		3,125	3,304
Average number of employees		3,034	3,079
Personnel expense	In € m.	90.3	94.4
Personnel expense per employee <sup>1</sup>	€ 000	59.5	61.3
Total output per employee <sup>1</sup>	€ 000	173.4	161.4
<b>Earnings per share</b>			
undiluted	€	0.20	-1.84
diluted	€	0.20	-1.84

<sup>1</sup> Extrapolated to twelve-month period during the year

# Group interim report for H1 2018

## Profile of the Schaltbau Group

### Management and control

The following changes were made to the Executive Board during the period under report:

- In mutual agreement with the Supervisory Board, Dr Bertram Stausberg, previously Spokesman of the Executive Board of Schaltbau Holding AG, resigned from his position with effect from 18 May 2018.
- With effect from 19 May 2018, the Supervisory Board appointed Dr Albrecht Köhler, a member of the Supervisory Board since September 2017 and a rail sector expert, as Spokesman of the Executive Board. For this reason, Dr Albrecht Köhler resigned as member of the Supervisory Board with effect from 18 May 2018.

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

- With effect from 30 April 2018, Helmut Meyer resigned as member of the Supervisory Board of Schaltbau Holding AG.
- At the request of the Executive Board of Schaltbau Holding AG and in accordance with a court order dated 24 May 2018, Prof Dr Thorsten Grenz was appointed as member of the Supervisory Board.
- With effect from 6 June 2018, Dr Ralph Heck resigned as member of the Supervisory Board of Schaltbau Holding AG.
- On 7 June 2018, the Annual General Meeting elected Jeannine Pilloud, Dr Hans Fechner and Prof Dr Thorsten Grenz as members of the Supervisory Board of Schaltbau Holding AG.
- After the Annual General Meeting held on 7 June 2018, the newly composed Supervisory Board elected Dr Hans Fechner as its new Chairman. Prof Dr Thorsten Grenz was appointed Deputy Chairman.

The Annual General Meeting of Schaltbau Holding AG took place in Munich on 7 June 2018. With the exception of the ratification of the actions of Dr Ralph Heck, all of the proposed resolutions to be voted on received a sufficient majority.

### **Internal management system**

At 31 December 2017, Schaltbau defined order intake (as an early warning indicator), sales, and profit/loss before financial result and taxes (EBIT) (both before and after exceptional items) as its key financial performance indicators for the Group and its segments. Exceptional items identified at that stage included significant non-operating impairment losses recognised in accordance with IFRS 36, valuation allowances due to classifications in accordance with IFRS 5, the earnings impact arising from the sale of subsidiaries and one-time restructuring measures.

At 30 June 2018, the Schaltbau Group adjusted its definition of exceptional items in order to improve the informative value of EBIT disclosures (before and after exceptional items) and improve comparability year-on-year.

The changed definition of exceptional items is described below:

	<b>31 December 2017</b>	<b>30 June 2018</b>
	Profit before financial result and taxes (EBIT)	Profit before financial result and taxes (EBIT)
+/-	Material non-operating impairment losses in accordance with IFRS 36	Material non-operating impairment losses in accordance with IFRS 36
+/-	Valuation allowances due to classifications in accordance with IFRS 5	Valuation allowances due to classifications in accordance with IFRS 5
+/-	Earnings impact arising from the sale of subsidiaries	Earnings impact arising from the sale of subsidiaries
+/-	One-time restructuring measures	One-time restructuring measures
+/-		Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts, to the extent that these relate to special circumstances, go beyond ordinary business activities and have a material impact on the net assets, financial position and results of operations
+/-		Exceptional earnings impact due to the reversal of capitalised development costs

The table below shows the impact of the changed definition of exceptional items for the period from 1 January to 30 June 2018:

<b>In € 000</b>	<b>1.1.-30.6.2018 (old methodology)</b>	<b>1.1.-30.6.2018 (new methodology)</b>
<b>Profit from operating activities (EBIT) including exceptional items</b>	<b>9,433</b>	<b>9,433</b>
Material non-operating impairment losses in accordance with IFRS 36	+1,595	+1,595
Valuation allowances due to classifications in accordance with IFRS 5	0	0
Earnings impact arising from the sale of subsidiaries	+564	+564
One-time restructuring expenditure	+2,100	+2,100
Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts	-	-7,090
Exceptional earnings impact arising on the reversal of capitalised development costs	-	0
<b>Profit from operating activities (EBIT) before exceptional items</b>	<b>13,692</b>	<b>6,602</b>

The line item "Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts" includes income arising on the reversal of provisions for the onerous Platform Screen Doors (PSD) project in Brazil. A major part of the provisions recognised in previous years were reversed during the period under report on the basis of an agreement signed with Bombardier Transportation. The PSD technology developed by Pintsch Bamag Antriebs- und Verkehrstechnik GmbH ("Schaltbau Pintsch Bamag") was first deployed in the course of a major project that was begun in São Paulo, Brazil in 2012 and designed to represent an expansion of the existing product portfolio with the aim of promoting the internationalisation of the Schaltbau Group. As a result of the difficulties that arose in the implementation of the project in the years that followed, the newly developed PSD technology was never deployed in any further customer contracts. The reversal of provisions for the project in Brazil represents an exceptional item, based on the fact that the disclosure of the item within EBIT would significantly impact profitability reported for the Stationary

Transportation Technology segment and for the Group as a whole and not present it appropriately.

Taking the change in the definition of exceptional items at 30 June 2018 into account, the Executive Board reaffirms the forecast made in the Annual Report 2017 for the fiscal year 2018. For further details, please see the section "Outlook report".

## **Strategic measures**

With the aim of sustainably improving both its growth prospects and future profitability in general, the Schaltbau Group undertook measures to stabilise its liquidity situation and strengthen its equity base during the first half of 2018. The considerable progress made on both of these issues was achieved with a share capital increase completed in February, generating net proceeds of € 46.5 million, and the sale of the brake systems subsidiary Pintsch Bubenzer GmbH ("Pintsch Bubenzer") that resulted in cash inflow of € 28.4 million, taking into account transaction costs and cash outflow. In order to further improve its financial position, the Schaltbau Group aims to extend the due dates of its financial liabilities by the first quarter 2019.

Furthermore, the Schaltbau Group raised its level of competitiveness during the first six months of 2018. Apart from measures taken to boost efficiency and optimise processes across the entire Group, numerous operating restructuring measures were initiated with the aim of achieving a sustainable improvement in profitability. One particularly noteworthy point is the conclusion of a collectively bargained restructuring plan in the Stationary Transportation Technology segment. The plan runs until the end of 2019, relates to the Group companies Schaltbau Pintsch Bamag and Pintsch Tiefenbach GmbH ("Schaltbau Pintsch Tiefenbach") and leads to savings in the region of € 2.0 million, for both the current and the 2019 fiscal years.

Moreover, the agreement reached with Bombardier Transportation has led to a modified continuation of the Platform Screen Doors project in Brazil. As described above, the move considerably mitigates the extent of project risks and therefore also additionally strengthens the competitiveness of the Schaltbau Group as a whole. In the past, Schaltbau Pintsch Bamag had been responsible for installing new PSD systems at the stations of the customer Metro São Paulo. This work will now be performed by a third-party company that will be commissioned by Bombardier Transportation going forward.

For the time being, Schaltbau Pintsch Bamag will continue to deliver the components to be installed and provide the technical support required for installation for a reduced number of stations. At the same time, the terms and conditions for these deliveries will be modified.

The Schaltbau Group has also made progress in consolidating its market position. The Components segment in particular continued to broaden its customer base, mainly due to the increased deployment of Schaltbau solutions in renewable energy applications. Moreover, the Schaltbau Group continues to support key customers in the area of digitalisation, particularly in the Mobile Transportation Technology segment regarding the use of sensors in door systems, which provide passengers with greater safety and convenience. These systems will enable the implementation of innovative features such as automatic ticketing or automatic door opening based on object recognition.

In the further course of the year, apart from the above-mentioned topics, strong emphasis will also be placed on supplementing the business model to include services across the entire life cycle of railway and commercial vehicles as well as increased internationalisation based on a less complex organisation.

### **Group reporting entity**

At 30 June 2018, one material change had taken place compared with the Group reporting entity at 31 December 2017, namely the deconsolidation of the industrial brakes specialist Pintsch Bubenzer on 1 March 2018 following its sale. There were no other changes to the Group reporting entity during the first half of 2018.



The wholly owned subsidiary Albatros S.L.U., Madrid, Spain ("Schaltbau Sepsa") was put up for sale on 15 November 2017 and since then reported as a "disposal group" in the consolidated financial statements in accordance with IFRS 5.

## **Report on economic position**

### **General economic environment**

According to the forecast of the International Monetary Fund (IMF) announced in July 2018, the world economy is predicted to grow by 3.9% in 2018 and therefore somewhat faster than in the previous year (3.7%). Whereas the IMF's growth expectations for the USA, China and Russia in 2018 remained unchanged from the prediction made in April 2018, the forecast for the eurozone was adjusted downwards by 0.2 percentage points. Although global growth in 2018 is not expected to be weaker than the rate assumed in April, according to the IMF, both the forecast risk itself and the range of country forecasts have meanwhile increased. The principle reasons for this development include rising oil prices, higher interest rates in the USA, the greater number of trade disputes and increased political uncertainty. In addition to developments in Europe, growth rates and risks in the USA, China and Russia are significant factors for the Schaltbau Group.

Growth in key sales markets in %, gross domestic product  
(IWF World Economic Outlook, July 2018)

	2018 (forecast)	2017
Eurozone	2.2	2.4
Germany	2.2	2.5
France	1.8	2.3
Italy	1.2	1.5
Spain	2.8	3.1
USA	2.9	2.3
Russia	1.7	1.5
China	6.6	6.9
Brazil	1.8	1.0

The euro tended to gain in value against several of the foreign currencies that are important for the Schaltbau Group, particularly the Turkish lira, the Brazilian real, the Russian rouble and the Polish zloty. However, it lost slightly in value against the US dollar, which is also relevant for the Group. There were no key exchange rate adjustments for other foreign currencies such as the Chinese renminbi and the British pound. Overall, however, the resulting currency effects have had very little impact on the earnings situation of the Schaltbau Group during the first six months of 2018.

## **Sector-specific environment**

The manufacturers of trains and railway transportation technology continue to compete intensively with one another. There is strong pressure to consolidate and demand behaviour continues to fluctuate.

In May 2018, for example, the US company General Electric announced its intention to merge its transportation division with Wabtec, a train equipment specialist that is also based in the USA. The move will lead to the formation of a company that from the beginning of 2019 will report sales in the region of 8 billion US dollars, only slightly more than two years after Wabtec took over the French company Faiveley, which also manufactures equipment for trains.

The merger of the Siemens train division and the French train manufacturer Alstom previously announced in September 2017 continues to take shape and was approved by Alstom shareholders in July 2018. However, the EU Commission has yet to approve the merger before it can be completed, which is currently expected to take place in mid-2019.

Finally, in July 2018, the Spanish train manufacturer CAF announced its intention to purchase the Polish bus manufacturer Solaris with the aim of expanding its market position as a specialist for urban transportation. This transaction is also pending, subject to approval by antitrust authorities.

Despite these developments, the project situation on the global market for rolling stock continued to be positive during the first six months of 2018, primarily due to ongoing megatrends worldwide such as increasing urbanisation.

Despite the growing need for renewal, investment levels in rail infrastructure remained low in many European countries. The trend in a number of countries, however, was positive. Furthermore, Deutsche Bahn (German Railways), by far the largest rail infrastructure operator in Germany via its subsidiary DB Netz AG, has announced investments of over € 9 billion in rail infrastructure for the current year, almost 10% more than in the previous year. The funds will be mainly deployed to expand high-speed and metro connections. So far, demand for level crossings, especially on branch lines, has been modest.

According to the German Association of the Automotive Industry (VDA), the sale of passenger cars in Europe rose by 2.8% during the first six months of 2018 and market developments in the commercial vehicles sector are also positive. Growth rates in the field of electric mobility continue to be very high. In Germany, for example, during the first half of 2018, 51% more electric vehicles were newly registered than in the same period one year earlier. The Schaltbau Group's range of products for the automotive sector has thoroughly profited from these developments, for example with its door systems for buses, its sliding door bodies for the all-electric StreetScooter produced by Deutsche Post DHL, and components for electric mobility.

## Business and earnings position

### Overall assessment of financial condition

For the first half of 2018, the Schaltbau Group reported a slight improvement in order intake of 2.1% year-on-year and 7.1% growth in sales. The good sales performance is primarily attributable to significant growth in the Mobile Transportation Technology and Components segments on the back of strong demand for train door systems, sliding door bodies for the DHL Deutsche Post StreetScooter, train interior fittings and the increased sale of components for alternative energy applications. These effects have far more than compensated for the loss of sales of Pintsch Bubenzer products following the sale of that entity at the beginning of March 2018.

Profit from operating activities (EBIT) before exceptional items totalling € 6.6 million (January to June 2017: a loss of € 4.7 million) reflects not only sales performance, but also progress in adjusting cost structures. Including exceptional items, EBIT amounted to € 9.4 million for the period under report, partially due to positive effects in the Stationary Transportation Technology segment stemming from the reversal of the provision for pending losses on onerous contracts for the PSD project in Brazil.

### Business and earnings position of the Schaltbau Group

Key performance figures for the Schaltbau Group			
In € m.	1st half-year 2018	1st half-year 2017	Δ
Order intake	301.9	295.7	6.2 (2.1%)
Sales	251.5	234.9	16,6 (7.1%)
EBIT before exceptional items	6.6	-4.7	11.3 (-)
EBIT	9.4	-4.7	14.1 (-)

### Order intake and order book

Order intake for the Schaltbau Group amounted to € 301.9 million for the first half of 2018 and therefore € 6.2 million or 2.1% up on the previous year's six-month figure. Adjusted for the removal of order intake relating to Pintsch Bubenzer, the increase amounted to € 22.0 million or 8.1% year-on-year. Order intake figures across all segments were approximately at the same high levels recorded one year earlier. However,

adjusted for Pintsch Bubenzer's order intake during the period from March to June 2018 (i.e. after its sale at the beginning of March 2018), the Stationary Transportation Technology segment recorded order intake of € 53.3 million, 36.7% or € 14.3 million up on the previous year's figure, representing a significant year-on-year improvement. The primary reason was the awarding of a major contract to Pintsch Tiefenbach for a train formation system in the second quarter 2018.

At 30 June 2018, the order book amounted to € 533.2 million and therefore 4.9% up on the comparable figure of € 508.3 recorded at 31 December 2017.

## **Sales**

At € 251.5 million, six-month Group sales were € 16.6 million above the previous year's figure. The increase was mainly attributable to the considerably higher volumes sold by the Mobile Transportation Technology and Components segments overall. Adjusted for the disposal of Pintsch Bubenzer GmbH, sales for the Stationary Transportation Technology segment were approximately € 1.6 million below the figure recorded one year earlier. The improvement in the Mobile Transportation Technology segment mainly reflected higher sales achieved by the Bode Group in the fields of door systems and interiors. The increased sale of snap-action switches, connectors and contactors contributed in particular to the improved sales performance of the Components segment.

In the first half of 2018, 34.7% (January to June 2017: 33.0%) of overall sales were achieved with customers within Germany. A further 46.5% (January to June 2017: 44.0%) of sales were recorded with customers in other European countries and 18.8% (January to June 2017: 23.0%) with the rest of the world.

## **Group earnings performance**

In the first six months of 2018, EBIT (including exceptional items) amounted to € 9.4 million and was therefore € 14.1 million up on the first half of 2017.

The total output of the Schaltbau Group rose by 5.9% to € 263.1 million, compared to an increase in the cost of materials of 10.4% to € 140.5 million. In the first half of the year, the cost of materials ratio (i.e. the cost of materials as a ratio of total output) stood at 53.4%, slightly above the previous year's level of 51.2%, partly reflecting changes

in the product and project mix. Personnel expenses dropped from € 94.4 million to € 90.3 million, mainly due to the sale of Pintsch Bubenzer. In relative terms, too (as a percentage of total output), personnel expenses for the first six-month period fell from 37.9% to 34.3% year-on-year. Other operating expenses amounted to € 31.1 million during the period under report and were therefore € 2.2 million above the level recorded one year earlier.

The Group net profit of € 3.5 million compared well with the net loss of € 10.9 million recorded for the same six-month period the previous year. The profit attributable to shareholders of Schaltbau Holding AG amounted to € 1.6 million (January to June 2017: a loss of € 11.5 million). On this basis, earnings per share for the six-month period under report amounted to € 0.20, compared with a loss per share of € 1.84 for the same period in 2017.

### **Business and earnings performance of the segments**

The Mobile Transportation Technology segment

Key performance figures for the Mobile Transportation Technology segment			
In € m.	1st half-year 2018	1st half-year 2017	Δ
Order intake	170.5	163.8	6.7 (4.0%)
Sales	147.5	125.6	21.9 (17.4%)
EBIT	-0.7	-2.2	1.5 (68.2%)
EBIT before exceptional items	-0.7	-2.2	1.5 (68.2%)

Order intake for the Mobile Transportation Technology segment (Schaltbau Bode Group, Schaltbau Sepsa Group, Schaltbau Alte and Schaltbau Refurbishment) rose by 4.0% year-on-year. Order intake amounted to € 170.5 million and therefore continued to be at an exceptionally high level. The primary reason for the increase was high demand for door systems manufactured by the Schaltbau Bode Group in both Europe and North America, which was again awarded several major orders during the first six months of 2018. The book-to-bill ratio stood at a high 1.16 for the period under report.

Segment sales climbed by 21.9%, primarily on the back of strong year-on-year growth reported by the Schaltbau Bode Group, where volumes of both door systems and interiors were higher than in the previous year.

At negative 0.4%, the EBIT margin for the Mobile Transportation Technology segment improved slightly for the six-month period (January to June 2017: negative 1.8%). The operating loss was mainly due to the negative contribution made by Schaltbau Alte, where the result was held down by production inefficiencies, material supply problems and a provision recognised in conjunction with warranty expenses.

The Stationary Transportation Technology segment

Key performance figures for the Stationary Transportation Technology segment			
In € m.	1st half-year 2018	1st half-year 2017	Δ
Order intake	53.3	53.9	-0.6 (-1.1%)
Sales	30.0	47.1	-17.1 (-36.3%)
EBIT	-0.1	-5.6	5.5 (98.2%)
EBIT before exceptional items	-5.1	-5.6	0.5 (8.9%)

Adjusted for the sale of Pintsch Bubenzer, the Mobile Transportation Technology segment recorded a significant rise in order intake during the reporting period, primarily attributable to a major order for a train formation system awarded to Pintsch Tiefenbach in the second quarter 2018. Overall, the level of order intake in the Rail Infrastructure business field surpassed expectations during the period under report.

Sales volume totalled € 30.0 million and was therefore below the previous year's figure when adjusted for sales generated by Pintsch Bubenzer amounting to € 1.6 million, partially due to customer-related project delays. Sales recorded for the Rail Infrastructure business field therefore remain at a comparatively low level.

As a result of the reversal of provisions for pending losses on onerous contracts relating to the PSD project in Brazil, segment EBIT including exceptional items was close to break-even for the first six months of 2018 and therefore a significant improvement on the previous year. A raft of cost-cutting measures also contributed towards the improved EBIT performance. The EBIT margin came in at negative 0.4% (January to June 2017: negative 11.9%). Before exceptional items, EBIT amounted to a negative € 5.1 million for the period under report.

## The Components segment

Key performance figures for the Components segment			
In € m.	1st half-year 2018	1st half-year 2017	Δ
Order intake	77.9	78.0	-0.1 (0.0%)
Sales	75.0	62.9	12.1 (19.2%)
EBIT	15.8	9.3	6.5 (69.9%)
EBIT before exceptional items	15.8	9.3	6.5 (69.9%)

Order intake in the Components segment remained largely unchanged compared with the previous year's figure. Whereas the order situation for connectors and contactors developed very positively, lower order volumes caused by project delays at subsidiaries in North America and Italy (SPII) had a negative impact.

The sharp increase in sales compared with the first six months of 2017 was mainly attributable to brisk demand for snap-action switches, connectors and contactors. Business in China also developed positively year-on-year.

Six-month EBIT was also well up on the previous year, primarily driven by the higher sales volume, a positive product mix and the successful implementation of various measures introduced to boost productivity. The EBIT margin came in at 21.1% (January to June 2017: 14.9%).



## Financial and net assets position

Key balance sheet figures for the Schaltbau Group			
In € m.	30.6.2018	31.12.2017	Δ
Non-current liabilities	139.7	182.9	-43.2 (-23.6%)
Current liabilities	162.7	198.5	-35.8 (-18.0%)
Net financial liabilities to banks	106.5	158.4	-51.9 (-32.8%)
Equity capital	116.0	70.6	45.4 (64.3%)

### Debt capital

Alongside the unchanged Syndicated Credit Agreement with a volume of up to € 100 million (available up to 31 December 2019), the Company has further debt capital in the form of two promissory notes totalling € 70 million, placed in 2015 with terms of seven and ten years, which can be called at the end of 2019. Bridge financing raised in 2017 amounting to € 25 million, which was time-limited until 28 February 2018, was repaid on schedule in February 2018. In addition, bilateral credit arrangements on a smaller scale are in place at a number of subsidiaries.

Financial liabilities decreased by more than one third from € 183.7 million at the end of the fiscal year 2017 to € 119.0 million as of 30 June 2018. The lower volume of financial liabilities reflects the receipt of cash funds and the subsequent repayment of bank liabilities following the share capital increase executed in February 2018 and the sale of the industrial brake system subsidiary Pintsch Bubenzer GmbH on 1 March 2018.

### Equity capital

On 19 February 2018, the Company increased its share capital by € 2,735,752.40 from € 8,063,919.40 to € 10,799,671.80 by issuing 2,242,420 new ordinary bearer shares, each representing an arithmetical value of € 1.22 of total issued share capital (the "New Shares"), in return for cash contributions and utilising existing authorised capital. After deduction of transaction costs and related deferred taxes, a total of € 44.6 million was transferred to capital reserves.

Including changes in revenue reserves (down by € 51.3 million), the reserve for items recognised directly in equity (down by € 0.9 million), the revaluation reserve (down by € 0.1 million) and the Group net profit for the period ended 30 June 2018 amounting to € 3.5 million, equity reported by the Schaltbau Group increased by € 45.4 million to € 116.0 million over the six-month period.

Even after the share capital increase in February 2018, the Company's equity capital remains broadly diversified. The Company was only notified of voting rights in excess of 10% in the case of one shareholding, namely the joint shareholding of Luxunion S. A., Stichting Administratiekantoor Monolith, Hans Jakob Zimmermann, Dr Johannes Zimmermann and Elrena GmbH, all acting in concert (jointly attributable shareholding as notified: 29.33%).

Several other shareholders hold notifiable interests of between 3% and 10% in the Schaltbau Group.

### **Intragroup financing and treasury**

The Schaltbau Group raises most of the funds it requires via the Group's ultimate parent company, which is listed on the stock exchange, and allocates them on the basis of intragroup financing arrangements. In this context, the Schaltbau Group is planning to continue the development of a cross-company treasury management system.

### **Analysis of capital structure**

Non-current liabilities amounted to € 139.7 million as of 30 June 2018, compared to € 182.9 million at the end of the fiscal year 2017. The decrease in non-current liabilities was mainly attributable to the repayment of non-current financial liabilities following the receipt of cash funds from the February 2018 share capital increase and the sale of Pintsch Bubenzer. At 30 June 2018, non-current liabilities comprised non-current financial liabilities (€ 92.9 million), pension provisions (€ 36.6 million) and other provisions (€ 5.1 million).

Current liabilities at 30 June 2018 amounted to € 162.7 million, down from the € 198.5 million reported six months earlier and – as with the decrease in non-current financial liabilities – due to the repayment of current financial liabilities. At 30 June 2018, current

financial liabilities accounted for € 26.2 million, trade payables for € 45.7 million and other provisions for € 31.7 million.

Net financial liabilities (current and non-current financial liabilities less cash funds, excluding guarantees) amounted to € 106.5 million at the end of the reporting period (31 December 2017: € 158.4 million). The Schaltbau Group continues to target reductions in net financial liabilities, both in absolute terms and, particularly, in relation to EBITDA for the year.

Equity increased by € 45.4 million to € 116.0 million compared to the end of 2017, mainly due to the successful share capital increase in February 2018; the equity ratio of 27.5% (31 December 2017: 15.6%) was well up on the previous year's figure.

Due to the net loss recorded by the Group's parent company for the fiscal year 2017, the Annual General Meeting was not required to pass a resolution on the appropriation of earnings; instead, the net loss for the year was carried forward. In light of these developments, the shareholders of the parent company did not receive a dividend during the period under report.

### **Liquidity analysis**

Cash flows from operating activities corresponded to a negative amount of € 26.7 million for the first six months of 2018 and therefore € 18.9 million down year-on-year. Although EBIT improved by € 14.1 million from a loss to a positive amount of € 9.4 million, working capital also increased during the first six months of the year, mainly in the areas of inventories and trade accounts receivable. In the case of inventories, the increase was caused by a number of factors, including a build-up of buffer inventories to cover the ramp-up of sales in the second half of 2018, project postponements and a general increase in inventory replacement times. In the case of trade accounts receivable, the increase reflects higher business volumes compared to the first half of 2017.

Cash flows from investing activities were a net positive amount of € 37.2 million (January to June 2017: outflow of € 13.1 million) for the first half of 2018. The higher amount compared to the previous year mainly reflects the impact of cash funds received in connection with the sale of Pintsch Bubenzer GmbH on 1 March 2018 and the end of

restrictions on the availability of € 15.5 million of cash funds, previously held on a fiduciary account, which became fully available again following the repayment of bridge financing in February 2018.

Cash flows from financing activities decreased from positive € 15.1 million to negative € 24.3 million, mainly due to the net impact of credit repayments (outflow of € 68.8 million) and proceeds from the share capital increase (inflow of € 46.5 million). Unlike one year earlier, cash flows from financing activities for the period from January to June 2018 now include cash management balances. In the previous year, these amounts were reported as cash funds in the consolidated cash flow statement.

The lower amount reported as interest paid reflects improved interest conditions following the restructuring of the Schaltbau Group's external financing arrangements, the repayment of current and non-current financial liabilities and the overall reduction in gross financial debt.

Cash funds reported in the consolidated cash flow statement for the six-month period under report totalling € 12.8 million (January to June 2017: € 24.7 million) include cash and cash equivalents. The cash management balance is now reported as part of cash flows from financing activities and not in cash funds.

### **Net assets**

Non-current assets totalled € 150.7 million at 30 June 2018, € 4.0 million lower than the figure of € 154.7 million reported at 31 December 2017.

Of the amount reported as non-current assets, € 64.3 million (31 December 2017: € 67.5 million) related to intangible assets and € 71.2 million (31 December 2017: € 72.3 million) to property, plant and equipment.

The sharp drop in current assets – down by € 29.6 million to € 267.7 million – was mainly due to assets held for sale, which were reduced by € 39.4 million to € 19.6 million following the sale of Pintsch Bubenzer GmbH. Inventories went up by € 24.4 million to € 118.7 million in line with the increase in business volumes. Trade accounts receivable increased over the six-month period by € 12.7 million to € 104.6 million as a result of revenue growth and timing factors around the period end, whereas other receivables and assets decreased by € 13.6 million to € 11.8 million, reflecting the end

of restrictions on cash funds held at the end of 2017 that had been generated in conjunction with a small share capital increase in May 2017. These funds became unrestricted following the repayment of bridge financing (€ 25.0 million) and deferred interest in February 2018 and were subsequently used to repay other financial liabilities.

Overall, working capital went up by 26.5% to € 160.5 million (31 December 2017: € 126.9 million).

## **Employees**

Well-trained, highly motivated employees remain a key basis for the economic success of the Schaltbau Group. At 30 June 2018, the Group employed a workforce of 3,125 people worldwide (31 December 2017: 3,370 employees). An average of 3,034 people were employed by the Schaltbau Group in the first half of 2018 (first half of 2017: 3,079). The lower figure relates primarily to the sale and deconsolidation of Pintsch Bubenzer, although volume-related expansion in the Mobile Transportation Technology and Components segments had an offsetting effect. From a total of 3,125 employees, 1,849 people worked in the Mobile Transportation Technology segment (31 December 2017: 1,822), 877 in the Components segment (31 December 2017: 830) and 374 in the Stationary Transportation Technology segment (31 December 2017: 692).

## **Outlook report**

Including the contributions of the Schaltbau Sepsa Group that is due to be sold, the Schaltbau Group is targeting sales in the region of € 480.0 million to € 500.0 million for the fiscal year 2018. The planned volume is therefore below the € 514.9 million achieved in 2017. Adjusted for Pintsch Bubenzer and Schaltbau Sepsa, however, the figure reflects organic growth in the region of € 50 million or 10% year-on-year. The Mobile Transportation Technology segment is the principal driver of this growth. From today's perspective, however, demand for components is also expected to continue growing.

Sales for the individual segments are expected to perform as follows:

- Sales in the Mobile Transportation Technology segment are likely to increase sharply year-on-year, due to significant growth in the Schaltbau Bode Group.
- According to the latest forecast, the Stationary Transportation Technology segment will be unable to match the sales figure achieved the previous year, even after adjustment for Pintsch Bubenzer. Furthermore, the expected sales figure is also being unfavourably impacted by project delays that cannot be compensated by additional business.
- The Components segment is planning to increase its sales by a high single-digit percentage, mainly resulting from the excellent performance of Schaltbau GmbH.

The measures taken to sustainably improve and secure the profitability of the Schaltbau Group, which were mainly introduced last year, will be rigorously continued throughout the remainder of 2018. These include cost-cutting and efficiency-boosting measures as well as the rectification of existing problem areas in foreign subsidiaries within the Mobile Transportation Technology segment. The restructuring measures will also mean one-time expenditure in 2018, which will have a negative impact on EBIT.

Excluding exceptional items, as newly defined above, the EBIT margin for the Group is expected to come in at around 3% of sales in the fiscal year 2018.

## Opportunity and risk report

On 1 January 2018, Schaltbau introduced a new, IT-supported risk management system. With the changeover, risks at Group level are now always recorded quantitatively with regard to their probability of occurrence and implications. As before, corporate risks in the fully consolidated companies and the major participations are initially identified and measured on a decentralised basis. In a second stage, the risks are then assessed by the holding company. Since the beginning of the year, risks with a potential to cause damage in excess of € 500,000 have been uniformly quantified as significant risks for the Group and presented separately.

As in the past, opportunities and risks within the Schaltbau Group are continually recorded, evaluated and analysed and then collectively updated and reported at the end of each quarter.

As at 30 June 2018, there were no material changes compared with the opportunities and risks reported in the Group management report for the fiscal year 2017, with the exception of risks stemming from the PSD project. For more information on the changed risk situation in conjunction with the PSD project, please see the section on "Strategic measures".

The challenge of bringing the Schaltbau Group's net financial debt into an economically viable relationship to the EBITDA for the year and securing long-term bank loans (see "Financial risks") was met with two successfully completed share capital increases, the first in May 2017 and the second in February 2018, as well as the sale of the industrial brakes specialist Pintsch Bubenzer GmbH. These transactions generated a total of more than € 90 million in cash inflow, which significantly improved the liquidity situation. The repayment of the bridge financing totalling € 25 million plus deferred interest also contributed to an improvement in net financial debt.

Nevertheless, even after these measures have been implemented, the Schaltbau Group is exposed to risks that could potentially have a negative impact on its development. It has financial liabilities of up to € 100 million, in particular from the Syndicated Credit Agreement that is due for repayment by the end of 2019. At 30 June 2018, utilisation including guarantee lines amounted to € 40.2 million (31 December 2017:

€ 97.9 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 of 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 the 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 the Schaltbau Group's operations and competitiveness.

Moreover, the Schaltbau Group is currently confronted with the following financial risks in particular, which have not changed since the end of 2017.

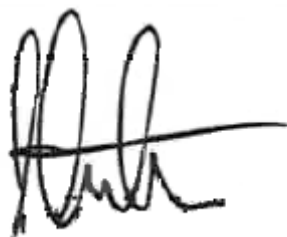
- Negative variances in the operating result or additional warranty costs as well as any restructuring expenses that may prove to be necessary could have a negative impact on both current and future cash flows. In order to mitigate these risks, the Schaltbau Group has introduced a raft of measures to secure liquidity.
- In compliance with Schaltbau Holding AG's current financing agreements, both liquidity planning and EBITDA planning must be adhered to within certain ranges in line with the restructuring concept that has been developed. Furthermore, the Group's liquidity planning must be thoroughly positive over a defined period of 13 weeks. If the restructuring measures described in the restructuring concept cannot be complied with going forward, the lenders have the option of exercising an extraordinary right of termination.



The Executive Board assumes that the above-mentioned measures are sufficient and will be able to be successfully implemented.

Munich, 6 August 2018

Schaltbau Holding AG  
The Executive Board



Dr Albrecht Köhler  
Spokesman (CEO)



Thomas Dippold  
CFO



Dr Martin Kleinschmitt  
CRO

# Condensed Interim Consolidated Financial Statements for H1 2018

## Consolidated Income Statement\*

In € 000	Notes	1.1.-30.6. 2018	1.1.-30.6. 2017
1. Sales	(8)	251,517	234,901
2. Change in inventories of finished and unfinished goods		11,010	10,995
3. Own work capitalised		597	2,656
<b>4. Total output</b>		<b>263,124</b>	<b>248,552</b>
5. Other operating income		16,288	6,998
6. Cost of materials		140,472	127,293
7. Personnel expense	(6.2)	90,303	94,361
8. Depreciation and amortisation		7,745	9,641
9. Other operating expenses		31,139	28,947
10. Impairment losses/income**		320	0
<b>11. Profit/loss from operating activities (EBIT)</b>		<b>9,433</b>	<b>-4,692</b>
a) Result from at-equity accounted investments		9	323
b) Other results from investments		2	0
12. Results from investments	(6.3)	11	323
a) Interest income		1,206	307
b) Interest expense		3,890	6,326
13. Financial result	(6.4)	-2,684	-6,021
<b>14. Profit/loss before tax</b>		<b>6,760</b>	<b>-10,390</b>
15. Income taxes	(6.5)	-3,270	484
<b>16. Group net profit/loss for the period</b>		<b>3,490</b>	<b>-10,874</b>
<b>Analysis of group net profit/loss</b>			
attributable to minority shareholders		1,852	630
attributable to shareholders of Schaltbau Holding AG		1,637	-11,504
Group net profit/loss for the period		<b>3,490</b>	<b>-10,874</b>
<b>Earnings per share – undiluted:</b>		<b>€ 0.20</b>	<b>€ -1.84</b>
<b>Earnings per share – diluted:</b>		<b>€ 0.20</b>	<b>€ -1.84</b>

\* The consolidated income statement for H1 2018 includes January and February of Pintsch Bubenzer Group figures on a pro-rata basis. The comparative figures for H1 2017 include the Pintsch Bubenzer Group for the full six-month period. In order to ensure comparability of the consolidated income statement, the income statement of the Pintsch Bubenzer Group is shown separately in note 6.1.

\*\* In conjunction with the first-time application of IFRS 9, the line item "Impairment losses" is shown separately in the Group income statement. In previous periods, impairment losses were included in other operating expenses. Figures for the comparative period have not been adjusted.

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

## Consolidated Statement of Comprehensive Income\*

in € 000	1.1.-30.6. 2018	1.1.-30.6. 2017
<b>Group net profit/loss for the period</b>	<b>3,490</b>	<b>-10,874</b>
<b>Items which will not subsequently be reclassified to profit or loss</b>		
Actuarial gains/losses relating to pensions	490	1,427
Tax effect	34	-428
	524	999
<b>Items which were or which have been or may subsequently be reclassified to profit or loss</b>		
Unrealised losses arising on currency translations		
- from fully consolidated companies	-519	-1,309
- from at-equity accounted companies	-408	-218
Derivative financial instruments		
- Change in unrealised gains (+) / losses (-)	-10	127
- Realised gains (-) / losses (+)	119	177
Tax effect	-33	-91
	-851	-1,314
<b>Other comprehensive income for the period after tax</b>	<b>-327</b>	<b>-315</b>
<b>Group comprehensive income</b>	<b>3,163</b>	<b>-11,189</b>
of which attributable to minority shareholders	1,816	-103
of which attributable to shareholders of Schaltbau Holding AG	1,347	-11,086

\* The presentation of the consolidated statement of comprehensive income has been changed in order to increase clarity and informational value.

## Consolidated Cash Flow Statement

In € 000	1.1.-30.6. 2018	1.1.-30.6. 2017
<b>Profit/loss from operating activities (EBIT)</b>	<b>9,433</b>	<b>-4,692</b>
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	7,745	9,641
Gains/losses on the disposal of intangible assets and property, plant and equipment	113	35
Change in current assets	-41,911	-12,660
Change in provisions	-7,757	-1,928
Change in liabilities	7,891	7,416
Income tax paid	-1,244	-1,658
Other non-cash income/expenses	-973	-3,916
<b>Cash flows from operating activities</b>	<b>-26,703</b>	<b>-7,762</b>
<b>Payments for investments in:</b>		
- Intangible assets and property, plant and equipment	-4,507	-7,707
- Non-current financial investments	-1,428	-5,138
- Acquisition of minority interests	-884	-
<b>Proceeds from disposals of:</b>		
- Property, plant and equipment	52	29
- Repayment of cash deposits	15,550	-
- Business units	28,412	-330
<b>Cash flows from investing activities</b>	<b>37,195</b>	<b>-13,146</b>
Share capital increase	46,497	15,539
Distribution to minority interests	-3,267	-3,496
Loan repayments	-68,780	-2,588
Loans raised	2,100	4,141
Interest paid	-2,526	-5,399
Interest received	330	307
Change in other financial liabilities*	1,310	6,609
<b>Cash flows from financing activities</b>	<b>-24,336</b>	<b>15,113</b>
Change in cash funds due to exchange rate fluctuations	259	-637
<b>Change in cash funds</b>	<b>-13,585</b>	<b>-6,432</b>
Cash funds at the end of the period	12,779	24,745
Cash funds at the beginning of the period	26,364	31,177
	<b>-611</b>	<b>-6,432</b>

\* Unlike at 30 June 2018, cash funds at 30 June 2017 still include cash management balances. For further information regarding the cash funds see the disclosures on the cash flow statement in section 9 of the notes to the consolidated financial statements.

## Consolidated Balance Sheet

### ASSETS

€ 000	Notes	30.6.2018	31.12.2017
<b>A. NON-CURRENT ASSETS</b>			
I. Intangible assets		64,326	67,470
II. Property, plant and equipment		71,206	72,312
III. At-equity accounted investments		7,321	7,773
IV. Other investments		3,092	3,023
V. Deferred tax assets		4,743	4,104
		<b>150,688</b>	<b>154,682</b>
<b>B. CURRENT ASSETS</b>			
I. Inventories	(7.1)	118,676	94,274
II. Trade accounts receivable		104,600	91,869
III. Income tax receivables	(7.2)	559	1,471
IV. Other receivables and assets		11,785	25,395
V. Cash and cash equivalents	(7.3)	12,517	25,297
VI. Assets held for sale	(7.4)	19,602	59,013
		<b>267,740</b>	<b>297,319</b>
<b>Total assets</b>		<b>418,428</b>	<b>452,001</b>

## EQUITY AND LIABILITIES

€ 000	Notes	30.6.2018	31.12.2017
<b>A. EQUITY</b>			
	(7.5)		
I. Subscribed capital		10,800	8,064
II. Capital reserves		75,717	31,105
III. Statutory reserves		231	231
IV. Revenue reserves		-2,080	49,257
V. Reserve for income/expenses recognised directly in equity		-1,541	-651
VI. Revaluation reserve		2,975	3,041
VII. Group net profit/loss attributable to shareholders of Schaltbau Holding AG		1,637	-51,742
VIII. Equity attributable to shareholders of Schalt-		87,739	39,305
IX. Minority interests		28,251	31,264
		<b>115,990</b>	<b>70,569</b>
<b>B. NON-CURRENT LIABILITIES</b>			
I. Pension provisions	(7.6)	36,591	37,505
II. Personnel-related accruals	(7.6)	3,754	3,778
III. Other provisions	(7.6)	1,353	10,431
IV. Financial liabilities	(7.7)	92,871	125,186
V. Other liabilities	(7.7)	8	595
VI. Non-current contract liabilities*	(7.8)	150	0
VII. Deferred tax liabilities		4,999	5,445
		<b>139,726</b>	<b>182,940</b>
<b>C. CURRENT LIABILITIES</b>			
I. Personnel-related accruals	(7.6)	6,812	6,108
II. Other provisions	(7.6)	24,908	23,493
III. Income taxes payable		436	463
IV. Financial liabilities	(7.7)	26,158	58,551
V. Trade accounts payable	(7.7)	45,671	46,442
VI. Current contract liabilities*	(7.8)	17,094	12,758
VII. Other liabilities	(7.7)	21,454	21,581
VIII. Liabilities relating to assets held for sale	(7.4)	20,179	29,096
		<b>162,712</b>	<b>198,492</b>
<b>Total equity and liabilities</b>		<b>418,428</b>	<b>452,001</b>

\* The line item "Non-current contract liabilities" has been introduced as a separate balance sheet line item in conjunction with the first-time application of IFRS 15. In addition, the line item "Advance payments received" has been renamed "Current contract liabilities". Prior-year figures have not been adjusted. Further information on the first-time application of IFRS 15 can be found in the explanatory notes.

## Consolidated Statement of Changes in Equity

€ 000	Equity attributable to the shareholders of Schaltbau Holding AG					
	Subscribed capital	Capital reserves	Statutory reserve	Revenue reserves Other	Derivative financial instruments	Revaluation reserve
<b>Balance at 1 January 2017</b>	<b>7,506</b>	<b>16,126</b>	<b>231</b>	<b>62,898</b>	<b>-554</b>	<b>3,041</b>
Deficit brought forward	-	-	-	-15,822	-	-
Dividends	-	-	-	-	-	-
Share capital increase	558	14,981	-	-	-	-
Other changes	-	-	-	571	-	-
Group net profit/loss for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	1,000	212	-
Group comprehensive income	-	-	-	1,000	212	-
<b>Balance at 30 June 2017</b>	<b>8,064</b>	<b>31,107</b>	<b>231</b>	<b>48.647</b>	<b>-342</b>	<b>3,041</b>
<b>Balance at 31 December 2017</b>	<b>8,064</b>	<b>31,105</b>	<b>231</b>	<b>49,531</b>	<b>-274</b>	<b>3,041</b>
Adjustments for first-time application of IFRS 9 and IFRS 15 pursuant to IAS 8	-	-	-	2,367	-	-
<b>Balance 1 January 2018 (adjusted)</b>	<b>8,064</b>	<b>31,105</b>	<b>231</b>	<b>47,164</b>	<b>-274</b>	<b>3,041</b>
Deficit brought forward	-	-	-	-51,742	-	-
Dividends	-	-	-	-	-	-
Share capital increase	2,736	44,612	-	-	-	-
Other changes	-	-	-	2,172	-	-66*
Group net profit/loss for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	524	76	-
Group comprehensive income	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>10,800</b>	<b>75,717</b>	<b>231</b>	<b>-1,882</b>	<b>-198</b>	<b>2,975</b>

\* Change due to deconsolidation of Pintsch Bubenzer GmbH

				Minority interests			Group equity
Reserve for income/expenses recognised directly in equity		Net profit/loss for the period	Total	Capital and reserves	Net profit/loss for the period	Total	
from full consolidation	from at-equity consolidation						
<b>1,539</b>	<b>-1,327</b>	<b>-15,822</b>	<b>73,638</b>	<b>29,622</b>	<b>3,813</b>	<b>33,435</b>	<b>107,073</b>
-	-	15,822	-	3,813	-3,813	-	-
-	-	-	-	-3,496	-	-3,496	-3,496
-	-	-	15,539	-	-	-	15,539
-	-	-	571	-2	-	-2	569
-	-	-11,504	-11,504	-	630	630	-10,874
-576	-218	-	418	-733	-	-733	-315
-576	-218	-11,504	-11,504	-733	630	103	-11,189
<b>963</b>	<b>-1,545</b>	<b>-11,504</b>	<b>78,662</b>	<b>29,204</b>	<b>630</b>	<b>29,834</b>	<b>108,496</b>

<b>1,255</b>	<b>-1,906</b>	<b>-51,742</b>	<b>39,305</b>	<b>29,089</b>	<b>2,175</b>	<b>31,264</b>	<b>70,569</b>
			<b>-2,367</b>				<b>-2,367</b>

<b>1,255</b>	<b>-1,906</b>	<b>-51,742</b>	<b>36,938</b>	<b>29,089</b>	<b>2,175</b>	<b>31,264</b>	<b>68,202</b>
-	-	51,742	-	2,175	-2,175	-	-
-	-	-	-	-3,267	-	-3,267	-3,267
-	-	-	47,348	-	-	-	47,348
-	-	-	2,106	-1,603	41	-1,562	544
-	-	1,637	1,637	-	1,852	1,852	3,489
-483	-407	-	-290	-36	-	-36	-326
-483	-407	1,637	1,347	-36	1,852	1,816	3,163
<b>772</b>	<b>-2,313</b>	<b>1,637</b>	<b>87,739</b>	<b>26,358</b>	<b>1,893</b>	<b>28,251</b>	<b>115,990</b>



## **Explanatory Notes and Segment Information**

### **1. DESCRIPTION OF BUSINESS**

Schaltbau Holding AG is a stock market-listed corporation, based in Munich, Germany. It is the ultimate parent company of a leading supplier of components and systems for the transportation technology and capital goods sectors. Schaltbau Group entities supply complete level crossing systems, shunting and signals technology, door and boarding systems for buses, trains and commercial vehicles and sanitary systems and interiors for trains as well as high- and low-voltage components for rolling stock and other applications. Its innovative and future-oriented products make Schaltbau a key business partner for industry, particularly in the transportation technology sector.

### **2. BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES**

The financial statements of Schaltbau Holding AG, Munich as at 30 June 2018 have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB), and with those of German Accounting Standard No. 16 "Interim Reporting" issued by the Accounting Standards Committee of Germany (DRSC). The interim reporting period is six months. With the exception of the mandatory first-time application of the new IFRS standards referred to below, the accounting policies applied in the consolidated financial statements as at 31 December 2017 remain unchanged. These can be downloaded from the website at [www.schaltbau.de](http://www.schaltbau.de).

In addition to the figures reported in the financial statements, the financial statements also include explanatory notes to selected financial statement items.

### **Changes due to the first-time application of IFRS 9**

The Company has applied IFRS 9, the new Standard on financial instruments, with effect from 1 January 2018. IFRS 9 is required to be applied retrospectively on adoption, with various exemptions permitted. Comparative figures for the previous year have not been adjusted.

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". Schaltbau only holds debt instruments whose business model is based on the collection of contractual cash flows (the "holding" business model) and whose cash flows solely represent payments of principal and interest on the principal amount outstanding. These financial instruments are allocated to the category "measured at amortised cost". The classification and measurement of financial liabilities under IFRS 9 are largely unchanged compared to the previous requirements of IAS

39. Schaltbau assesses whether a liability no longer exists or has been modified purely on the grounds of quantitative criteria (i.e. the “10% test” pursuant to IFRS 9). If the change in the cash flows of a financial liability is less than 10%, the modification of financial liabilities in accordance with IFRS 9 must be accounted for recognising any change in the present value of the liability through profit or loss. Due to the retrospective application of IFRS 9, an adjustment of € 2,520,000 (before deferred taxes) was recognised directly in equity during the financial period under report.

The new requirements contained in IFRS 9 relating to the recognition of impairment allowances will be based going forward on expected losses (the “expected loss model”), which represents a change to the previous model of recognising impairment allowances on the basis of past losses (the “incurred loss model”). Unlike the incurred loss model, the expected loss model takes account of expected losses, even if there are no specific indications of a loss occurring. Consequently, IFRS 9 now requires the recognition of a provision for expected credit losses. The amount of provision to be recognised is determined using the so-called “general approach” based on a three-step model that focuses on changes in credit risk. Unless they contain a significant financing component, trade accounts receivable and contract assets in accordance with IFRS 15 are excluded from this approach and measured using a “simplified approach”. Under the simplified impairment model, a risk provisioning allowance must be recognised on the instruments to cover the amount of losses expected to be incurred over their remaining term, irrespective of their credit quality. A negative amount of € 721,000 (before deferred taxes) was recognised directly in equity by Schaltbau during the financial period under report.

IFRS 9 also contains rules that establish a stronger link between hedge accounting and operational risk management. No adjustments were required to be made for designated interest rate hedges.

The following table summarises the impact of the first-time application of IFRS 9 on the Schaltbau consolidated balance sheet as at 1 January 2018:

01.01.2018 In € 000	Category IAS 39	Carrying amount based on IAS 39	Category IFRS 9	Carrying amount based on IFRS 9
<b>Assets-side financial instruments</b>				
Trade accounts receivable	LaR	91,869	AC	91,148
Other current assets	LaR	23,782	AC	23,782
Cash and cash equivalents	LaR	25,297	AC	25,297
<b>Total assets excluding assets held for sale</b>		<b>140,948</b>		<b>140,227</b>
<b>Assets-side financial instruments held for sale</b>				
Trade accounts receivable	LaR	14,695	AC	14,695
Other current assets	LaR	6,319	AC	6,319
thereof derivatives	FVPL	124	FVPL	124
thereof derivatives designated for hedge accounting	n/a	29	n/a	29
Cash and cash equivalents	LaR	1,067	AC	1,067
<b>Total assets held for sale</b>		<b>22,081</b>		<b>22,081</b>
<b>Total assets</b>		<b>163,029</b>		<b>162,308</b>
<b>Liabilities-side financial instruments</b>				
Non-current financial liabilities	FLAC	125,160	FLAC	127,680
Current financial liabilities	FLAC	58,539	FLAC	58,539
Trade accounts payable	FLAC	46,442	FLAC	46,442
Other liabilities	FLAC	21,366	FLAC	21,366
thereof derivatives designated for hedge accounting	n/a	422	n/a	422
<b>Total liabilities excluding liabilities in conjunction with assets held for sale</b>		<b>251,507</b>		<b>254,027</b>
<b>Liability-side financial instruments - liabilities in connection with assets held for sale</b>				
Non-current financial liabilities	FLAC	8,228	FLAC	8,228
Current financial liabilities	FLAC	2,370	FLAC	2,370
Trade accounts payable	FLAC	8,797	FLAC	8,797
Other current financial liabilities	FLAC	1,921	FLAC	1,921
<b>Total liabilities: liabilities in conjunction with assets held for sale</b>		<b>21,316</b>		<b>21,316</b>
<b>Total liabilities</b>		<b>272,823</b>		<b>275,343</b>

AC = Amortised Cost

FVPL = Fair Value Profit and Loss

FLAC = Financial Liabilities at Amortised Cost

LaR = Loans and Receivables

The carrying amounts of financial assets by measurement category have changed as follows:

In € 000	AC (LaR 2017)	FVTPL	FLAC
Carrying amount at 31.12.2017 (IAS 39)	162,876	124	272,401
Adjustments recognised for impairment in accordance with IFRS 9	-721	n/a	+2,520
Carrying amount 1.1.2018 (IFRS 9)	162,155	124	274,921

The following table shows the reconciliation of the previous impairment allowances in accordance with IAS 39 to impairment allowances in accordance with IFRS 9 as at 1 January 2018:

Impairment allowances – trade accounts receivable	€ 000
Carrying amount at 31.12.2017 (IAS 39)	-3,908*
Revaluation based on IFRS 9	-721
Carrying amount at 1.1.2018 (IFRS 9)	-4,629

\* Amounts at 31 December 2017 also include the flat-rate-specific allowances

On the grounds of materiality, no write-downs were recognised on other financial assets, trade accounts receivable held for sale and cash and cash equivalents as at 1 January 2018 in accordance with IFRS 9.

### Changes due to the first-time application of IFRS 15

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

All sales during the reporting period were recognised on the basis of a point in time.

Schaltbau has also changed the way its presents certain items in the balance sheet to reflect IFRS 15 terminology:

- The balance sheet line item "Advance payments received" has been renamed "Current contract liabilities". Advance payments received from customers at 31 December 2017 totalled € 12,758,000.
- Liabilities for expected bonuses to suppliers were previously reported under current "other provisions". The presentation has been changed and they are now reported under "other current liabilities".
- Based on the modified retrospective method, provisions amounting to € 150,000 were recognised for extended warranty periods and reported under "Non-current contractual liabilities".

### **Changes due to the first-time application of IFRS 16**

The IASB published IFRS 16 in January 2016, setting out a uniform accounting model that requires leases to be recognised in the balance sheet of the lessee. A lessee 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 Standards and guidelines 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 at 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 Schaltbau Group had operating lease obligations totalling € 12,970,000 at 31 December 2017. Moreover, the extent to which the obligations will result in the recognition of an asset and/or a liability and how this will affect the classification of cash flows has not yet been determined. No decision has yet been taken on the exercise of the various accounting options that are available.

### **Changes to the cash flow statement**

The cash flow statement shows changes in the Schaltbau Group's cash and cash equivalents during the period under report. Cash and cash equivalents comprise cheques, cash on hand, cash at bank and, at 31 December 2017, current account liabilities to banks. In the previous fiscal year, this line item also included the net amount of cash management balances with non-consolidated companies.

Due to the decision taken by the IFRS IC in June 2018, it is no longer permissible to allocate current account liabilities to cash and cash equivalents. They are now reported within cash flows from financing activities.

The cash flow statement has been prepared in accordance with IAS 7, with cash flows classified into cash flows from operating, investing and financing activities. The cash flow from operating activities is determined using the indirect method. Cash and cash equivalents are explained in the section "BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES".

### 3. 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.

### 4. FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated companies whose functional currency is not the euro are drawn up in accordance with the modified closing rate method. Exchange rates relevant for foreign currency translation into euros changed as follows:

	Closing rate		Average rate	
	30.6.2018	31.12.2017	1.1.-30.6.2018	1.1.-30.6.2017
Chinese renminbi yuan	7.7170	7.8044	7.7091	7.4430
US dollar	1.1658	1.1993	1.2106	1.0827
British pound	0.8861	0.8872	0.8797	0.8602
Turkish lire	5.3385	4.5464	4.9582	3.9386
Polish zloty	4.3732	4.1770	4.2206	4.2683
Brazilian real	4.4876	3.9729	4.1419	3.4406

## **5. SIGNIFICANT EVENTS**

### Changes in Executive Board and Supervisory Board

In mutual agreement with the Supervisory Board, Dr Bertram Stausberg, previously Spokesman of the Executive Board of Schaltbau Holding AG, resigned from his position with effect from 18 May 2018.

With effect from 19 May 2018, the Supervisory Board appointed Dr Albrecht Köhler, a member of the Supervisory Board since September 2017 and a rail sector expert, as Spokesman of the Executive Board. For this reason, Dr Albrecht Köhler resigned as member of the Supervisory Board with effect from 18 May 2018.

With effect from 30 April 2018, Helmut Meyer resigned as member of the Supervisory Board of Schaltbau Holding AG.

With effect from 6 June 2018, Dr Ralph Heck resigned as member of the Supervisory Board of Schaltbau Holding AG.

At the request of the Executive Board of Schaltbau Holding AG and in accordance with a court order dated 24 May 2018, Prof Thorsten Grenz was appointed as member of the Supervisory Board.

On 7 June 2018, the Annual General Meeting elected Ms Jeannine Pilloud, Dr Hans Fechner and Prof Thorsten Grenz as members of the Supervisory Board of Schaltbau Holding AG.

After the Annual General Meeting held on 7 June 2018, the newly composed Supervisory Board elected Dr Hans Fechner as its new Chairman. Prof Thorsten Grenz was appointed as Deputy Chairman.

The Annual General Meeting of Schaltbau Holding AG took place in Munich on 7 June 2018. With the exception of the ratification of the actions of Dr Ralph Heck, all of the proposed resolutions to be voted on received a sufficient majority.

### Schaltbau Sepsa Group

In November 2017, the Executive Board decided to put the Schaltbau 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”.

The IFRS 5 measurement effect of the Schaltbau Sepsa Group as at 30 June 2018 amounts to € 3,258,000. This amount represents a fair value adjustment and has been recognised in other operating income. There are currently no indications that the Executive Board might deviate from its intention to sell.

#### Sale of the 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 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 the necessary antitrust approval. The transaction was completed on 1 March 2018.

The sale involved the transfer of assets totalling € 42,347,000 and liabilities totalling € 11,266,000 (i.e. net assets of € 31,081,000). In addition, deferred taxes amounting to € 479,000 were released with income statement impact. A deconsolidation gain of € 11,000 was recognised on 1 March 2018.

In the consolidated financial statements as at 31 December 2017, the Pintsch Bubenzer Group has been accounted for as a disposal group in accordance with IFRS 5.

#### Share capital increase dated 19 February 2018 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) on the basis of a share capital increase against cash contributions with subscription rights for existing shareholders 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 were offset against capital reserves in accordance with IFRS – amounted to € 46,497,000.

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. All transaction costs, net of

deferred taxes, were offset against equity on 19 February 2018 when the share capital increase was recognised.

Repayment of bridge financing including deferred instalment payments and revocation of financial funds subject to access restrictions

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 € 25,000,000 bridge financing as well as deferred instalment payments and interest amounting to € 7,000,000 and € 465,000 respectively.

As soon as the bridge financing was repaid, restricted funds totalling € 15,550,000 (resulting from the share capital increase on 12 May 2017 and deposited in a fiduciary account) became available again and could be used by the Company to repay financial debts. The amount held on the fiduciary account at 31 December 2017 represented “restricted cash” in accordance with IAS 7 and was reported at that date in the line item “Other receivables”.

Exercise of option of minority shareholders in Schaltbau Transportation UK Ltd., Milton Keynes, United Kingdom (hereafter BOUK)

At 31 December 2017, via its subsidiary Gebr. Bode & Co. Beteiligungs GmbH, Kassel, Schaltbau Holding AG held 65% of the shares in BOUK. In the 2018 financial year, 34.8% of the shares were acquired from the minority shareholders at a purchase price of € 884,000.

### 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, further strategic options in connection with the Schaltbau Sepsa Group and ALTE Technologies S.L.U. were granted to the members of the Executive Board in 2018. The financing parties have approved the respective applications in the form of supplements to the credit agreement.

### Development of provisions for onerous contracts

Provisions for pending losses on onerous contracts went down during the six-month period by € 8,917,000 from € 11,704,000 at 31 December 2017 to € 2,787,000 at 30 June 2018. The vast majority of these provisions were recognised in previous years in connection with the "Level Crossing Technology" project in Denmark and the "Platform Screen Doors" project in Brazil.

Schaltbau and Bombardier Transportation have reached an agreement with Companhia Do Metropolitano de São Paulo ("Metro São Paulo") in Brazil on the modified continuation of the platform screen doors (PSD) project that has been ongoing since 2012. Accordingly, the provision for onerous contracts was reduced by € 7,090,000 with income statement effect.

### Restructuring provision

In December 2017, the employees and the Works Council in the Stationary Transportation Technology segment were informed about a detailed restructuring plan. In accordance with the requirements of IAS 37, the Company recognised 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.

### Impairment loss on intangible assets

As at 30 June 2018, the Schaltbau Group tested own work capitalised for impairment in accordance with IAS 36. In line with the example provided in IAS 36.107, the review resulted in the recognition of an impairment loss of € 1,516,000 on capitalised costs at the level of Pintsch Tiefenbach GmbH relating to the development of a signal control system with LED technology due to a lack of customer orders to date.

## 6. EXPLANTORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 6.1. COMPARABILITY

The consolidated income statement for the period ended 30 June 2018 includes two months of Pintsch Bubenzer Group figures on a pro-rata basis. The comparative figures for the period from 1 January to 30 June 2017 include the Pintsch Bubenzer Group for the full six-month period.

In order to ensure comparability of the consolidated income statement, the following table shows the income statement of the Pintsch Bubenzer Group:

in € 000	1.1.-30.6. 2018	1.1.-30.6. 2017
1. Sales	8,227	23,656
2. Change in inventories of finished and unfinished goods	820	390
3. Own work capitalised	-	269
<b>4. Total output</b>	<b>9,048</b>	<b>24,315</b>
5. Other operating income	64	554
6. Cost of materials	4,777	12,649
7. Personnel expense	2,831	8,298
8. Depreciation and amortisation	-*	768
9. Other operating expenses	1,118	3,651
<b>10. Profit/loss from operating activities (EBIT)</b>	<b>385</b>	<b>-497</b>
11. Financial result	-175	-398
<b>12. Profit/loss before tax</b>	<b>210</b>	<b>-895</b>
13. Income taxes	-74	-126
<b>14. Profit/loss for the period</b>	<b>136</b>	<b>-1,021</b>

\* No depreciation/amortisation recorded due to application of IFRS 5 with effect from December 2017

Assets and liabilities held for sale at 31 December 2017 included assets totalling € 38,518,000 and liabilities totalling € 8,730,000 in connection with Pintsch Bubenzer.

## 6.2. PERSONNEL EXPENSE / EMPLOYEES

In € 000	1.1.-30.6. 2018	1.1.-30.6. 2017
Wages and salaries	75,193	78,616
Social security, pension and welfare expenses	15,110	15,745
Personnel expense	90,303	94,361

## EMPLOYEES

	1.1.-30.6. 2018	1.1.-30.6. 2017
Employees	3,034	3,079

The employee figures disclosed were calculated on the basis of a weighted quarterly average for the period under report (including trainees, executives and board members). The lower expense reported for the current fiscal year mainly reflects the reduction in the workforce size due to the sale of the Pintsch Bubenzer Group.

## 6.3. RESULTS FROM INVESTMENTS

The Schaltbau Group's **investment result** comprises the "Result from at-equity accounted investments" and "Other results from investments".

In the reporting period up to 30 June 2018, the **result from at-equity accounted investments** includes the Group's share of the result from ordinary activities of BoDo Bode-Dogrusan A.S., Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. and Shenyang Pintsch Bamag Transportation Energy Equipment Co. Ltd.

#### 6.4. FINANCIAL RESULT

<b>In € 000</b>	<b>1.1.-30.6. 2018</b>	<b>1.1.-30.6. 2017</b>
Other interest and similar income	<b>1,206</b>	<b>307</b>
Interest and similar expenses	<b>-3,890</b>	<b>-6,326</b>
	<b>-2,684</b>	<b>-6,021</b>

Interest expenses include € 337,000 (January – June 2017: € 236,000) relating to the interest component of the allocation to the pension provision. The increase in interest income in the current fiscal year results primarily from a change in the present value of liabilities required to be recorded in the first half of 2018. Interest and similar expenses were lower than in the previous year due to loan repayments made during the current fiscal year.

#### 6.5. INCOME TAXES

<b>In € 000</b>	<b>1.1.-30.6. 2018</b>	<b>1.1.-30.6. 2017</b>
Income tax expense	<b>-2,511</b>	<b>-1,597</b>
Deferred tax expense (January – June 2017: income)	<b>-759</b>	<b>1,113</b>
	<b>-3,270</b>	<b>-484</b>

The income tax expense for the six-month period is calculated in accordance with IAS 34 “Interim Reporting” on the basis of the average tax rate that is expected for the full fiscal year. No deferred tax assets have been recognised on tax loss carryforwards in Germany, as the latest forecast positive result used for tax planning purposes is subject to uncertainty.

## 7. EXPLANTORY NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7.1. INVENTORIES

<b>In € 000</b>	<b>30.6.2018</b>	<b>31.12.2017</b>
Raw materials and supplies	<b>65,515</b>	<b>51,745</b>
Work in process	<b>37,192</b>	<b>30,073</b>
Finished products, goods for resale	<b>14,559</b>	<b>10,884</b>
Advance payments to suppliers	<b>1,410</b>	<b>1,572</b>
	<b>118,676</b>	<b>94,274</b>

Inventories went up from € 94,274,000 at the end of the previous fiscal year to € 118,676,000 at 30 June 2018, an increase of € 24,402,000 (+25.9%) over the six-month period. The increase related primarily to raw materials and supplies (+ € 13,770,000) and work in progress (€ 7,119,000). The increase relates to the Mobile Transportation Technology and Components segments and was caused by a number of factors, including a build-up of buffer inventories to cover the ramp-up of sales in the second half of 2018, project postponements and a general increase in replacement times.

Write-downs on inventories amounting to € 954,000 (January – June 2017: € 3,037,000) were recognised during period under report. Income from reversals of write-downs totalled € 611,000 (January – June 2017: € 984,000). Write-downs on inventories at the end of the reporting period totalled € 19,583,000 (31 December 2017: € 20,502,000).

## 7.2. RECEIVABLES AND OTHER ASSETS

<b>In € 000</b>	<b>30.6.2018</b>	<b>31.12.2017</b>
Trade accounts receivable	<b>104,600</b>	<b>91,869*</b>
Receivables from affiliated companies	<b>1,646</b>	<b>1,594</b>
Receivables from associated companies	<b>1,624</b>	<b>669</b>
Receivables from companies in which an investment is held	<b>12</b>	<b>292</b>
Income tax receivables	<b>559</b>	<b>1,471</b>
Trust account for restricted cash	<b>-</b>	<b>15,550</b>
Other assets	<b>8,503</b>	<b>7,290</b>
	<b>116,945</b>	<b>118,735</b>

\*See comments provided on IFRS 9

Allowances totalling € 4,882,000 (31 December 2017: € 4,512,000) were recognised on trade accounts receivable and other assets at the end of the reporting period.

Following the repayment of bridge financing in February 2018, cash funds amounting to € 15,550,000 held on a trust account were no longer restricted and became available for use by the Company. For further information, see the explanatory note on "SIGNIFICANT EVENTS".

## 7.3. CASH AND CASH EQUIVALENTS

<b>In € 000</b>	<b>30.6.2018</b>	<b>31.12.2017</b>
Cheques and cash on hand	<b>23</b>	<b>42</b>
Cash at bank	<b>12,494</b>	<b>25,255</b>
	<b>12,517</b>	<b>25,297</b>



#### **7.4. ASSETS AND LIABILITIES HELD FOR SALE**

In the fiscal year 2017, it was decided to sell Albatros S.L.U, Madrid, Spain and its subsidiaries (hereinafter referred to as the Schaltbau Sepsa Group) and Pintsch Bubenzer GmbH, Kirchen, including its five operating subsidiaries (hereinafter referred to as the Pintsch Bubenzer Group). The Pintsch Bubenzer Group was sold on 1 March 2018. The Schaltbau Sepsa Group is still up for sale. The accounting treatment applied for the Schaltbau Sepsa Group is unchanged from the Annual Report 2017.

The assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 30 June 2018 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 end 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 (Schaltbau Sepsa Group) at 30 June 2018 are shown in the following table.

## ASSETS

In € 000	30.6.2018	31.12.2017
Intangible assets	640	358
Property, plant and equipment	2,027	1,740
Inventories	11,201	9,620
Trade accounts receivable	4,530	6,792
Other current non-financial assets	877	868
Current income tax assets	64	61
Cash and cash equivalents	262	1,051
<b>Assets held for sale</b>	<b>19,602</b>	<b>20,495</b>

## EQUITY AND LIABILITIES

€ 000	30.6.2018	31.12.2017
Other non-current provisions	856	851
Other non-current financial liabilities	6,520	6,862
Other non-current non-financial liabilities	221	208
Other current provisions	1,036	1,196
Current financial liabilities	2,167	2,125
Trade accounts payable	7,129	5,661
Other current financial liabilities	590	906
Other current non-financial liabilities	1,660	2,557
<b>Liabilities held for sale</b>	<b>20,179</b>	<b>20,366</b>

## 7.5. CHANGES IN GROUP EQUITY

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

## 7.6. PROVISIONS

In € 000	30.6.2018	31.12.2017
<b>Non-current provisions</b>		
Pensions	36,591	37,505
Personnel	3,754	3,778
Warranties	491	599
Pending losses on onerous contracts	-	8,695
Other provisions	862	1,137
Other non-current provisions	1,353	10,431
	<b>41,698</b>	<b>51,714</b>
<b>Current provisions</b>		
Personnel	6,812	6,108
Current tax	1,227	847
Warranties	7,926	8,225
Outstanding supplier invoices	8,675	8,208
Pending losses on onerous contracts	2,787	3,009
Other provisions	4,294	3,204
Other current provisions	24,908	23,493
	<b>31,720</b>	<b>29,601</b>
Total provisions	<b>73,418</b>	<b>85,093</b>

With regard to the development of provisions for pending losses onerous contracts, please see section 5 "Significant events".

## 7.7. LIABILITIES

In € 000	30.6.2018	31.12.2017
<b>Non-current liabilities</b>		
Liabilities to banks	91,936	124,181
Finance lease liabilities	-	27
Other financial liabilities	935	978
Financial liabilities	<b>92,871</b>	<b>125,186</b>
Non-current contract liabilities*	<b>150</b>	-
Other liabilities	<b>8</b>	<b>595</b>
	<b>93,029</b>	<b>125,781</b>
<b>Current liabilities</b>		
Current income tax payable	<b>436</b>	<b>463</b>
Liabilities to banks	25,833	57,553
Finance lease liabilities	165	12
Other financial liabilities	160	986
Financial liabilities	<b>26,158</b>	<b>58,551</b>
Trade accounts payable	<b>45,671</b>	<b>46,442</b>
Current contract liabilities*	<b>17,094</b>	<b>12,758*</b>
Liabilities to affiliated companies	962	1,442
Liabilities to other Group entities	750	2,152
Sundry other liabilities	19,742	17,987
Other liabilities	<b>21,454</b>	<b>21,581</b>
	<b>110,812</b>	<b>139,795</b>
<b>Total liabilities</b>	<b>203,841</b>	<b>265,576</b>

\* As a result of the application of IFRS 15, the line item "Advance payments received" was renamed "Contract liabilities".

## 7.8. CONTRACT LIABILITIES

As a result of the first-time application of IFRS 15, the following items are shown in the new balance sheet line items “Current contract liabilities“ and “Non-current contract liabilities”. Comparative figures for the previous year have not been adjusted.

In € 000	30.6.2018	31.12.2017
<b>Current contract liabilities</b>		
Advance payments received	17,094	12,758
	17,094	12,758
<b>Non-current contract liabilities*</b>		
Accrued extended warranties	150	-
	150	-

## 7.9. DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of all financial instruments recognised in the consolidated financial statements of Schaltbau Holding AG in accordance with IFRS 9 as at 30 June 2018. The presentation compared to the end of the previous fiscal year has been changed in order to improve the clarity and informational value of the table.

30.6.2018 in € 000	Category IFRS 9	Carrying amount	Fair value	Level pur- suant to IFRS 13
<b>Assets-side financial instruments</b>				
Trade accounts receivable*	AC	104,600	n/a*	n/a
Other receivables and assets*	AC	11,785	n/a*	n/a
thereof not measured in accordance with IFRS 9	n/a	2,466	n/a	n/a
thereof derivatives designated for hedge accounting	n/a	15	n/a	n/a
Cash and cash equivalents*	AC	12,517	n/a*	n/a
<b>Total assets excluding assets held for sale</b>		<b>126,436</b>		
<b>Assets-side financial instruments held for sale</b>				
Trade accounts receivable*	AC	4,530	n/a*	n/a
Cash and cash equivalents*	AC	262	n/a*	n/a
<b>Total assets held for sale</b>		<b>4,792</b>		
<b>Liabilities-side financial instruments</b>				
Non-current financial liabilities	FLAC	92,871	92,955 (31.12.2017: 125,250)	2
Non-current other liabilities	n/a	8	n/a	n/a
thereof not measured in accordance with IFRS 9	n/a	8	n/a	n/a
Current financial liabilities	FLAC	26,158	n/a*	2
thereof not measured in accordance with IFRS 9	n/a	165	n/a	n/a
Trade accounts payable*	FLAC	45,671	n/a*	n/a
Other liabilities*	FLAC	21,454	n/a*	n/a
thereof not measured in accordance with IFRS 9	n/a	50	n/a	n/a
thereof derivatives designated for hedge accounting	n/a	283	n/a	n/a
thereof stand-alone derivatives	n/a	90	n/a	n/a
<b>Total liabilities excluding liabilities in conjunction with assets held for sale</b>		<b>185,938</b>		
<b>Liabilities-side financial instruments – liabilities in conjunction with assets held for sale</b>				
Non-current financial liabilities	FLAC	6,520	n/a* (31.12.2017: 8,536)	2
Current financial liabilities	FLAC	2,167	n/a*	2
Trade accounts payable*	FLAC	7,129	n/a*	n/a
Other current financial liabilities*	FLAC	590	n/a*	n/a
<b>Total liabilities: liabilities in conjunction with assets held for sale</b>		<b>16,406</b>		

\* Fair value not disclosed separately, given that the carrying amount represents an appropriate approximation.

Total carrying amounts per measurement category (in € 000)		30.6.2018
AC	Amortised cost	131,213
FVPL	Fair value through profit and loss	-
FLAC	Financial liabilities at amortised cost	201,972

### Fair value hierarchy:

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)

There were no reclassifications of fair value measurements between level 1 and level 2 in the current or previous fiscal year. Similarly, there were no reclassifications within level 3 in connection with fair value measurements.

## 8. SEGMENTS

The Group's segment designations are product-oriented. The Group's business units are allocated to the segment for which they generate most of their sales. A detailed description of the three segments, "Mobile Transportation Technology", "Stationary Transportation Technology" and "Components" is provided in the Annual Report 2016 and in the Interim Group Management Report.

The column "Holding company, other consolidation items" comprises the activities of the holding company. This is influenced by the financing and advisory function of the holding company for the Group and by the income tax group arrangements in place in Germany. The expenses from these tax group arrangements are not recharged to the subsidiaries concerned. By contrast, expenses incurred for providing centralised services (e.g. the maintenance and operation of the SAP system) are recharged. The financial reporting principles used for segment reporting correspond to those used in the consolidated financial statements.

## Reconciliations

In € 000	Sales		In € 000	EBIT	
1.1.-30.6.	2018	2017	1.1.-30.6.	2018	2017
Total sales of segments	252,527	235,567	Total EBIT of segments	15,036	1,496
Other sales	2,348	1,811	Other EBIT	-5,559	-6,227
Consolidation	-3,358	-2,477	Consolidation	-44	39
Sales as per income statement	<b>251,517</b>	<b>234,901</b>	EBIT as per income statement	<b>9,433</b>	<b>-4,692</b>

In € 000	Assets		In € 000	Liabilities	
30.6.	2018	2017	30.6.	2018	2017
Total segment assets	446,125	481,967	Total segment liabilities	310,251	315,558
Other assets	212,967	105,886	Other liabilities	124,857	147,538
Consolidation	-240,664	-118,270	Consolidation	-132,670	-106,721
Group assets as per balance sheet	<b>418,428</b>	<b>469,583</b>	Group liabilities as per balance sheet	<b>302,438</b>	<b>361,088</b>

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

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

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

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



## PRODUCT-BASED SEGMENT INFORMATION

Disclosures in € 000 1.1. – 30.6.	Mobile Transportation		Stationary Transportation	
	2018	2017	2018	2017
Order intake (external)	170,521	163,828	53,314	53,873
Sales	147,474	125,585	30,016	47,079
- thereof external	146,881	125,161	30,016	47,079
- thereof with other segments	593	424	0	0
Order book (external)	373,633	319,466	71,410	84,200
EBITDA	2,025	2,907	2,401	-3,849
Loss before tax and financial result (EBIT)	-662	-2,237	-126	-5,594
Loss before tax and financial result (EBIT) and exceptional items	-662	-2,237	-5,057	-5,594
Profit/loss of companies accounted for using the equity method	90	323	-80	0
Other investment result, net	2	0	0	0
Interest income	213	277	272	240
Interest expense	-2,759	-1,892	-504	-927
Income taxes	-754	207	108	-867
Segment / Group loss for period	-3,870	-3,322	-332	-7,148
Expenditure for investments	20	5,086	0	51
Capital expenditure <sup>1)</sup>	2,435	4,610	16	1,668
Depreciation and amortisation <sup>1)</sup>	-2,687	-5,144	-2,528	-1,745
Impairment losses (excluding investments)	-609	-322	-10	-2
Reversals of impairment losses (excluding investments)	112	-97	0	0
Other significant non-cash expenses	-5,698	1,685	3,759	-3,881
Segment assets <sup>2)</sup>	219,856	219,445	74,152	111,557
At-equity accounted investments	7,020	8,052	301	267
Capital employed <sup>3)</sup>	161,919	173,825	34,349	76,247
Segment liabilities <sup>4)</sup>	180,125	140,613	48,858	89,960
Employees (average number)	1,764	1,657	446	642
EBIT margin <sup>5)</sup>	-0.4%	-1.8%	-0.4%	-11.9%
Return on capital employed <sup>6)</sup>	-0.8%	-2.6%	0.7%	-14.7%

Components		Sub-total		Holding, reconciling items		Schaltbau Group	
2018	2017	2018	2017	2018	2017	2018	2017
77,942	77,952	301,777	295,653	114	40	301,891	295,693
75,037	62,903	252,527	235,567	-1,010	-666		
74,506	62,619	251,403	234,859	114	42	251,517	234,901
531	284	1,124	708	-1,124	-708		
88,140	87,999	533,183	491,665	0	0	533,183	491,665
18,032	11,834	22,459	10,892	-5,280	-5,943	17,178	4,949
15,824	9,327	15,036	1,496	-5,603	-6,188	9,433	-4,692
15,824	9,327	10,105	1,496	-3,503	-6,188	6,602	-4,692
0	0	9	323	0	0	9	323
0	0	2	0	0	0	2	0
24	29	508	546	698	-239	1,206	307
-1,016	-612	-4,280	-3,431	389	-2,897	-3,890	-6,328
-1,190	-850	1,836	-1,510	-1,434	1,026	-3,270	-484
13.641	7.894	9.439	-2.576	-5.949	-8.298	3.490	-10.874
50	0	70	5,137	0	0	70	5,137
1,175	1,315	3,627	7,593	881	114	4,507	7,707
-2,202	-2,507	-7,417	-9,396	-322	-245	-7,739	-9,641
-653	-697	-1,273	-1,021	0	0	-1,273	-1,021
549	-121	661	-218	0	0	661	-218
-4.305	-3.668	-6.243	-5.864	-3.548	-890	-9.791	-6.754
152,116	150,965	446,125	481,967	-27,697	-12,384	418,428	469,583
0	0	7,321	8,319	0	0	7,321	8,319
119,686	109,689	315,954	359,761	-9,497	-10,759	306,457	349,002
81,267	84,985	310,251	315,558	-7,813	45,530	302,438	361,088
798	756	3,008	3,055	26	24	3,034	3,079
21.1%	14.9%					3.8%	-2.0%
26.4%	17.0%					6.2%	-2.7%

\*1) = In/on intangible assets and property, plant and equipment

\*2) = Balance sheet total

\*3) = Working capital (inventories – advance payments received – trade accounts payable plus non-current assets excluding deferred taxes

\*4) = EBIT / external sales

\*5) = EBIT/ Capital employed (EBIT during year extrapolated to annual amount)

## 9. CASH FLOW STATEMENT

### Composition of cash funds

Cash funds comprise:

<b>In € 000</b>	<b>30.6.2018</b>	<b>1.1.2018*</b>	<b>31.12.2017</b>
Cash and cash equivalents (continued operations)	<b>12,517</b>	<b>25,308</b>	<b>25,308</b>
Cash and cash equivalents (discontinued operations)	<b>262</b>	<b>1,056</b>	<b>1,056</b>
Current account liabilities	<b>-</b>	<b>-</b>	<b>-14,196</b>
	<b>12,779</b>	<b>26,364</b>	<b>12,168</b>

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. They were included in the calculation of cash funds for the first time with effect from the third quarter 2017. In conjunction with this change, the cash management balance has been reported with effect from the third quarter 2017 as part of cash flows from financing activities and not in cash funds.

\* Due to the decision taken by the IFRS IC in June 2018, current account liabilities are required to be reported as part of cash flows from financing activities. Accordingly, the calculation and presentation of the relevant items are been adjusted. As this represents a change in accounting policy, as at 1 January 2018, the amount of the cash funds was adjusted to € 26,364,000.

<b>In € 000</b>	<b>30.6.2017</b>	<b>31.12.2016</b>
Cash and cash equivalents	<b>25,544</b>	<b>30,825</b>
Cash management account	<b>-799</b>	<b>352</b>
	<b>24,745</b>	<b>31,177</b>

## 10. OTHER DISCLOSURES

### 10.1. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In € 000	30.6.2018	31.12.2017
<b>Other financial commitments</b>		
Rental and lease expenses	14,618	12,970
Other commitments	2,329	2,350

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 € 4,327,000 (end of 2017: € 4,286,000), between one and five years € 9,951,000 (end of 2017: € 7,260,000) and later than five years € 2.668,000 (end of 2017: € 1,424,000).

As at 30 June 2018, Group guarantees amounted to € 35,237,000 (end of 2017: € 38,451,000) and bank guarantees to € 26,539,000 (end of 2017: € 20,950,000). The Company estimated the likelihood of utilisation at significantly less than ten per cent.

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

At the end of June 2018, guarantees totalling € 12,540,000 (end of 2017 € 15,107,000) were in place in connection with the "Assets held for sale" reported for the Schaltbau Sepsa Group.

## 10.2. RELATED PARTY RELATIONSHIPS

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

	Volume of services performed		Volume of services received	
	1.1.-30.6.2018	1.1.-30.6.2017	1.1.-30.6.2018	1.1.-30.6.2017
	€ 000	€ 000	€ 000	€ 000
Associated companies				
Goods and services	1,560	127	1,615	1,111
Other transactions	0	0	0	0
Non-consolidated companies				
Goods and services	3,982	4,840	1,500	1,754
Other transactions	56	61	277	752

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.

	Receivables		Payables	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	€ 000	€ 000	€ 000	€ 000
Associated companies	1,624	5,872	750	328
Non-consolidated companies	1,658	5,935	962	1,189

Schaltbau Holding AG has engaged Noerr LLP 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.

Schaltbau Holding AG concluded a consulting agreement 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 (at that stage a member of the Supervisory Board of Schaltbau Holding AG). The subject of the consulting agreement was to provide support at Bode Kassel GmbH & Co. KG in Kassel in the preparation and implementation of a restructuring plan as well as in the strategic advancement of the three business segments (rail, road and automotive).

### **10.3. GOING-CONCERN STATUS**

The interim financial statements for the period ended 30 June 2018 have been drawn up on the basis of the going-concern principle. This assessment of the Group's status takes account of all available information affecting future developments.

In response to the challenges of bringing the Schaltbau Group's net financial debt to annual EBITDA back to an economically viable ratio and securing long-term debt financing ("financial risks"), the Company executed two successful share capital increases in May 2017 and February 2018 and sold the industrial brake specialist Pintsch Bubenzer GmbH. These transactions resulted in more than € 90 million of cash inflows, which improved the Group's liquidity situation significantly. The repayment of the bridge financing (€ 25 million) together with deferred interest also contributed to an improvement in net financial debt.

Nevertheless, even after these measures, the Schaltbau Group is still exposed to risks that could have an adverse effect on its future development. It reports financial liabilities of up to € 100 million, most of which relates to the syndicated credit that falls due for repayment at the end of 2019. At 30 June 2018, financial liabilities and guarantees utilised by the Schaltbau Group totalled € 40.2 million (31 December 2017: € 72.9 million). Furthermore, the creditors of the two promissory notes with a total volume of € 70 million have been granted an option to terminate the loan agreement by giving six months' notice to the end of 2019.

An extraordinary right of termination also applies in the event that certain conditions or ancillary obligations of the financing agreements are not complied with. Early termination could have a significant impact on the Schaltbau Group's results of operations, financial and net assets position and, in the worst case, endanger its existence. Given that certain operational and strategic measures continue to require the approval of the respective lenders, the Schaltbau Group may – among other things – be restricted in making sensible investments, thereby impairing its operations and competitiveness.

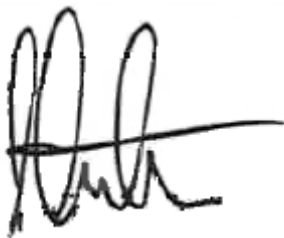
#### 10.4. EVENTS AFTER 30 JUNE 2018

There have been no significant events after the end of the reporting period which have a significant impact on the Group's net assets, financial position and results of operations.

Munich, 6 August 2018

Schaltbau Holding AG

The Executive Board



Dr Albrecht Köhler  
Spokesman (CEO)



Thomas Dippold  
CFO



Dr Martin Kleinschmitt  
CRO

## Disclaimer

Some of the assertions made in this report may be similar in character to forecasts or may be interpreted as such. The assertions are made to the best of the knowledge and belief of management and apply, in accordance with the nature of such asserts, on the condition that there are no massive contraction of the markets relevant for the Schaltbau Group and in the specific market position of the individual group entities and that the forecasting assumptions turn out to be appropriate, both in terms of scale and timing. The Company does not assume any responsibility for updating forward-looking assertions.

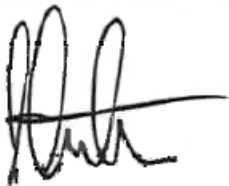
## Responsibility statement

“To the best of our knowledge, and in accordance with the applicable principles for half-year financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group, and the Interim 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 for the remaining months of the financial year.”

Munich, 6 August 2018

Schaltbau Holding AG

The Executive Board



Dr Albrecht Köhler  
Spokesman (CEO)



Thomas Dippold  
CFO



Dr Martin Kleinschmitt  
CRO



## Review report

To Schaltbau Holding AG, München

We have reviewed the condensed consolidated interim financial statements - comprising the condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes - and the interim group management report of Schaltbau Holding AG, München for the period from January 1, 2018 to June 30, 2018 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, August 6, 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer  
Wirtschaftsprüfer  
(German Public Auditor)

Michael Popp  
Wirtschaftsprüfer  
(German Public Auditor)

## **Imprint**

This Group Interim Report as of 30 June 2018 was published on 8 August 2018 in a German and an English version. The report was at first compiled in German language, the English translation is non-binding. In case of doubt, the German version of the report shall apply.

### **PUBLISHED BY**

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### **SCHALTBAU ON THE INTERNET**

More information on Schaltbau can be found at [www.schaltbau.com](http://www.schaltbau.com)

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