SMART SOLUTIONS FOR POWER AND MOBILITY

ANNUAL REPORT 2018

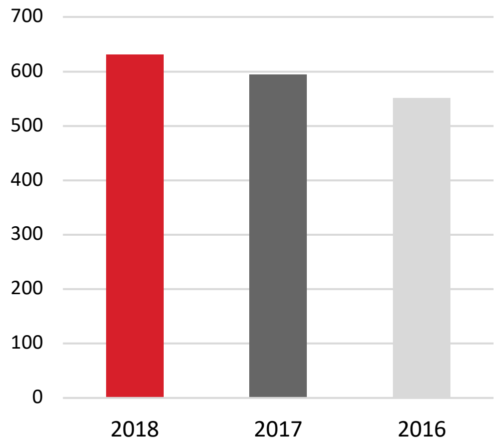
SCHALTBAU

		2018	2017	2016	2015	2014
Order situation						
Order intake	EUR million	631.3	594.0	551.2	512.0	449.4
Order book at year-end	EUR million	583.0	508.3	429.8	334.3	281.9
Income statement						
Sales	EUR million	518.3	516.5	509.1	502.3	429.6
Total output	EUR million	523.4	533.2	506.4	506.4	440.3
EBITDA	EUR million	22.5	20.1	16.4	46.5	38.3
EBIT	EUR million	-7.3	-23.0	-14.5	33.4	27.3
EBIT margin	%	-1.4	-4.4	-2.8	6.7	6.4
Group net profit	EUR million	-14.1	-49.6	-12.0	22.5	29.1
— thereof attributable to Schaltbau Holding AG	EUR million	-16.5	-51.7	-15.8	16.8	24.8
Return on capital employed	%	-2.7	-8.3	-4.2	10.0	10.6
Balance sheet at year-end						
Fixed assets	EUR million	133.0	150.6	179.2	184.8	134.1
— Capital expenditure	EUR million	12.9	10.0	11.6	15.0	15.4
— Amortisation and depreciation	EUR million	8.7	13.0	9.6	8.6	7.4
Working capital	EUR million	139.4	126.9	161.9	151.1	122.6
Capital employed	EUR million	272.4	277.5	341.1	335.9	256.7
Equity	EUR million	93.8	70.6	107.1	124.8	112.5
Net financial liabilities	EUR million	100.4	158.4	148.0	129.6	79.7
Balance sheet total	EUR million	396.8	452.0	459.1	445.8	361.2
Cash flow statement						
Cash flows from operating activities	EUR million	-6.2	10.5	25.8	29.4	26.5
Cash flows from investing activities	EUR million	28.1	-34.3	-18.2	-49.0	-38.4
Cash flows from financing activities*	EUR million	-26.3	19.9	-8.7	25.2	24.1
Change in cash funds*	EUR million	4.5	-4.8	-1.5	6.2	13.0
Personnel						
Employees at year-end		3,157	3,370	3,370	3,050	2,651
Average number of employees		2,998	3,094	2,925	2,706	2,270
Personnel expense	EUR million	177.2	186.9	171.3	159.3	138.2
Personnel expense per employee	TEUR	59.1	60.4	58.6	58.9	60.9
Total output per employee	TEUR	174.6	172.3	173.1	187.2	194.0
Earnings per share (undiluted)	EUR	-1.93	-8.04	-2.61	2.80	4.04
Earnings per share (diluted)	EUR	-1.93	-8.04	-2.61	2.80	4.04
Dividend per share for the year	EUR	0.00	0.00	0.00	1.00	1.00
Stock market price at year-end**	EUR	21.50	26.94	30.76	51.00	42.07
Market capitalisation at year-end	EUR million	190.3	178.1	189.2	313.8	258.8
Schaltbau Holding AG's equity at year-end						
Subscribed capital	TEUR	10,780	8,064	7,506	7,506	7,506
Equity	EUR million	56.6	30.6	41.1	58.0	67.2
Equity ratio	%	30.7	14.6	21.6	28.1	40.0

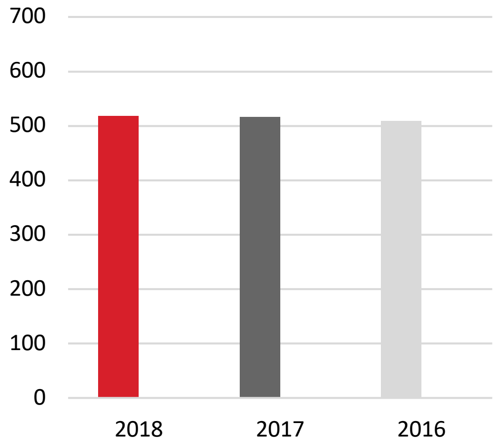
* Until 2016, cash funds include current account liabilities, from 2017 the change in current account liabilities is contained in the cash flows from financing activities. Numbers for 2017 are adjusted vs. disclosure in the Annual Report 2017 (= cash funds include current account liabilities).

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

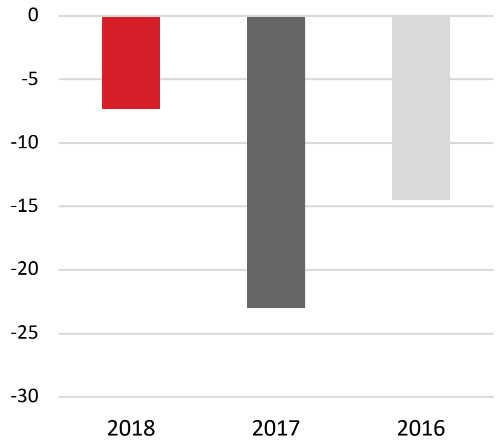
Order intake in EUR million



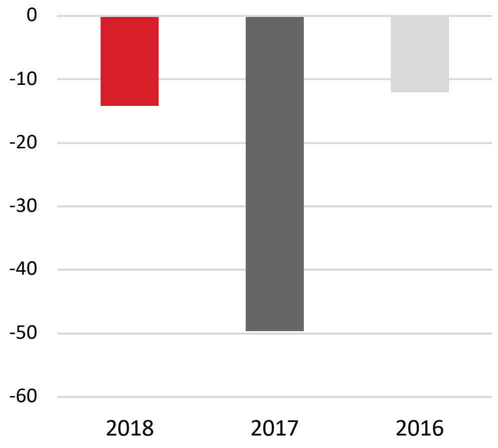
Sales in EUR million



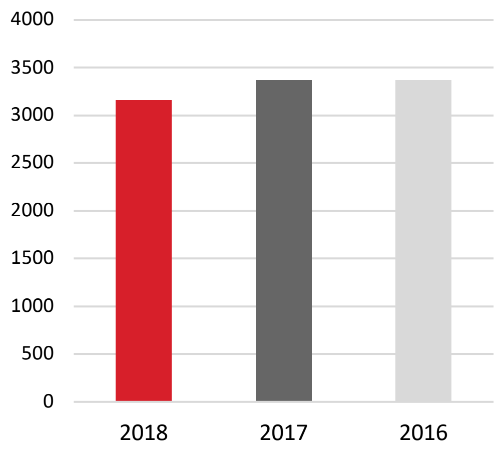
EBIT in EUR million



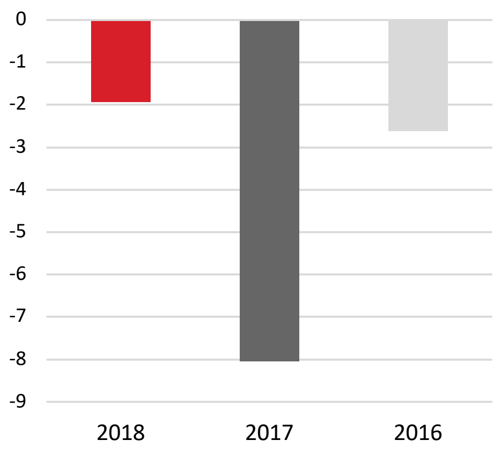
Group net profit in EUR million



Employees at year-end



Earnings per share in EUR



"In 2019, improvements in operating performance will be even more broadly based. Not only do we expect to grow our business with boarding systems for rolling stock and buses through higher volumes and additional smart door features, we are also seeing growing demand for our components in state-of-the-art DC applications."

Dr Albrecht Köhler,
Spokesman of the Executive Board

MEMBERS OF THE EXECUTIVE BOARD

The Executive Board of Schaltbau comprises three highly experienced experts in their respective fields who are fully committed to bringing the Company back on track for success on a sustainable basis.

Dr Albrecht Köhler (born in 1951)
Spokesman of the Executive Board, Chief Executive Officer (CEO) since 19 May 2018

He is directly responsible at Schaltbau for corporate development, personnel, communication, and control of the Components segment as well as the Group-wide design and implementation of restructuring measures. Prior to joining Schaltbau, Dr Albrecht Köhler over three decades gained a wealth of strategic and operational expertise in various executive sales and operations positions, at Deutsche / Daimler-Benz / DaimlerChrysler Aerospace (today part of Airbus), among other organisations, and afterwards at Knorr Bremse where he acted as a managing director of the rolling stock business unit for many years. Building on this experience, he became Deputy CEO at the Russian utility vehicle maker GAZ Group, and finally acted as freelance interim CEO / COO, before taking the CEO role at Schaltbau in 2018.

Dr Albrecht Köhler holds a PhD in mechanical engineering.

Volker Kregelin (born in 1963)

Chief Officer for Mobile and Stationary Transportation Technology since 1 December 2018

His activities at Schaltbau focus on managing the segments Mobile and Stationary Transportation Technology. In this role, Volker Kregelin applies comprehensive leadership, sales and operations know how gained in over twenty years. In the early days of his professional life he proved himself in various capacities at Siemens Verkehrstechnik and Adtranz / Bombardier Transportation in the areas of rail infrastructure and railway traction vehicles. He then took responsibility for manufacturing sites worldwide at intralogistics expert Dematic. Later in his career he returned to Bombardier Transportation where he took over management responsibility for the stationary transportation technology in Germany. After that, in the role of sales head Germany he further developed business relations in the area of mobile transportation technology, before joining Schaltbau.

Volker Kregelin holds a degree in engineering and a supplementary degree in economics. He comes with multi-year international experience obtained in Eastern Europe and in Asia.

Thomas Dippold (born in 1972)

Member of the Executive Board, Chief Financial Officer (CFO) since 1 January 2017

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

Thomas Dippold holds a degree in economics and is Master of Business Administration.

Executive Board mandates ended in 2008 and beyond

Dr. Bertram Strausberg
Spokesman of the Executive Board, Chief Executive Officer (CEO)
until 18 May 2018

Dr. Martin Kleinschmitt
Member of the Excutive Board, Chief Restructuring Officer (CRO)
until 31 March 2019

Letter to shareholders

Dear Shareholders and Business Partners,

After first signs of progress in 2017, Schaltbau has, over the past twelve months, made considerable headway as it steers its way out of crisis towards regaining its former sustainable strength. With revenue of EUR 477.7 million, excluding companies either sold or put up for sale during the year, we have grown organically by 12.1% and achieved an operating profit equivalent to 3.3% of revenue. In the final analysis, revenue for the fiscal year under report was at the lower end of the range and earnings were slightly above the levels forecast in the outlook in April 2018. This performance represents a milestone on our way back to attaining our former operating margin of 7 – 9% of revenue, which we wish to accomplish on a sustainable basis through substantial revenue growth and additional cost-cutting measures by 2021, by which time we also expect to be able to pay a dividend.

Looking at the details, in 2018 we initially took major steps to reduce our short- and medium-term borrowings by means of a successfully implemented share capital increase and the sale of the industrial brake systems specialist Pintsch Bubenzer. We then used the financial headroom gained to push ahead with the ongoing strategic realignment of the Group. We focused in particular on ensuring appropriate structures for customer project contracts in the Mobile and Stationary Transportation Technology segments and on realigning production processes within the Bode Group, which accounts for the major part of Mobile Transportation Technology revenue. Accounting for just under half of Group revenue, it also provides the greatest leverage for improving margins. The decision to merge the key locations within the Pintsch Group and implement further process improvements in the Stationary Transportation Technology segment enabled us to generate a positive contribution to earnings.

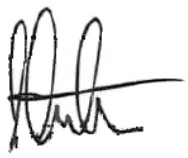
The organic growth achieved in the fiscal year 2018 was mainly attributable to considerably higher demand for door systems for rolling stock on the one hand and sliding side doors for box bodies in the StreetScooter project at Deutsche Post DHL on the other. A further reason was the higher revenue generated on the back of increased demand for components, particularly for DC energy storage systems and the refurbishment of rolling stock.

Apart from the progress made in operations, we have also managed to almost completely eliminate our legacy liabilities:

- Collaboration with Bombardier enabled Schaltbau to continue the platform screen doors project in Brazil in a modified form, which means we are now limited to supplying materials for the doors and are no longer responsible for installing the systems themselves. These modified conditions also enabled us to reverse a significant amount of the provisions previously recognised for pending losses on onerous contracts.
- Due to disappointing results, we recognised impairment losses relating to Alte, a subsidiary that produces sanitary systems for trains, before putting it up for sale at the beginning 2019, just as we did at the end of 2017 with Sepsa, a subsidiary that supplies train manufacturers with information systems and on-board electrical equipment. With these measures, we have almost completely eliminated the accounting risks attached to these two investments.

In 2019 we will be able to achieve further cost reductions, mainly due to the measures and continual improvements initiated in 2018. Furthermore, improvements in operating performance will be even more broadly based. Not only do we expect to grow our business with boarding systems for rolling stock and buses through higher volumes and additional smart door features, we are also seeing growing demand for our components in state-of-the-art DC applications such as wind power and photovoltaic systems as well as electrically powered buses and passenger cars. To sum up, for the fiscal year 2019, excluding the two companies Sepsa and Alte, which have both been put up for sale, we expect to generate revenue in the region of EUR 480 – 500 million, which represents organic growth of about 6 – 10%, with an operating EBIT margin of about 5 – 6%.

2 April 2019



Dr Albrecht Köhler
Spokesman of the Executive Board

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SUPERVISORY BOARD

Members of the Supervisory Board

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

Prof Dr Thorsten Grenz
Deputy Chairman of the Supervisory Board since 7 June 2018
Unternehmensberater

Andreas Knitter
Member of the Supervisory Board since 8 June 2017
Unternehmensberater

Jeannine Pilloud
Member oft he Supervisory Board since 7 June 2018
Delegate for the industry development of
public transport in Switzerland
Swiss Federal Railways SBB

Achim Stey
Member oft he Supervisory Board since 26 June 2018
Employee Representative

Herbert Treutinger
Member oft he Supervisory Board since 13 September 2017
Employee Representative

Report of the Supervisory Board

Dear Shareholders and Friends of the Company

During 2018, Schaltbau Holding AG continued its rigorous implementation of the restructuring measures initiated in the previous fiscal year. Revenue grew organically by 12% year-on-year, almost compensating for the loss of revenue caused by the sale of Pintsch Bubenzer GmbH on 1 March 2018. This performance is testimony to the attractiveness and value of the Schaltbau Group's solutions and products to its customers. However, this fact cannot be taken for granted, considering that the Schaltbau Group has been undergoing restructuring since the end of 2016 and that the process has not yet been concluded.

Compared to previous years, organic growth has gained momentum, surpassing the average growth rate of each of the Group's relevant markets. In recent years, a high degree of customer orientation and innovative strength has enabled the Schaltbau Group's lead companies to attract and convince a constantly growing number of customers with their competitive solutions. Through its work, the Supervisory Board has supported this excellent operational performance.

During the past year, the newly elected Supervisory Board focused primarily on familiarising itself and providing constructive support to the Executive Board, which was also newly formed. I was elected to the Supervisory Board at the Annual General Meeting in June 2018, as were my colleagues Ms Jeannine Pilloud and Prof. Thorsten Grenz, whose official appointment by the court was confirmed by the shareholders at the Annual General Meeting. Mr Achim Stey also joined the Supervisory Board in his capacity as newly elected employee representative in June 2018. In May 2018, Dr Albrecht Köhler moved from the Supervisory Board to the Executive Board, where he is actively leveraging his wealth of sector experience to drive the restructuring process. He replaced Dr Bertram Stausberg, who resigned at the same time. The Executive Board was completed by the appointment of Volker Kregelin on 1 December 2018.

During the period under report, the Supervisory Board of Schaltbau Holding AG performed its duties in accordance with the law, the Company's Articles of Association and its rules of procedure. We advised the Executive Board on the management of the Schaltbau Group and monitored its activities on a regular basis. The Supervisory Board was directly involved in all decisions of fundamental importance to the Schaltbau Group at an early stage. The Executive Board reported regularly to the Supervisory Board in a prompt and comprehensive manner. The written and oral reports provided by the Executive Board focused on corporate planning, the course of business, strategic development and the current performance of the enterprise, with particular regard to its progress in terms of restructuring. Based on the Executive Board's reports, we extensively discussed current business performance as well as decisions and events of importance to the Schaltbau Group. Any variances in actual business performance to budget were explained to us in detail and were the subject of lengthy discussion at Supervisory Board meetings. The Executive Board coordinated the strategy of the Group in collaboration with the Supervisory Board. Both the Supervisory Board and its responsible committees thoroughly examined and discussed each of the Executive Board's proposed resolutions. Moreover, as Chairman of the Supervisory Board I was in regular contact with the Executive Board, particularly with its Spokesman, and was directly informed of current business developments as well as any transactions of significance.

On behalf of the entire Supervisory Board, I would like to thank all the employees of the Schaltbau Group for their great commitment and dedication during the fiscal year 2018. My thanks also go to the members of the Executive Board, who have enabled Schaltbau to make further progress in restructuring throughout a challenging year.

Last but not least, we particularly wish to thank you, our shareholders and faithful companions of Schaltbau. You have placed your trust in Schaltbau, its management team, and the passion and creativity of its employees amid a highly challenging market environment. We appreciate your support as a valuable asset and will do everything in our power to rigorously continue pursuing the path we have taken with a strong sense of purpose.

FOCAL POINTS OF SUPERVISORY BOARD MEETINGS

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

The Schaltbau Group's revenue and earnings performance as well as its net assets and financial position were subjects of regular discussion at Supervisory Board meetings. However, we also dealt with individual business transactions of corresponding importance as the occasion demanded. As in the previous year, the financial stabilisation and restructuring of the Schaltbau Group were subjects of intensive debate. A well-known international management consulting firm revised a restructuring report, provided the newly formed Supervisory Board with the latest version and, together with the Executive Board, explained the proposed restructuring plan to the Supervisory Board.

Topics dealt with by the Supervisory Board until 7 June 2018

At its meeting held on 18 January, the Supervisory Board was provided with a detailed presentation on the status of the sale of Pintsch Bubenzer GmbH. The proposed sale of the subsidiary Albatros S.L.U. ("Sepsa") was also discussed and the next steps agreed upon with the Executive Board. The progress of the planned share capital increase (with existing shareholders entitled to subscribe to the new shares) was a further subject of the meeting. The forecasts of the lead companies Gebr. Bode & Co. KG ("Bode") and the Pintsch Group, and of the Polish company Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. ("Rawag") were also presented to the Supervisory Board by the local management teams and the planning assumptions and developments discussed.

At the three unscheduled Supervisory Board telephone conference meetings held on 29 January, 30 January and 15 February, the Executive Board presented the status of the ongoing share capital increase and the further course of action was agreed upon.

On 13 April, the Supervisory Board meeting to approve the balance sheet was held at the plant of the components subsidiary Schaltbau GmbH in Velden. After a tour of the plant, resolutions were passed approving the consolidated financial statements and the Company financial statements. Strategic options and the status of efforts to sell Sepsa were subsequently discussed. The Supervisory Board then dealt intensively with compliance and auditing issues.

The three subsequent extraordinary Supervisory Board meetings, also held in the form of telephone conferences on 3 May, 4 May and 11 May, addressed changes to the composition of the Supervisory Board and the current status of efforts to sell Sepsa as well as Executive Board matters.

The Supervisory Board meeting held on 6 June was dedicated to discussing the course of the Annual General Meeting on the following day.

Topics dealt with by the current Supervisory Board

On 7 June, following the Annual General Meeting, the constituent meeting of the Supervisory Board took place, in which the chairmanship, the deputy chairmanship and the formation and composition of committees were all discussed and decided upon.

On 2 July, a Supervisory Board meeting was held in Dinslaken, Germany. After a tour of the plant and discussion with the local management team, the Executive Board provided the Supervisory Board with detailed information on the various business fields, the budget, the current business situation and financing. The sale of Sepsa and legal matters were also addressed with great diligence at the meeting.

A regular Supervisory Board meeting was held in Kassel on 24 September. After a tour of the plant and discussion with the local management team, the Supervisory Board discussed the Group's current business performance and the outlook for the entire fiscal year in detail. Furthermore, the Supervisory Board passed resolutions regarding individual consultant assignments that concerned functional topics at various Group locations. The individual issues in Spain, i.e. the sale of Sepsa and the business performance of Alte Technologies S.L.U. ("Alte"), were closely scrutinised and discussed at length. Initial ideas concerning future financing options were also presented at the meeting.

At the final meeting of the Supervisory Board for the fiscal year 2018, which was held on 3 December, the Executive Board presented the budget, which was adopted after in-depth discussion and deliberation. In connection with the appointment of Volker Kregelin, adjustments were also made to the allocation of responsibilities in the Executive Board. The business performance of Alte, the sale of Sepsa and various legal matters were also considered at length.

Furthermore, a number of resolutions were passed in the course of 2018 using circular procedures. The resolutions concerned related to changes in the management of subsidiaries of Schaltbau Holding AG and the decision to include the item "Conversion to registered shares" on the agenda of the Annual General Meeting on 7 June 2018. The Supervisory Board also voted in favour of Sepsa taking on the project to supply information and on-board electrical systems for newly built New York City Transit Authority subway carriages and the deployment of consultants to optimise the production and supply chain at Bode. The Board also approved a consultancy contract with Andreas Knitter for a limited time and fee. All of these decisions were taken unanimously.

COMMITTEE WORK

Committee work of the Supervisory Board until 7 June 2018

The Audit Committee met once prior to the Annual General Meeting, on 9 April 2018. In this meeting, the Executive Board and the auditors presented the Audit Committee with the annual and consolidated financial statements, the management report and the audit results. Further matters of discussion were the results of the successfully implemented share capital increase, the status of negotiations in a legal matter and the progress of efforts to sell Sepsa.

The Personnel Committee also met once in its previous composition prior to the Annual General Meeting, on 13 April following the regular Supervisory Board meeting, in order to discuss matters pertaining to the Executive Board.

Committee work of the new Supervisory Board

In accordance with the rules of procedure, the new Supervisory Board has formed four committees. These bodies prepare topics to be dealt with afterwards by the Supervisory Board and only take decisions on its behalf if the full Supervisory Board has delegated this task to them in accordance with statutory regulations. The chairpersons of these bodies report regularly and in detail to the Supervisory Board on the work of the respective committees.

The Strategy and Technology Committee advises the Executive Board on matters of strategy. The Strategy and Technology Committee focused primarily on implementing the various restructuring measures and also on the structural and strategic further development of the Schaltbau Group's core business, which can be achieved above all by sharpening the profile of the lead companies and clearly defining the roles of these entities both internally and externally. Investments and prospective business fields as well as ways of entering and developing them were also intensively discussed and approved. The Committee closely monitored the merger of the various Pintsch companies. The Strategy and Technology Committee met once during the reporting period.

The Audit Committee deals primarily with matters relating to ongoing business performance, monitors financial reporting and accounting processes. It also oversees the effectiveness of the internal control system, the internal audit and the risk management system. It accompanies and monitors the audit of the financial statements as well as the audit focus areas, an it requests confirmation from the auditor on his independence and the additional services provided by him. It also deals with various compliance issues.

The Personnel Committee prepares the personnel decisions to be made by the Supervisory Board. The Personnel Committee met twice in 2018, once in its previous configuration and once with the new members.

The Personnel Development Committee advises the Executive Board on issues relating to leveraging the potential of high achievers across lead companies and the development of internal career paths. The plan is to develop best-practice solutions and concepts for the rotation of specialists and managers for this purpose. The Personnel Development Committee met once in its new configuration.

The Audit Committee met five times in the fiscal year, four times thereof in its new configuration. In three of these meetings, representatives of the auditor took part. The first meeting, held on 6 August, considered the half-year financial statements presented by the Executive Board and the review of these financial statements by the auditor. The audit plan for the annual and consolidated financial statements was then discussed and approved. In the further course of the meeting, the Executive Board presented individual financing projects.

The Audit Committee meeting held on 24 September included presentations of the compliance system and the risk management system within the Schaltbau Group. In addition, the Executive Board presented the schedule for the budget and forecasting process.

The Audit Committee met again on 5 November and discussed the Group's third-quarter results. The Executive Board then provided the Committee with information on the tax compliance management system and current legal changes as well as financial accounting regulations. The audit focus areas concerning the annual and consolidated financial statements were discussed with the auditor.

On 3 December, the Audit Committee once again discussed and resolved the main audit focus areas for the audit of the annual financial statements and the consolidated financial statements.

The Personnel Committee convened once in its new configuration on 2 July to discuss Executive Board topics.

The Strategy and Technology Committee also convened once, on 26 November. The main subject of the meeting was the future business strategy of the Pintsch Group, which was discussed exhaustively with relevant members of the Executive Board.

Finally, the Personnel Development Committee also met once, on 19 September.

PERSONNEL CHANGES

The following personnel changes were made to the Executive Board in 2018:

- Dr Bertram Stausberg, formerly Spokesman of the Executive Board, resigned prematurely with effect from 18 May 2018.
- On 11 May 2018, the Supervisory Board appointed Dr Albrecht Köhler as new Chairman of the Executive Board with effect from 19 May 2018 until the end of 2020. Dr Köhler had already been a member of Schaltbau's Supervisory Board since September 2017 and has over three decades of industry-relevant sales and operations experience in management positions.
- Volker Kregelin was appointed as a member of the Executive Board with effect from 1 December 2018. In this role he is responsible for managing the Mobile and Stationary Transportation Technology segments. He has acquired the necessary management, sales and operations know-how through more than 20 years working for two major manufacturers of rolling stock and one intralogistics specialist.

With effect from 31 March 2019, Dr Martin Kleinschmitt resigned from his position as member of the Executive Board. Group planning and the implementation of restructuring measures are therefore now the direct responsibility of Dr Albrecht Köhler, Spokesman of the Executive Board. The legal department will now be the responsibility of CFO Thomas Dippold. Dr Martin Kleinschmitt will continue as a consultant to the Schaltbau Group until further notice.

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

Helmut Meyer resigned as member of the Supervisory Board with effect from 30 April 2018.
Dr Albrecht Köhler resigned from the Supervisory Board with effect from 18 May 2018 and became Spokesman of the Executive Board on 19 May 2018.
Previously Chairman of the Supervisory Board, Dr Ralph Heck, resigned from his position with effect from 6 June 2018.
At the request of the Executive Board of Schaltbau Holding AG and in accordance with a court ruling passed on 24 May 2018, Professor Thorsten Grenz was appointed as member of the Supervisory Board. On 7 June 2018, the Annual General Meeting of the Company's shareholders elected Dr Hans Fechner, Professor Thorsten Grenz and Ms Jeanette Pilloud as members of the Supervisory Board of Schaltbau Holding AG.
In a Supervisory Board meeting held directly after the Annual General Meeting on 7 June 2018, the Board elected Dr Hans Fechner as its new Chairman and Professor Thorsten Grenz as Deputy Chairman.
Mr Achim Stey was appointed to the Supervisory Board as employee representative in accordance with a court ruling dated 26 June 2018. As a result, the Supervisory Board was again composed of six members, in accordance with the Company's Articles of Association.

CORPORATE GOVERNANCE

An updated Declaration of Compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017 was adopted by circular resolution on 19 December 2018.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At its meeting to adopt the financial statements held on 13 April 2018, the Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for the fiscal year 2017 for both Schaltbau Holding AG and the Schaltbau Group. The external auditors were present and answered all of the Supervisory Board's questions. On this basis, the annual financial statements were adopted and the consolidated financial statements were approved. The Supervisory Board approved the statements regarding the further development of the Company and the disclosures pursuant to section 289 subsection 4 and section 315 subsection 4 of the German Commercial Code (HGB) as well as the corporate governance statement. On 13 April 2018, the Supervisory Board also adopted the Corporate Governance Report and the agenda for the shareholders' meeting held on 7 June 2018 and approved the report of the Supervisory Board.

At the proposal of the Supervisory Board, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements of the Company for fiscal year 2018 and to review the condensed consolidated financial statements and interim report for the first six months of 2018. Following the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Before the Supervisory Board proposed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as the external auditor of the annual and consolidated financial statements, the accountancy firm confirmed to the Chairman of the Supervisory Board in writing that there are no circumstances that could impair its independence as external auditor.

The external auditor audited the annual and the consolidated financial statements of Schaltbau Holding AG, the consolidated financial statements of the Schaltbau Group as at 31 December 2018 and the combined management report, together with the accounting systems, and issued and unqualified auditor's opinion in each case. The annual financial statements of Schaltbau Holding AG and the combined management report for Schaltbau Holding AG and the Group were prepared in accordance with German commercial law. Schaltbau's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and the supplementary provisions of German law pursuant to section 315e (1) of the German Commercial Code (HGB). The consolidated financial statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit to determine whether the consolidated financial statements comply with section 317 HGB and the EU Financial Statements Auditor Regulation in accordance with generally accepted standards in Germany for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and additionally in compliance with the International Standards on Auditing (ISA).

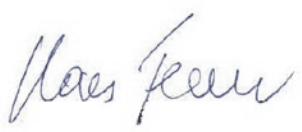
The documents for the annual financial statements, including the long-form audit reports prepared by the external auditor, were sent to all members of the Supervisory Board in a timely manner to ensure that the Supervisory Board could examine them with due care and thoroughness. The Supervisory Board held the meeting to adopt the financial statements on 29 March 2019 in the presence of the Company’s external auditors. At this meeting, the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group as at 31 December 2018, the combined management report, and the long-form audit reports were discussed in detail with the external auditor, who also reported on the course of the audit and its main findings as well as the key audit matters.

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

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

The Sustainability Report (CSR report) was reviewed by the internal audit department for correctness and completeness. The Audit Committee dealt with the audit activities of the internal audit department in multiple meetings. In its meeting on 29 March 2019, the Supervisory Board itself discussed and reviewed the CSR report in detail.

Munich, 29 March 2019



Dr Hans Fechner
Chairman of the Supervisory Board

COMBINED COMPANY AND GROUP MANAGEMENT REPORT

of Schaltbau Holding AG, Munich, for the fiscal year 2018

SCHALTBAU GROUP PROFILE

STRUCTURE AND BUSINESS MODEL

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

- Door and boarding systems for trains, buses and commercial vehicles
- Interior fittings, master controllers, driver's desk equipment and sanitary systems for rolling stock
- High- and low-voltage electrical components for rolling stock and other applications
- Complete level crossing systems
- Shunting and signal technology

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

ORGANISATIONAL STRUCTURE

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

- The **Mobile Transportation Technology segment** mainly comprises the Schaltbau Bode Group (Gebr. Bode GmbH & Co. KG and its subsidiaries) and Schaltbau Refurbishment GmbH. The segment also includes the Spain-based Alte Technologies S.L.U. ("Alte") and the Sepsa Group (Albatros S.L.U. and its subsidiaries), which was put up for sale in November 2017 and has since been accounted for in accordance with IFRS 5.[1]
- The **Stationary Transportation Technology segment** comprises the activities of the Pintsch Group (including Pintsch Bamag Antriebs- und Verkehrstechnik GmbH, Pintsch Tiefenbach GmbH, Pintsch Aben B.V. and their subsidiaries) in the Rail Infrastructure business field. The industrial brake systems business was sold with effect from 1 March 2018 (see "SIGNIFICANT EVENTS" in the additional explanatory notes to the consolidated financial statements).[2]
- The **Components segment** comprises the Schaltbau GmbH Group (i.e. Schaltbau GmbH and its subsidiaries).

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

1 Alte was put up for sale in February 2019 and has since also been accounted for in accordance with IFRS 5, similar to the Sepsa Group.
2 An agreement was signed on merging Pintsch Tiefenbach GmbH and the German branch of Netherlands-based Pintsch Aben B.V. into Pintsch Bamag Antriebs- und Verkehrstechnik GmbH. The latter was renamed Pintsch GmbH on 18 January 2019.

MANAGEMENT AND CONTROL

The Schaltbau Group is managed by the Executive Board of Schaltbau Holding AG, which comprised four members at 31 December 2018. The following changes were made to the Executive Board during the year 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. Within the scope of his activities as a member of the Executive Board, he is responsible for corporate development, marketing and sales, technology, investor relations, corporate communications, auditing, personnel and support for the subsidiaries.
- On 1 December 2018, Volker Kregelin was appointed as Executive Board member responsible for both the Mobile and the Stationary Transportation Technology segments.
- With effect from 31 March 2019, Dr Martin Kleinschmitt resigned from his position as Executive Board member in mutual agreement with the Supervisory Board. Prior to his resignation, he was responsible for updating and implementing the restructuring concept and providing the Schaltbau Group's companies with support in implementing the related restructuring measures. With effect from 1 April 2019, Dr Martin Kleinschmitt will continue to work for Schaltbau Holding AG on the basis of a mandate agreement entered into between the Company and Noerr Consulting AG on 25 February 2019. His consulting activities will then include support for M&A projects and the upcoming refinancing of the Schaltbau Group.

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

The Supervisory Board collaborates closely with the Executive Board and, in accordance with the Articles of Association, consisted of six members at the end of 2018. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management. Furthermore, the following changes were made to the composition of the Schaltbau Group's Supervisory Board during the year under report:

- With the sale of Pintsch Bubenzer GmbH on 1 March 2018, Thomas Farnschläder resigned as member of the Supervisory Board of Schaltbau Holding AG.
- With effect from 30 April 2018, Helmut Meyer resigned as member of the Supervisory Board of Schaltbau Holding AG.
- With effect from 18 May 2018, Dr Albrecht Köhler resigned as member of the Supervisory Board after being appointed as Spokesman of the Executive Board of Schaltbau Holding AG.
- At the request of the Executive Board of Schaltbau Holding AG and in accordance with a court ruling dated 24 May 2018, Professor 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 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 Deputy Chairman.
- In accordance with a court ruling dated 26 June 2018, Achim Stey was appointed to the Supervisory Board as employee representative.

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

Corporate governance and control within the Schaltbau Group are based on generally accepted standards, which are summarised in the Corporate Governance Statement in accordance with section 289f of the German Commercial Code (HGB). The Statement includes the Declaration of Compliance in accordance with section 161 of the Stock Corporation Act (AktG) issued on 19 December 2018 and the Corporate Governance Report in accordance with article 3.10 of the German Corporate Governance Code.

The current Corporate Governance Statement can be viewed at: https://schaltbaugroup.com/investor-relations/corporate-governance/corporate-governance-statement/.

In accordance with the requirements of the Act on the Strengthening of Non-Financial Reporting of Companies, which came into force in 2017, the Schaltbau Group is also required to publish non-financial information on environmental, social and employee issues, among other things, in its Company and Group Management Reports (CSR Directive Implementation Act). The non-financial report is part of the Sustainability Report 2018, which will be published simultaneously with the Annual Report 2018 and made available on the Schaltbau website.

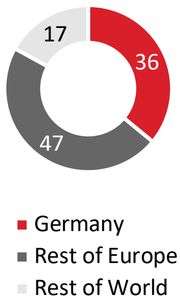
BUSINESS MODEL, MARKETS AND INFLUENCING FACTORS

The Schaltbau Group's revenue is primarily generated through the sale of subsystems and components in the field of rolling stock as well as in the automotive industry (including buses), where tried-and-tested rail applications such as boarding systems and sliding door systems are installed in commercial vehicles. Furthermore, the Schaltbau Group supplies customers with industrial applications, which generated a lower share of revenue in the fiscal year 2018 after the sale of the Pintsch Bubenzer Group in the first quarter of the year. The remaining business is attributable to products made by the Stationary Transportation Technology segment. From a regional perspective, the Group generates the major part of its revenue in Germany (2018: 36.3%; 2017: 34.9%) and the rest of Europe (2018: 46.6%; 2017: 42.3%).

The Schaltbau Group features a high degree of added-value depth across its business, whether in research and development, production or sales. Schaltbau Group companies conduct intensive development work in order to meet increasingly strict requirements in terms of quality, safety and availability. Expenditure in this field corresponded to 6.1% of total output during the year under report (2017: 7.3%). A high percentage of systems and components are developed and manufactured at sites within Germany. Schaltbau's international production and sales locations enable it to react quickly and flexibly to changing market requirements and meet the generally growing demand for local content to the extent economically viable. Schaltbau Group companies operate 30 (2017: 38) sales and production locations in 15 countries worldwide. Group companies maintain their own sales offices in regions of strategic importance and further areas are covered by external sales partners.

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

Sales 2018 by market
(in percentage)



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

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

COMPONENTS SEGMENT WITH "SCHALTBAU" AS THE MAIN BRAND

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

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

MOBILE TRANSPORTATION TECHNOLOGY SEGMENT WITH "BODE" AS THE MAIN BRAND

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

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

The Systems for Railway Vehicles product group comprises complete systems fitted with innovative safety technology and boarding equipment for trams, metros, suburban and regional trains as well as high-speed intercity trains. Its range of products makes the Schaltbau Bode Group one of the leading manufacturers in its field in Europe and it is positioning itself as a key partner for train manufacturers and railway systems suppliers worldwide. With its door systems for urban buses, coaches and commercial vehicles, the Schaltbau Bode Group is a leading supplier in Europe and integrated in many of the platforms of major manufacturers. The Systems for Road Vehicles product group comprises sliding doors with guide systems for box bodies as fitted, for example, in the all-electric StreetScooter as well as guide systems for the sliding side doors of commercial vans and passenger cars.

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

Schaltbau Refurbishment GmbH, which pools the activities of the entire Schaltbau Group for modernising rolling stock, also belongs to the Mobile Transportation Technology segment. Moreover, the company develops and supplies complete charging infrastructure solutions for electric vehicles.

At 31 December 2018, Alte Technologies S.L.U. ("Alte") and the Sepsa Group were still part of the Mobile Transportation Technology segment. Alte mainly produces complete sanitary systems and interior fittings made of fibre composites for rolling stock applications. Most of its products are manufactured at its site in Lliça de Vall, near Barcelona (Spain). The Sepsa Group, which has been put up for sale, manufactures systems for on-board information and communication as well as inverters for rolling stock. As in the previous year, the Sepsa Group is reported in the financial statements for the fiscal year 2018 as "Non-current assets held for sale". Alte was put up for sale in February 2019.

STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT WITH THE "PINTSCH" BRAND

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

STRATEGY

STRATEGIC AIMS

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

In 2018, the Group's financing structure was significantly improved by cash inflows from a share capital increase and the sale of its industrial brakes business. These two factors enabled Schaltbau to repay a bridge financing loan on schedule in the first quarter 2018 and to utilise an existing credit line to a far lesser extent since that point in time. Since the first quarter 2018, the aim has been to broaden the mix of debt financing instruments and extend financing terms.

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

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

STRATEGIC MEASURES

The most important measures are contained in the restructuring concept, which was drawn up at the beginning of 2017 in close collaboration with a management consulting firm and subsequently updated.

MEASURES TO STABILISE THE FINANCIAL POSITION

The liquidity measures implemented at the beginning of 2018 were a key prerequisite for restructuring the Schaltbau Group. The unsatisfactory business performance in recent years and a high outflow of cash – partly due to the considerable upfront expenditure required for the Platform Screen Doors project in Brazil, which was not offset by revenue, coupled with the cash required for the acquisition and financing of Alte and the Sepsa Group in Spain and the company SPII in Italy – resulted in a significant decline in cash and cash equivalents, which had to be covered by additional short-term borrowings in 2017. A subsequent bridge financing totalling EUR 25 million, plus deferred repayments totalling around EUR 7 million, were due for repayment by 28 February 2018. The above-mentioned borrowings were repaid on time in March 2018 out of the proceeds of EUR 28.4 million from the sale of the Pintsch Bubenzer Group (which was not considered strategically relevant for the Schaltbau Group) and from two share capital increases implemented in May 2017 and February 2018 respectively with cash inflows of EUR 15.5 million and EUR 46.5 million. The funds generated with these transactions were also used to reduce the utilisation of an existing EUR 100 million credit line as well as for operational purposes.

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

MEASURES TO IMPROVE COMPETITIVENESS

In order to implement the restructuring concept, the Executive Board continued the process – still uncompleted to a significant degree by the end of 2018 – of making contracts with customers even more market-oriented, boosting efficiency and optimising processes along the entire value chain in practically all of the Group's companies.

In 2018, the Schaltbau Group reached an agreement with Bombardier Transportation regarding a modified continuation of the contract to equip train stations in the São Paulo metro in Brazil with platform screen doors. The installation of these systems, previously carried out by the Schaltbau Group itself, is now no longer the responsibility of Schaltbau, which has considerably reduced the project risks for the Group.

In September 2018, due to a negative earnings performance, the Schaltbau Group recognised impairment losses of EUR 12.3 million on its investments in Alte and Bode UK. At the end of the year, further deteriorating economic developments resulted in additional negative earnings effects of EUR 1.7 million in conjunction with a further impairment test. The move substantially reduced the Schaltbau Group's risk exposure from an accounting perspective, thus making a significant contribution to the Group's stability going forward. In February 2019, Alte was ultimately put up for sale.

Furthermore, the Schaltbau Group has initiated a raft of operational restructuring measures aimed at significantly increasing profitability. These measures, some of which have either already been completed or are currently being implemented, include:

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

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

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

The detailed analysis of the entire range of products and services provided by the operating companies in terms of sales regions, market potential, competitive position and unique selling points has enabled the Executive Board to narrow down the Schaltbau Group's strategic focus. Going forward, investments designed to drive growth will be directed primarily towards further developing the Group's range of rolling stock and other mobility and logistics applications, mainly focusing on the Components segment and the Mobile Transportation Technology segment. The Group will only invest in the Stationary Transportation Technology segment if substantial additional and profitable business volume can be expected as a result.

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

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

Moreover, the Schaltbau Group's business model will be systematically supplemented to include services that can be provided across the entire life cycle of rolling stock and commercial vehicles. Schaltbau Refurbishment GmbH's range of products designed for modernising used rolling stock includes door systems and other product groups such as interior fittings. Digital features will also be deployed to help optimise the total cost of ownership (TCO) for operators. Furthermore, the range has been broadened to offer aftersales services that include repairs and maintenance. Expanding the range of services on offer has enabled the Schaltbau Group to supplement its product-related business, which mainly involves rolling stock manufacturers, to include services and activities required by railway operators. Schaltbau sees high potential for growth in the fact that the longer service life of rolling stock means an increased need for services, whereas the demand for refurbishment is simultaneously growing, due to the shorter innovation cycles of digital solutions.

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

KEY PERFORMANCE INDICATORS

At 31 December 2017 and with effect from 1 January 2018, Schaltbau defined order intake (as an early warning indicator), revenue, and profit/loss before financial result and taxes (EBIT) (before exceptional items) as its key financial performance indicators for the Group and its segments.

In 2018, the definition of exceptional items changed as follows compared with the definition used until the end of the previous year:

	Up to the end of 2017	Since the beginning of 2018
	Profit/loss before financial result and taxes (EBIT)	Profit/loss before financial result and taxes (EBIT)
+/-	Significant non-operating impairment losses in accordance with IAS 36	Significant non-operating impairment losses in accordance with IAS 36
+/-	Impairment losses due to classifications in accordance with IFRS 5	Impairment losses due to classifications in accordance with IFRS 5
+/-	Earnings impact arising on the sale of subsidiaries	Earnings impact arising on the sale of subsidiaries
+/-	One-time/significant restructuring measures	One-time/significant 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 significant impact on the net assets, financial position and results of operations
+/-	-	Exceptional earnings impact arising on write-downs of capitalised development costs

The table below shows the impact of the changed definition of exceptional items for the period from 1 January to 31 December 2018:

In kEUR	**1.1-31.12.2018 (old methodology)**	**1.1-31.12.2018 (new methodology)**
Loss from operating activities (EBIT) after exceptional items	**-7,292**	**-7,292**
Significant non-operating impairment losses in accordance with IAS 36	13,942	13,942
Impairment losses due to classifications in accordance with IFRS 5	3,786	3,786
Earnings impact arising on the sale of subsidiaries	564	564
One-time/significant restructuring measures	5,212	5,212
Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts	-	-3,206
Exceptional earnings impact arising on the derecognition of own work capitalised	-	2,990
Profit from operating activities (EBIT) before exceptional items	**16,212**	**15,996**

In the fiscal year 2018, in the line item "Significant non-operating impairment losses in accordance with IAS 36" the Company recognised impairment losses on goodwill relating to Alte (EUR 8.2 million) and Bode UK (EUR 2.3 million) as well as impairment losses on assets held by Alte (EUR 3.5 million).

The adjusted amounts shown in the line item "Impairment losses due to classifications in accordance with IFRS 5" result from an exceptional item in conjunction with the valuation of the Sepsa Group.

The "Earnings impact arising on the sale of subsidiaries" amounting to EUR 0.6 million relates to the sale of the Pintsch Bubenzer Group and the related negative earnings impact on EBIT. Taking deferred taxes and the interest result into account, the overall impact of deconsolidation was break-even.

The line item "One-time/significant restructuring measures" comprises costs relating to the implementation of the restructuring plan (legal and consulting costs), restructuring measures taken to reduce the number of employees working for the Bode Group and the Pintsch Group, changes to management structures at loss-making subsidiaries, costs for substantial CROs at the level of the parent company and the Sepsa Group, which has been put up for sale. Furthermore, expenses relating to potential calls on Group guarantees are also recognised in 2018. Reversals of provisions for restructuring measures relating to staff cuts within the Pintsch Group recorded one year earlier had an offsetting effect.

The line item "Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts" includes income of EUR 7.1 million 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 was 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 was first deployed in the course of a large-scale 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. The line item "Exceptional earnings impact arising on the reversal and allocation of provisions for pending losses on onerous contracts" also includes allocations to provisions in the Mobile Transportation Technology segment for a loss-making customer order amounting to EUR 2.5 million (EUR 2.4 million on a discounted basis) as well as allocations in the Stationary Transportation Technology segment amounting to EUR 1.5 million for the level crossing technology project in Denmark.

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

In general, the Company defines one-off/significant restructuring costs as one-off or delayed measures that may extend beyond a one-year period and have a significant impact on earnings. This includes costs incurred in conjunction with implementing the restructuring plan, particularly due to restructuring measures for staff cutbacks, reorganisation and changes in the management structure. They also include costs incurred to support companies with negative business and financial performance both operationally and financially through appropriate measures, including amounts relating to a significant change in operations or underlying business.

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

Further explanations and a breakdown of exceptional items by segment are provided in the segment report in the notes to the consolidated financial statements.

The following key performance indicators are also used at Group level:

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

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

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

REPORT ON ECONOMIC POSITION

GENERAL ECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT

According to preliminary calculations made by the International Monetary Fund (IMF), the world economy grew by 3.7% in 2018 (2017: 3.8%). Whereas growth rates in the USA, India, China, Japan, the emerging economies of Asia, and Russia performed roughly in line with forecasts published by the IMF in April and October 2018, growth in the eurozone and the UK in particular failed to meet expectations – not least because of ongoing international trade disputes and the problems caused by Brexit. In the raw materials-exporting countries of Latin America, the Commonwealth and Sub-Saharan Africa, however, the general upturn showed no sign of coming to an end. Brazil's economy also continued to expand, albeit at a slower pace than expected by the IMF in April (source: IMF, World Economic Outlook, October 2018 and January 2019).

However, apart from the general air of political unpredictability, numerous geopolitical and local tensions, fiscal risks in China and fears that a stronger-than-expected downturn could occur in that country continued to fuel uncertainty, leading to a correspondingly low level of investment activity. Further risks include the growing worldwide trend towards protectionism and the unsolved Brexit issue (source: IMF, World Economic Outlook, January 2019).

According to the IMF, the German economy is only thought to have grown by 1.5% in 2018, instead of the 2.5% forecast in April. In its annual report at the end of 2018, the German Council of Economic Experts also predicted a slowdown in economic growth for the country. Reasons mentioned for these less-than-favourable foreign business conditions included fears of a trade dispute with the USA, a disorderly exit of the UK from the EU, the shortage of skilled personnel in Germany and capacity bottlenecks. Adjusted for changes in prices, investments in new equipment in Germany rose by 2.3% in the first quarter 2018 and by 0.3% in the second quarter. Compared to the end of 2017, industrial production grew by 3.0% in the eurozone and by 3.3% across the EU 28 (source: Eurostat, press release from February 2019).

The value of the euro tended upwards against the foreign currencies relevant for the Schaltbau Group, i.e. the Polish zloty, the British pound and the Chinese renminbi, but fell slightly against the US dollar.

SECTOR-SPECIFIC ENVIRONMENT

SALES MARKETS

Rail sector

According to experts, the global market for railway transportation technology grew again in 2018 and will continue to do so by an average of 2.7% per year up to 2023 (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 5). Sales of digital control and safety technology, tracks, points, railway line electrification systems, signals and level crossing systems, however, are likely to remain roughly at the previous year's levels. In the first half of 2018, revenue generated by the German railway industry increased by 8.0% to EUR 5.4 billion. Revenue recorded within Germany rose sharply, climbing to EUR 3.4 billion – 36% up on the same period one year earlier. Order intake totalled EUR 6.5 billion, rising by around 5% in a year-on-year comparison. Demand from abroad increased particularly strongly by 45.5%. Regardless of this fact, the association of the railway industry in Germany (VDB) is critical of the protectionist developments on the world market, such as rising import duties and higher compulsory quotas of local value added (source: VDB press release dated 12 November 2018).

Despite the growing need for renewal, investment levels in rail infrastructure remained low in many European countries. However, investments in rail infrastructure in Europe will continue to increase from a current amount of EUR 8.6 billion per year to EUR 10.2 billion by 2023. The main driver of this market growth is Germany, where the federal government (the main shareholder of German railways) is increasingly pushing for the electrification of main lines, the expansion of branch lines and the reduction of infrastructural bottlenecks (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 103).

The order situation in the rolling stock segment in Western Europe is expected to increase by an average of 1.9% p.a. over the next few years, mainly driven by growing demand in Germany and France (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 102).

In Eastern Europe, investments in infrastructure are likely to decrease slightly overall during the next few years (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 95), mainly due to developments in Poland, where the infrastructure market is expected to contract by 7.7% per annum up to 2023 (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 96). By contrast, demand in Russia is expected to rise slightly (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 93).

Although the rail market has grown moderately worldwide overall, the share of order volume potentially accessible to German companies has remained unchanged at 63%. However, UNIFE experts expect markets as a whole to continue to open in the period through to 2023 (source: UNIFE World Rail Market Study 2018-2023, September 2018, texts and charts on pages 6, 34 and 80).

In China in particular, protectionism in the awarding of rail sector contracts remains on the rise (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 34). Moreover, the Chinese government has shifted its focus of investment from locomotives and passenger coaches to urban metro systems, driving down demand for certain systems and components (source: UNIFE World Rail Market Study 2018-2023, September 2018, p. 38).

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

Automotive industry

According to calculations made by the German Association of the Automotive Industry (VDA), car markets performed very diversely in 2018. At 15.6 million passenger cars, the number of new registrations in Europe (EU + EFTA) remained similar to the previous year. Looking at the main European volume markets, Spain and France grew, Germany remained the same as the previous year and markets in Italy and the UK contracted. The number of light vehicles sold in Brazil and India grew considerably, while in the USA the number remained practically unchanged year-on-year and in China the number of cars sold declined (source: VDA, press release, 16 January 2019).

In the automotive market segment, the Schaltbau Group is also benefiting from the increasing use of electric commercial vehicles. Overall, the percentage of all-electric cars on German roads continued to rise in 2018, growing by almost one half year-on-year. Their market share grew from 0.73% in 2017 to 1.05% in 2018 (source: Going Electric, registration figures for electric cars in 2018 and 2017). Moreover, the sale of industrial trucks and other ground conveyors for warehouse technology applications continued to benefit from further growth in online commerce.

The omnibus market is also relevant for Schaltbau, as door and boarding systems as well as components are also installed in buses. In Germany, registration figures for new buses and coaches in 2018 fell slightly by 0.9% year-on-year (German Federal Motor Transport Authority 2018), whereas they rose by 2.8% for Europe as a whole during the same period (ACEA, 2018).

Capital goods

The current sentiment in the German economy is somewhat subdued. Only seven of the 48 associations surveyed by the Institute of the German Economy still consider the situation to be better than at the turn of the year 2017/2018. Above all, the mood has worsened in the export-oriented industrial sector, not least exacerbated by a combination of transatlantic trade disputes and the uncertainty surrounding Brexit. Although 22 associations want to invest more in 2019 than in the previous year, 21 sectors consider that investment budgets are likely to remain flat and five believe they will even shrink. In addition to the uncertain business conditions on foreign markets, the fact that neither tax, environmental nor energy policies in Germany are currently sending out any investment-friendly signals is also playing a part (source: https://www.iwd.de/artikel/deutsche-wirtschaft-ist-weniger-optimistisch-415282/).

In the field of renewable energy, France has taken top position as the most attractive market for investments and Germany is now ranked second according to the current ″Allianz Climate and Energy Monitor 2018". Nevertheless, the proportion of renewable energy in the electricity mix in Germany rose to over 40% for the first time last year.

Investment levels decreased in China, the USA, Japan and the UK, although they increased in India.

PROCUREMENT MARKETS

Prices on procurement markets have fallen significantly since mid-2018. Copper became 19% cheaper in the course of the year. The prices of rolled steel, stainless steel and cast iron fell by as much as 29% during the same period. After reaching its highest point in May, the price of aluminium even fell by around 18%, measured in US dollars. However, the prices of precious metals (in US dollars) that Schaltbau mainly utilises to manufacture the contacts of its switches and contactors developed diversely. Nickel prices fell by an average of 18% and silver dropped by 4.3%, whereas the price of gold rose by 3%.

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

REGULATORY CONDITIONS

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

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

On 19 April 2016, the European Parliament and the Council of Europe agreed to a raft of measures under the terms of the "Fourth Railway Package", which is designed to make rail travel in the EU more attractive, innovative and competitive. The package also includes new regulations on railway safety that will tighten approval conditions. In future, only "third parties" will be classified as being independent for regulatory purposes, which is likely to lead to a further shortage of the already very limited approval capacities.

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

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

COURSE OF BUSINESS AND EARNINGS POSITION

RESTRUCTURING AND FINANCIAL STABILISATION

By consistently implementing its restructuring concept and the corporate strategy redefined in 2017, the Schaltbau Group continued to make significant progress in stabilising its financial and liquidity position and streamlining strategic and operational problem areas during the year under report.

In order to improve both its growth prospects and future profitability on a sustainable basis, the Schaltbau Group undertook measures to stabilise its liquidity situation and strengthen its equity base. The considerable progress made on both counts was achieved through the successful implementation of a share capital increase completed in February, which generated net proceeds of EUR 46.5 million, and the sale of the brake systems subsidiary Pintsch Bubenzer GmbH in early March that resulted in cash inflow of EUR 28.4 million.

Apart from measures taken to boost efficiency and optimise processes across the entire Group, numerous operational restructuring measures were initiated with the aim of achieving a sustained improvement in profitability. One point particularly worth mentioning 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 Pintsch Group and generates savings in the region of EUR 2.0 million for both the current and the 2019 fiscal years. In conjunction with the collectively bargained restructuring plan, a restructuring provision of EUR 1.7 million recognised in the previous year was reversed in 2018 with a positive impact on earnings.

Moreover, the Schaltbau Group has reached an agreement with Bombardier Transportation regarding a modified continuation of the Platform Screen Doors project in Brazil. Previously, the Pintsch Group was solely responsible for installing the new PSD systems in stations operated by the customer Metro São Paulo. This work is now being performed by third parties commissioned by Bombardier. For the time being, the Pintsch Group will continue to deliver the components 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 have been modified.

A comprehensive programme to optimise logistics and production processes has been put in place under the name "Fit for Future" with the aim of sustainably improving the earnings situation of the Bode Group. A number of measures were already successfully implemented during the fiscal year 2018, such as a change in the production layout at the Kassel manufacturing site and the commissioning of a new automated small parts warehouse. This package of measures will greatly improve cost structures, especially from 2019 onwards.

The measures have helped strengthen the Schaltbau Group's earnings position while at the same time improving the risk situation.

SIGNIFICANT CHANGES TO THE GROUP REPORTING ENTITY

The Group reporting entity at 31 December 2018 has changed in one significant aspect compared to 31 December 2017, namely the deconsolidation of the industrial brakes specialist Pintsch Bubenzer with effect from 1 March 2018 following its sale. No other changes were made to the Group reporting entity during the fiscal year 2018.

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

On 18 February 2019, the Spain-based company Alte Technologies S.L.U., Barcelona, Spain ("Alte"), was also put up for sale and has since been reported as a "disposal group" in accordance with IFRS 5.

OVERALL ASSESSMENT OF FINANCIAL CONDITION

In the fiscal year 2018, the Schaltbau Group either achieved or exceeded its published targets for revenue and earnings. EBIT before exceptional items came in at EUR 16.0 million on revenue of EUR 518.3 million and was thus at the top end of the target range. Excluding Sepsa, the Group generated revenue of EUR 485.9 million.

As in the previous year, the Schaltbau Group made good progress in the fiscal year 2018, particularly in the Components segment, which profited from revenue growth, a favourable product mix development and the successful implementation of various measures introduced to boost productivity.

Earnings in the Mobile Transportation Technology segment fell short of expectations, mainly due to the results of Alte, which were influenced, among other things, by expenses incurred in conjunction with contractual penalties, reworking and inefficiencies in both production and logistics as well as impairment losses on balance sheet carrying amounts. Moreover, the project mix was less favourable than in the previous year and included the ramp-up of numerous low-margin OEM projects. In view of this development, Schaltbau initiated measures to boost productivity, improve the availability of parts and reorganise logistics workflows and also renegotiated with the affected customers. The Bode Group's revenue performance (especially at its locations in Kassel and Rawicsz) improved strongly. However, start-up costs for new projects, changes to the project mix and expenses connected with the required production capacity expansion had a negative impact on earnings.

The revenue and earnings performance in the Stationary Transportation Technology segment was essentially in line with expectations. Revenue targets were not achieved, due to the premature termination of the platform screen doors project and a number of customer-related project delays. However, EBIT before exceptional items was roughly in line with the budgeted target. While the systematic implementation of restructuring measures (including a collectively bargained restructuring plan) had a positive impact on earnings, the market environment continued to pose difficulties, especially in Germany.

The Group net loss for the year was impacted by impairment losses on balance sheet carrying amounts as well as by costs for legal and consulting services in connection with the restructuring measures. Cash proceeds from the sale of the Pintsch Bubenzer Group and the share capital increase implemented in February 2018 enabled financial liabilities to be repaid and financing costs reduced. The recognition of deferred tax assets also had a positive impact on earnings.

At EUR 631.3 million (excluding Sepsa: EUR 563.8 million), the Schaltbau Group's order intake figure reached the highest level in its history and was therefore well above expectations (excluding Sepsa: EUR 500-520 million). All segments surpassed their respective targets, thereby laying a good foundation for the coming fiscal years.

At 3.1%, the EBIT margin before exceptional items slightly exceeded expectations. For a presentation and explanation of EBIT before exceptional items, please see the section on "KEY PERFORMANCE INDICATORS".

Earnings before taxes for Schaltbau Holding AG came in at a negative amount of EUR 23.3 million, whereas the forecast for 2018 had anticipated a break-even result. The result for 2018 was burdened in particular by impairment losses totalling EUR 9.5 million (2017: EUR 25.8 million at Sepsa) recognised on the cost of investment (EUR 0.8 million) and on non-current loans receivable (EUR 8.7 million) relating to Alte. Furthermore, impairment losses of EUR 15.5 million were recognised on current receivables due from Alte and an expense of EUR 1.3 million was recognised on risks relating to potential calls on guarantees.

Outlook / actual comparison for fiscal year 2018

In EUR million, unless stated otherwise	Outlook 2018	Actual 2018
Order intake	500 - 520	631.3 (excluding Sepsa: 563.8)
Revenue	480 - 500	518.3 (excluding Sepsa: 485.9)
EBIT	14.4 – 15.0 (before exceptional items)	16.0 (before exceptional items)
EBIT margin in %	*3.0 (before exceptional items)*	*3.1 (excluding Sepsa: 3.3 (before exceptional items)*
Profit/loss before tax of Schaltbau Holding AG in accordance with HGB	Break-even result before tax	-23.3

Business volume and earnings position of the Schaltbau Group

In EUR million	2018	2017	Δ %
Order intake	631.3	594.0	+6.3
Revenue	518.3	516.5	+0.3
EBIT before exceptional items	16.0	2.4	+566.7
EBIT	-7.3	-23.0	+68.3

ORDER INTAKE AND ORDER BOOK

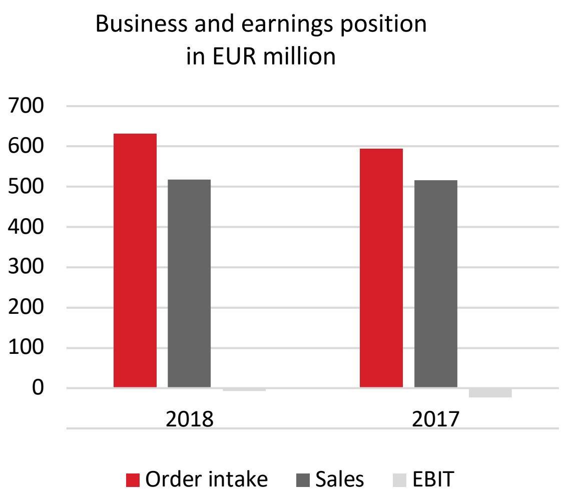
Order intake for the Schaltbau Group rose by EUR 37.3 million or 6.3% year-on-year, thus exceeding the forecast of EUR 500 – 520 million. Excluding Sepsa, order intake amounted to EUR 563.8 million and was therefore still significantly above expectations. Adjusted for the sale of the Pintsch Bubenzer Group, order intake increased by EUR 81.3 million or 15.0%.

The Mobile Transportation Technology segment was primarily responsible for the year-on-year growth in order intake. The Bode Group succeeded in gaining several large-scale orders for its door systems. Moreover, Sepsa received a major order to supply information and on-board electrical systems in North America, which will significantly drive up revenue in the years from 2020 to 2022. Order intake for the other segments also developed positively, surpassing not only expectations, but also the (adjusted) figures for the previous year.

At the end of 2018, the Group's order book totalled EUR 583.0 million (31 December 2017: EUR 508.3 million), a further sizeable increase, despite the sale of the Pintsch Bubenzer Group.

REVENUE

At EUR 518.3 million, Group revenue was slightly up year-on-year (2017: EUR 516.5 million). Adjusted for Sepsa, revenue amounted to EUR 485.9 million and was therefore within the range of the forecast announced in the previous year. Including the industrial brake systems business of the Pintsch Bubenzer Group, which contributed revenue of EUR 8.2 million in the year under report (2017: EUR 49.7 million) prior to its sale in March 2018, the Schaltbau Group achieved organic growth of 12.1% (excluding Sepsa and the Pintsch Bubenzer Group) during the 12-month period. Organic revenue growth in 2018 was primarily attributable to a sharp volume increase in the Mobile Transportation Technology segment. The main growth driver was the Bode Group, which was able to significantly increase its volume compared with the previous year, particularly in the field of Rolling Stock, thanks to numerous project start-ups. The Components segment also reported growth of EUR 14.5 million, mainly achieved by Schaltbau GmbH, which recorded an upturn in demand for contactors and snap-action switches. In the Stationary Transportation Technology segment, revenue decreased by 14.0% to EUR 60.9 million, excluding revenue generated by the Industrial Brake Systems business field, which was sold. The main reason for the poor performance was the low level of order intake one year earlier, due to sluggish order placement and deliberate restraint in taking on foreign projects. Various project delays and the termination of the platform screen doors project in São Paulo, which was originally contracted in 2013, also played a key role.



During the year under report, 36.3% (2017: 34.9%) of revenue was generated in Germany and 46.6% (2017: 42.3%) in other European countries. The Rolling Stock customer segment remained the driving force across all sales regions.

EARNINGS

The Schaltbau Group's negative EBIT improved by EUR 15.7 million from EUR 23.0 million the previous year to EUR 7.3 million in the fiscal year 2018. Excluding non-operating one-off effects, EBIT before exceptional items came in at a positive amount of EUR 16.0 million, corresponding to an EBIT margin of 3.1%. Again in 2018, expenses incurred in the course of implementing the restructuring plan, such as severance payments and consulting services, put downward pressure on profits. Conversely, however, reversals of provisions, mainly in conjunction with pending losses on onerous contracts, and lower-than-expected restructuring costs had a positive impact on EBIT.

The Schaltbau Group's total output decreased by EUR 9.8 million to EUR 523.4 million, which, apart from slightly higher revenue, was attributable to changes in inventories and own work capitalised. The cost of materials ratio rose to 53.6% compared to the previous year (51.7%), mainly due to the segment mix. Moreover, the ramp-up of a number of low-margin projects involving sanitary systems for rolling stock had an impact on the cost of materials ratio.

Personnel expense decreased by EUR 9.7 million from EUR 186.9 million to EUR 177.2 million in the year under report. Excluding the industrial brake systems business, which was sold, personnel expense increased by 2.1% or EUR 3.6 million, mainly due to adjustments to collectively bargained wage and salary tariffs on the one hand and revenue-related workforce growth on the other. By contrast, personnel expense in the Stationary Transportation

Technology segment decreased, due to the collectively bargained restructuring plan signed in 2017. At 33.8%, the personnel expense ratio (expressed as a percentage of total output) for the Group was lower than the 35.0% reported one year earlier. Total output per employee (productivity) increased to kEUR 174.6 (2017: kEUR 172.3).

The expense for depreciation, amortisation and impairment losses in 2018 decreased by EUR 13.3 million to EUR 29.8 million. The figure reported in 2017 was dominated by impairment losses recognised on the investments in Sepsa and Pintsch Bubenzer. Amortisation and impairment losses on intangible assets in 2018 include EUR 14.0 million of impairment losses recognised for Alte and Bode UK, of which EUR 10.4 million related to goodwill and EUR 3.6 million to other assets.

At EUR 67.1 million, other operating expenses were up by EUR 4.2 million year-on-year (2017: EUR 62.9 million). In 2018, these included administrative expenses amounting to EUR 26.9 million (2017: EUR 27.2 million), selling expenses of EUR 14.8 million (2017: EUR 18.0 million), operating expenses of EUR 8.4 million (2017: EUR 8.2 million) and expenses for the recognition of provisions for pending losses on onerous contracts. Other operating expenses compared to other operating income totalling EUR 24.2 million (2017: EUR 12.2 million). The increase here was mainly attributable to income of EUR 7.1 million arising on the reversal of provisions for pending losses on onerous contracts following the renegotiation of the platform screen doors project in São Paulo as well as the neutralisation of negative contributions of EUR 4.9 million relating to the Sepsa Group.

The loss from ordinary activities (EBT) improved from EUR 35.7 million in the fiscal year 2017 to EUR 16.1 million in the year under report. The more pronounced improvement compared to EBIT was attributable to the financial result, which improved by EUR 5.1 million from negative EUR 10.9 million in 2017 to negative EUR 5.8 million in 2018. Net proceeds generated by the share capital increase implemented in February 2018 were used to repay some of the Group's borrowings during the fiscal year, which had a positive impact on interest expense. Moreover, the previous year's financial result included one-off expenditure relating to the renegotiation of debt financing and the accompanying margin increases for the credit line and the promissory notes. The net negative result from investments deteriorated by EUR 1.2 million to EUR 3.0 million. The main drivers here were impairment losses of EUR 3.6 million recognised on the investments in the Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. joint venture in Zhejiang, China, and Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. in Shenyang, China.

The amount recorded for income taxes improved significantly to net tax income of EUR 1.9 million, turning around from a net tax expense of EUR 13.9 million in 2017. Deferred tax assets recognised on tax loss carryforwards in Germany had a positive impact of EUR 3.2 million (2017: negative impact of EUR 3.4 million) following a reassessment of the valuation allowance. In addition, the valuation allowance of EUR 4.0 million recognised in the previous year due to the surplus of deferred tax assets over deferred tax liabilities of the Schaltbau tax group was reversed, whereby the amount of EUR 1.2 million relating to the actuarial valuation of pension provisions was recognised without income statement effect against equity and the remaining amount of EUR 2.8 million was recognised with income statement effect.

The Group net loss for the year totalled EUR 14.1 million (2017: net loss of EUR 49.6 million). The loss attributable to the shareholders of Schaltbau Holding AG totalled EUR 16.5 million (2017: loss of EUR 51.7 million), equivalent to negative earnings per share of EUR 1.93 (diluted and undiluted) (2017: negative EUR 8.04).

APPROPRIATION OF RESULTS

The accumulated deficit of Schaltbau Holding AG for the fiscal year 2018 will be carried forward.

BUSINESS AND EARNINGS PERFORMANCE OF THE SEGMENTS

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

Key performance figures for the Mobile Transportation Technology segment

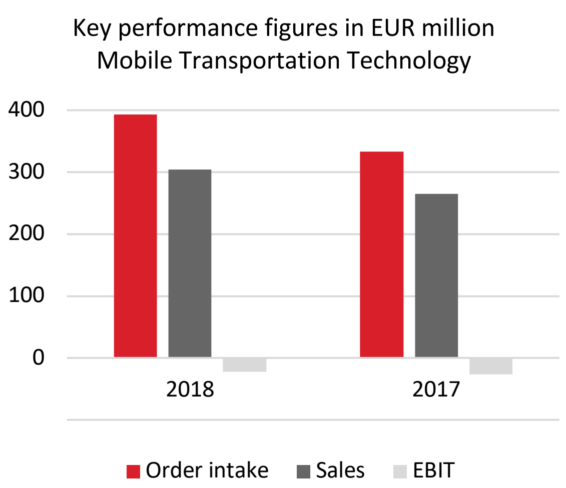
In EUR million	**2018**	**2017**	**Δ %**
Order intake	393.5	333.4	18.0
Revenue	303.8	265.3	14.5
EBIT	-22.8	-26.4	13.6

Order intake for the Mobile Transportation Technology segment increased to EUR 393.5 million (2017: EUR 333.4 million) including Sepsa in the year under report. The improvement was largely driven by the Sepsa Group and the Bode Group, as the two subsidiaries were awarded a number of major orders for boarding and door systems as well as interior fittings for rolling stock.

At the Sepsa Group, around USD 47 million of order intake relates to the supply of information and on-board electrical systems to Kawasaki Rail Car, Inc. in North America, the end customer being the New York City Transit Authority. Production is scheduled to start in the final quarter of 2019, with a subsequent ramp-up by the end of 2022. There are also opportunities for additional options that could raise the total project revenue to as much as USD 134 million.

Bode and Rawag also reported strong growth in incoming orders. Major orders received in 2018 include those for the supply of door systems to Stadler (for suburban trains in Berlin) and another major call-off from Hitachi (Trenitalia). Two major projects were also awarded for complete boarding systems in the USA: Stadler (Caltrain) and Siemens (Calidot).

After a successful year in 2017, segment revenue again increased from EUR 265.3 million to EUR 303.8 million in the year under report. Bode in particular contributed to this result with additional year-on-year revenue of EUR 32.6 million (+21%) to a total of EUR 185.6 million. The significant revenue growth in the rolling stock sector was mainly due to the ramp-up of several OEM projects, including Desiro HC Rhein-Ruhr Express (Siemens), Trenitalia (Hitachi), suburban trains Hamburg (Bombardier), Desiro ÖBB (Siemens) and Sprinter (CAF). The Systems for Road Vehicles product group benefited primarily from a major year-on-year increase in deliveries of electronic sliding doors and box bodies for the StreetScooter produced for the customer Deutsche Post DHL.



Segment EBIT was a negative amount of EUR 22.8 million (2017: negative EUR 26.4 million) and was substantially influenced by the revaluation of the assets and liabilities of Alte and Bode UK in 2018, which resulted in the recognition of impairment losses totalling

EUR 14.0. The figure also includes a negative contribution by Alte of EUR 6.7 million, mainly caused by inefficiencies in production, warranty expenses and the ramp-up of low-margin projects, resulting in expenses for onerous contracts amounting to EUR 2.4 million due to a loss-making customer order. Adjusted for these exceptional items, the Mobile Transportation Technology segment recorded a negative EBIT of EUR 0.9 million.

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

Key performance figures for the Stationary Transportation Technology segment

In EUR million	**2018**	**2017**	**Δ %**
Order intake	87.0	114.3	-23.9
Revenue	69.1	120.5	-42.7
EBIT	2.6	-5.5	-

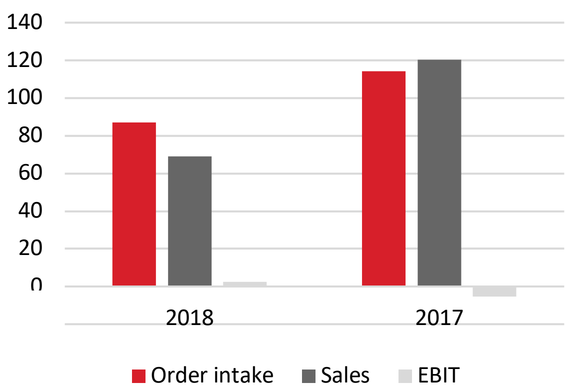
The Stationary Transportation Technology segment recorded a negative EBIT before exceptional items of EUR 0.7 million. Excluding Pintsch Bubenzer GmbH, which was sold with effect from 1 March 2018, order intake for the Stationary Transportation Technology segment amounted to EUR 77.1 million, well above the previous year's figure of EUR 60.4 million for the comparable business, despite the continued weak performance of the market as a whole. The Industrial Brake Systems business field, which accounted for order intake of EUR 53.9 million in the previous year, was sold on 1 March 2018. Order intake at the end of 2018 included conveyor technology for a train formation system in Munich valued at approximately EUR 9.0 million, the supply of materials and services to equip six railway stations in São Paulo with platform screen door systems amounting to EUR 6.5 million and the delivery of level crossing solutions to Denmark totalling EUR 5.2 million. The order book totalled EUR 53.6 million at the end of the year, compared with EUR 50.3 million (adjusted) one year earlier.

The environment in the important Level Crossing and Shunting Technology markets is likely to remain challenging in 2019, as it is exposed to the permanent risk of project delays.

Segment revenue fell by 42.6% to total EUR 69.1 million. Excluding the Industrial Brake Systems business field operated by Pintsch Bubenzer GmbH (which was sold in 2018), revenue dropped by EUR 9.9 million or 14%. The main reasons for this result were various project delays and the modified continuation of the platform screen doors project in São Paulo, which was originally contracted in 2013. The point heating systems business also recorded a decline in revenue, mainly due to lower volumes supplied to a major customer.

Following on from several years of losses, the segment recorded negative EBIT of EUR 0.7 million before exceptional items for the fiscal year 2018. After exceptional items, the segment recorded positive EBIT of EUR 2.6 million (2017: negative EUR 5.5 million), despite the lower level of revenue. The main reason was the renegotiation and modified continuation of the platform screen doors project in São Paulo, which led to a reversal of provisions for pending losses on onerous contracts amounting to EUR 7.1 million. A provision for restructuring expenditure was also reversed in 2018, giving rise to a positive earnings impact of EUR 1.8 million. Negative exceptional items included impairment losses on own work capitalised amounting to EUR 3.0 million, one-off expenditure of EUR 0.8 million in conjunction with the sale of the Industrial Brake Systems business field and the allocation to provisions for pending losses on onerous contracts for the level

Key performance figures in EUR million
Stationary Transportation Technology



crossing technology project in Denmark amounting to EUR 1.5 million. The realignment of segment strategy reduce personnel costs by EUR 3.7 million in the years 2018 and 2019, thanks to the signing of a collectively bargained restructuring plan. Moreover, additional cost-cutting measures initiated in 2018 are beginning to bear fruit. These benefits contrast with further one-off expenses for restructuring measures. The EBIT margin for the segment came in at 3.8% (2017: negative 4.6%).

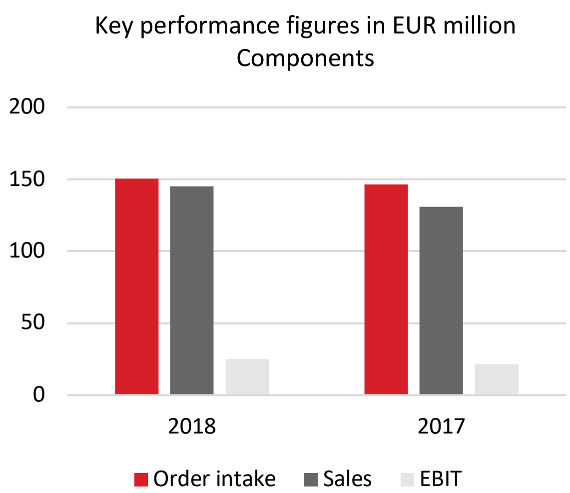
The segment's net assets position improved significantly in 2018, particularly due to the sale of the Industrial Brake Systems business field.

THE COMPONENTS SEGMENT

Key performance figures for the Components segment

In EUR million	**2018**	**2017**	**Δ %**
Order intake	150.5	146.3	2.9
Revenue	145.2	130.7	11.1
EBIT	25.1	21.4	17.5

The order situation in the Components segment again developed positively and continued to improve on the already high level recorded at the end of the previous year. Order intake rose by 2.9% to EUR 150.5 million (2017: EUR 146.3 million), mainly driven by higher volumes of orders for connectors within Germany, growth in demand for the contactors used in applications for energy storage systems, and larger volumes of switches required for refurbishment and service projects for rolling stock. In China, the government's Blue Sky programme led to the first orders, which had a positive impact on business with snap-action switches and contactors. The order situation also developed positively in markets in France and the United Kingdom, both of which are important for the Components segment.



Segment revenue grew by 11.1% year-on-year to EUR 145.2 million (2017: EUR 130.7 million). All of the segment's product groups recorded growth.

EBIT for the Components segment increased by 17.5% to EUR 25.1 million (2017: EUR 21.4 million), which also corresponds to EBIT before exceptional items. The improvement in earnings was primarily due to larger sales volumes, especially in high-margin product groups such as snap-action switches and contactors. At the same time, the segment achieved further improvements in productivity compared with the previous year. The EBIT margin improved from 16.4% to 17.2% year-on-year.

NET ASSETS AND FINANCIAL POSITION

PRINCIPLES OF FINANCIAL MANAGEMENT

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

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

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

At the end of 2018, external financing was based on a secured Syndicated Credit Agreement with a volume of EUR 100 million and two promissory notes placed in 2015 with a total volume of EUR 70 million and terms of originally seven and ten years.

The syndicated credit is due to expire at the end of 2019. Drawdowns on the syndicated credit are classified as short-term liabilities. In an agreement dated 15 December 2017, the banks waived the extraordinary termination right to which they were entitled in the event of non-compliance with financial covenants. In this context, interest rates were adjusted and the financial covenants (originally based on debt and equity capital ratios) replaced by other requirements. There is now a requirement to comply with planned liquidity levels and with specified ranges for EBITDA. Moreover, key milestones in the restructuring plan must be implemented in line with an agreed schedule. In the event of significantly adverse deviations from the restructuring plan, the syndicate banks have an extraordinary termination right. Furthermore, certain measures require the approval of the lenders. It is not permitted to pay any dividends before the restructuring has been completed and formally confirmed.

The promissory note creditors also have an extraordinary termination right, which is linked, among other things, to a termination of the Syndicated Credit Agreement, but also to other special circumstances. The promissory note creditors were given an extraordinary termination right up to 31 December 2019, which may be exercised no later than 30 June 2019. After modification of the terms, the ten-year tranche of the promissory note for EUR 41.5 million, due 30 June 2025, is now subject to an interest rate of 3.544% p.a. for the period from 1 April 2017 to 31 December 2019. The seven-year tranche of the promissory note for EUR 28.5 million, due 30 June 2022, is subject to an interest rate of 2.883% p.a. for the same period.

Effective 31 December 2018, one promissory note creditor exercised an extraordinary termination right applying to a nominal volume of EUR 5.0 million.

An equity ratio between 30% and 35% has been set as the target for the Schaltbau Group as a whole. However, at 23.7%, this target ratio was not achieved during the year under report.

Derivative financial instruments are used exclusively to hedge interest rate, foreign currency and raw materials price risks. Internal guidelines prohibit the use of derivative financial instruments for speculative purposes. At 31 December 2018, interest rate hedges totalled a nominal volume of EUR 6.0 million. At that point in time, derivative instruments totalling EUR 3.3 million to hedge foreign currency risks were in place with a market value of kEUR 9. Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

ANALYSIS OF CAPITAL STRUCTURE

Non-current liabilities stood at EUR 63.3 million at the end of the reporting period (31 December 2017: EUR 182.9 million). Based on the agreement reached with the banks in December 2017, both the syndicated credit totalling EUR 100.0 million and the promissory note due on 31 December 2019 were classified as current financial liabilities. The reduction in non-current financial liabilities was mainly due to the repayment of non-current financial debt following the receipt of cash funds from the share capital increase implemented in February 2018 and the sale of Pintsch Bubenzer GmbH. At 31 December 2018, non-current liabilities comprised non-current financial liabilities (EUR 12.1 million), pension provisions (EUR 36.8 million) and personnel provisions and other provisions (EUR 7.3 million).

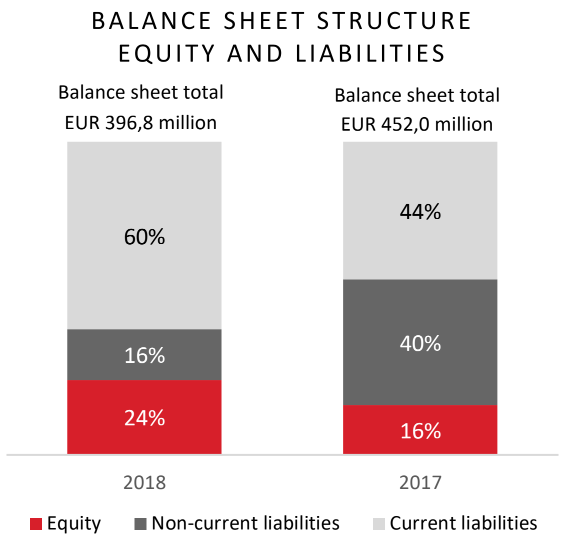
Current liabilities amounted to EUR 239.6 million at 31 December 2018, compared with EUR 198.5 million one year earlier. The increase mainly reflects the fact that financial liabilities which fall due for repayment at the end of 2019 are classified as current liabilities. The increase is matched by a corresponding decrease in non-current financial liabilities. Conversely, current financial liabilities were reduced by repayments out of cash funds raised in conjunction with the share capital increase implemented in February 2018 and the sale of the Pintsch Bubenzer Group. At 31 December 2018, current financial liabilities, trade accounts payable and personnel provisions as well as other provisions amounted to EUR 109.4 million, EUR 47.4 million and EUR 30.5 million respectively.

Net financial liabilities (current and non-current financial liabilities less cash funds, excluding guarantees) amounted to EUR 100.4 million at the end of the reporting period (31 December 2017: EUR 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, to a debt ratio of less than three.

Equity increased by EUR 23.3 million to EUR 93.8 million compared to the end of 2017, mainly on the back of the share capital increase successfully implemented in February 2018. The equity ratio of 23.7% (31 December 2017: 15.6%) was well up on the figure recorded at the end of the previous year. Proceeds from the share capital increase contrasted with a Group net loss for 2018. In the course of preparing the annual financial statements of Schaltbau Holding AG as at 31 December 2018, the Executive Board decided to withdraw EUR 64,182,590.65 from capital reserves and utilise it to cover the accumulated deficit that had arisen for German accounting purposes (HGB).

LIQUIDITY ANALYSIS

Cash flows from operating activities corresponded to a negative amount of EUR 6.2 million and therefore deteriorated by EUR 16.7 million year-on-year. Although the negative EBIT of EUR 7.3 million was an improvement of EUR 15.7 million on the previous year (2017: negative EBIT of EUR 23.0 million), the deterioration in cash flow was mainly attributable to the higher level of working capital, caused by an increase in inventories and trade accounts receivable. The increase in inventories was primarily due to a build-up of buffer inventories for revenue to be generated in 2019, project delays and a general lengthening of inventory replenishment times. The increase in trade accounts receivable reflects higher business volumes compared to the end of 2017.



Cash flows from investing activities were a positive net amount of EUR 28.1 million for the fiscal year 2018 (2017: negative EUR 34.3 million). The improvement compared to the previous year mainly reflects the impact of cash funds received in connection with the sale of the Pintsch Bubenzer Group on 1 March 2018 and the end of restrictions on the availability of EUR 15.6 million of cash funds previously held on an escrow account, which became fully available again following the repayment of bridge financing in February 2018. The negative figure reported in the previous year was mainly due to the capital contribution of EUR 5.1 million made in conjunction with the establishment of the joint venture in China and the transfer of the net proceeds arising from the share capital increase (EUR 15.6 million) to an escrow account.

In 2018, positive free cash flow totalling EUR 21.9 million was achieved, compared to a negative amount of EUR 23.8 million in the previous year.

The change in cash flow from financing activities from positive EUR 5.7 million in the previous year to negative EUR 26.3 million in 2018 was mainly due to the net impact of credit repayments (outflow of EUR 74.7 million) and proceeds from the share capital increase (inflow of EUR 46.5 million).

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 liabilities.

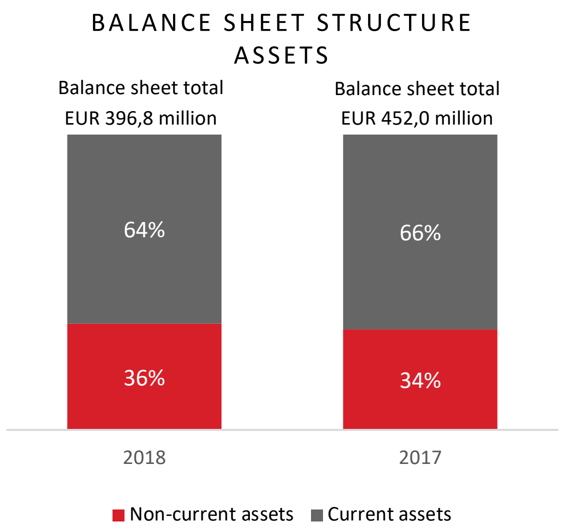
Cash funds reported in the consolidated cash flow statement as of 31 December 2018 totalling EUR 21.8 million (2017: EUR 26.4 million) comprised cash and cash equivalents.

NET ASSETS

Non-current assets totalled EUR 142.7 million, EUR 12.0 million lower than the figure of EUR 154.7 million reported at 31 December 2017.

Of this amount, EUR 51.1 million related to intangible assets (31 December 2017: EUR 67.5 million) and EUR 75.6 million to property, plant and equipment (31 December 2017: EUR 72.3 million).

The sharp drop in intangible assets from EUR 67.5 million to EUR 51.1 million is primarily attributable to impairment losses of EUR 10.4 million recognised on goodwill relating to Alte Technologies S.L.U., Barcelona, Spain, and Schaltbau Transportation UK Ltd. (Bode UK), Milton Keynes, United Kingdom, as well as on previously capitalised development costs at the level of Pintsch Tiefenbach GmbH amounting to EUR 3.0 million. The remaining decrease in intangible assets resulted from amortisation, mainly on concessions and software.



The increase of EUR 3.3 million in property, plant and equipment mainly reflected the fact that investments, particularly in operating and office equipment, exceeded depreciation in 2018.

Investments accounted for using the equity method decreased, mainly as a result of impairment losses of EUR 4.6 million recognised on the investments in the joint venture Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. in Zhejiang, China, and in Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. in Shenyang, China.

The significant EUR 43.2 million reduction in current assets to EUR 254.1 million was mainly attributable to the EUR 40.1 million decrease in assets held for sale to EUR 18.9 million following the sale of the Pintsch Bubenzer Group. Inventories went up by EUR 13.8 million to EUR 108.1 million in line with the growth in business volumes. Trade accounts receivable increased by EUR 1.4 million to EUR 93.3 million resulting from revenue growth compared with 31 December 2017, whereas other receivables and assets decreased by EUR 13.9 million to EUR 11.5 million.

Write-downs on inventories totalled EUR 15.7 million at the end of the reporting period (31 December 2017: EUR 19.7 million).

The higher amounts of inventories, trade accounts receivable, contract liabilities and trade accounts payable caused working capital to increase by 9.8% year-on-year to EUR 139.4 million.

Capital employed decreased by 1.8% from EUR 277.5 million to EUR 272.4 million due to a reduction in non-current assets, whereas working capital increased. The return on capital employed (ROCE), which indicates the ratio of EBIT to the average capital employed, was negative 2.7% in the fiscal year 2018, compared with negative 8.3% in 2017.

Other receivables and assets decreased by EUR 13.9 million to EUR 11.5 million compared with the end of 2017 (EUR 25.4 million). The lower figure was mainly due to the payment of funds from the 2017 share capital increase into an escrow account (restricted cash) in the previous year, which was used to repay the bridge financing by 28 February 2018. The repayment was made on schedule in the fiscal year 2018, enabling the restricted cash to be released.

Cash and cash equivalents decreased by EUR 4.2 million to EUR 21.1 million, mainly as a consequence of cash used in the ordinary course of business.

NET ASSETS, FINANCIAL AND EARNINGS POSITION OF SCHALTBAU HOLDING AG

The annual financial statements of Schaltbau Holding AG for the fiscal year 2018 were drawn up, as in the previous year, in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

In its capacity as lead company, Schaltbau Holding AG is responsible for the strategic alignment and overarching operational management of the Schaltbau Group and also provides services to its subsidiaries. Its earnings and financial position is therefore primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries and the net interest result relating to its financing function. A profit and loss transfer agreement is in place between Schaltbau Holding AG and Schaltbau GmbH. The profit and loss transfer agreement between Schaltbau Holding AG and Pintsch Bamag Antriebs- und Verkehrstechnik GmbH was terminated on 21 December 2017 with an entry in the commercial register on 2 January 2018 and was therefore still valid at 31 December 2017. Pintsch Bamag Antriebs- und Verkehrstechnik GmbH concluded profit and loss transfer agreements with Pintsch Tiefenbach GmbH on 31 December 2018. The profit and loss transfer agreement with the Pintsch Bubenzer Group (sold on 1 March 2018) was terminated on 2 January 2018.

EARNINGS POSITION OF SCHALTBAU HOLDING AG

Schaltbau Holding AG closed the fiscal year 2018 with a loss after tax of EUR 23.3 million (2017: loss after tax of EUR 26.0 million). The net loss for the year also amounted to EUR 23.3 million (2017: net loss of EUR 26.1 million), which, including the loss carried forward from the previous year (EUR 40.9 million) and the withdrawal from the capital reserve of EUR 64.2 million, gave rise to a break-even unappropriated profit.

The result was burdened in particular by impairment losses totalling EUR 9.5 million (2017: EUR 25.8 million) recognised on the cost of investment (EUR 0.8 million) and on non-current loans receivable (EUR 8.7 million) relating to Alte. Furthermore, impairment losses of EUR 15.5 million were recognised on current receivables due from Alte and an expense of EUR 1.3 million was recognised on risks relating to the potential call on guarantees.

Revenue of EUR 3.5 million (2017: EUR 3.6 million) was earned from the provision of services, relating in particular to the recharging of the cost of centralised IT systems to subsidiaries.

Other operating income of EUR 2.1 million (2017: EUR 0.6 million) mainly included income from cost reimbursements at the level of Pintsch Bamag Antriebs- und Verkehrstechnik GmbH (EUR 1.3 million) and other income relating to prior periods (EUR 0.8 million).

Whereas in the fiscal year 2017 a net positive result from investments amounting to EUR 19.0 million arose thanks to a profit transfer from Gebr. Bode GmbH & Co. KG, no corresponding profit transfer was made in the fiscal year 2018.

Income from profit and loss transfer agreements increased to EUR 19.0 million (2017: EUR 16.7 million), mainly resulting from the higher amount transferred by Schaltbau GmbH. In the year under report, Schaltbau Holding AG did not have to bear any expense for loss transfers, whereas in the previous year a loss of EUR 8.6 million was transferred to it by Pintsch Bamag Antriebs- und Verkehrstechnik GmbH and its subsidiaries.

Other operating expenses comprise mainly financing-related expenses (consulting costs, costs for the preparation of the securities prospectus, etc.), restructuring and general administrative expenses. The increase to EUR 13.9 million (2017: EUR 11.5 million) was mainly attributable to the preparation, continual updating and implementation of the restructuring plan and higher expenses for legal advice.

The interest result finished with a net expense of EUR 0.9 million (2017: net expense of EUR 3.3 million). The lower level of interest expense was attributable to the decreased utilisation of credit lines as a result of an improved liquidity situation.

FINANCIAL AND NET ASSETS POSITION OF SCHALTBAU HOLDING AG

Schaltbau Holding AG's balance sheet total decreased by EUR 24.8 million to EUR 184.5 million in the year under report. The main reason for the lower figure was the share capital increase implemented in May 2017, the net proceeds of which were paid into an escrow account and utilised to repay a bridge financing in February 2018 as well as impairment losses recognised on investments and on receivables from Alte.

The reduction in non-current assets mainly reflected a EUR 7.3 million decrease in investments, caused primarily by impairment losses recognised on the cost of investment (EUR 0.8 million) and non-current loans receivable (EUR 8.7 million) relating to Alte following an impairment test. The acquisition of a property in Madrid, Spain, from the Sepsa Group for EUR 4.1 million had an offsetting effect, leading to an increase in property, plant and equipment from EUR 0.5 million to EUR 4.5 million.

Current assets decreased by EUR 22.2 million to EUR 72.8 million. Receivables from affiliated companies totalling EUR 71.6 million (2017: EUR 74.6 million) included receivables resulting from intra-group financing as well as receivables from profit and loss transfers. Other assets decreased to EUR 1.1 million (2017: EUR 19.6 million), mainly due to the escrow account with a volume of EUR 15.6 million reported in the previous year and to write-downs of EUR 2.2 million recorded on goods for resale acquired from an affiliated company in the previous year. In 2017, Schaltbau Holding AG acquired goods for resale totalling EUR 3.1 million in order to improve the liquidity position of an affiliated company.

Schaltbau Holding AG and its German operating subsidiaries are financed primarily by funds received in conjunction with the Syndicated Credit Agreement and promissory notes placed on the capital market at the end of June 2015. Liabilities to banks were reduced from EUR 152.0 million at the end of 2017 to EUR 98.2 million at 31 December 2018, mainly due to the share capital increase successfully implemented in February 2018. Payables to affiliated companies increased to EUR 19.2 million (2017: EUR 17.0 million), mainly due to the liquidity situation of subsidiaries in connection with cash pooling.

At EUR 9.2 million, provisions at 31 December 2018 were EUR 0.8 million higher than at the end of 2017 (EUR 8.4 million), primarily due to the recognition of provisions for potential calls on guarantees. By contrast, provisions for outstanding supplier invoices were lower than one year earlier, due to provisions recorded at 31 December 2017 in connection with the preparation of the securities prospectus relating to the share capital increase. At EUR 5.2 million, pension provisions remained at the previous year's level.

At 31 December 2018, equity totalled EUR 56.6 million (2017: EUR 30.6 million). The increase of EUR 46.6 million in capital reserves prior to withdrawal resulting from the share capital increase implemented in February 2018 stood in contrast to a net loss for the year of EUR 23.3 million. In the course of preparing the annual financial statements as at 31 December 2018, the Executive Board decided to withdraw EUR 64.2 million from capital reserves and utilise this amount to cover the accumulated deficit.

RESEARCH AND DEVELOPMENT

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

During the year under report, the Schaltbau Group spent the equivalent of 6.1% of total output on R&D (2017: 7.3%) and was therefore within its budgeted target range. Due to the status of development projects, only a low percentage of total R&D expenditure was recognised as assets in the fiscal year 2018 (2017: 16.8%). Scheduled amortisation amounting to EUR 1.8 million (2017: EUR 2.5 million) was recognised on capitalised development costs. Furthermore, impairment losses amounting to EUR 3.0 million (2017: EUR 3.6 million) were recognised. An average of 467 employees were engaged in development work during the year under report (2017: 519 employees).

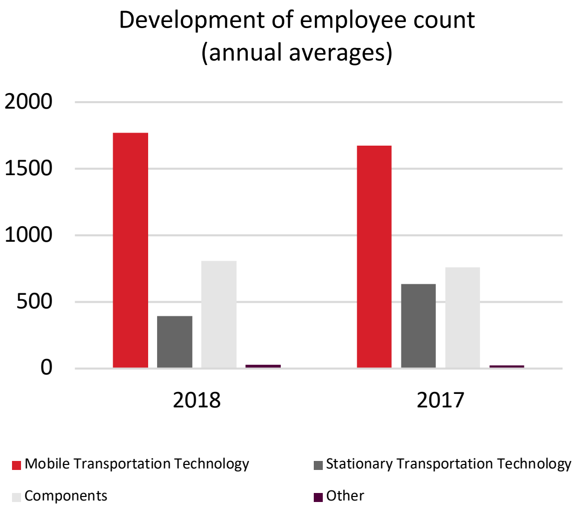
One of the main focuses of R&D was the continuing development of digital products. The Rail Infrastructure business field (part of the Stationary Transportation Technology segment) focused on the continued development and approval of a switching system for computer-controlled level crossing technology in Germany and the design of systems for tunnel safety and track field lighting.

In the Mobile Transportation Technology segment, among other projects, the Bode Group worked on the further development of an innovative door system which, based on one sensor fitted inside the door and one on the outside, not only controls the door itself, but also performs safety-related monitoring functions. The German Federal Railway Authority is expected to approve the system this year. The Bode Group is working closely with Schaltbau Refurbishment GmbH on developing train door systems. The new generation of swinging and sliding doors was further developed for the bus sector. Among other advantages, the drastically simplified door systems are also designed for autonomous vehicle concepts and weigh far less than conventional systems. Schaltbau Refurbishment GmbH continues to invest considerable effort in projects for developing rapid charging systems for electric buses in public transport and as a development partner and supplier of a rapid charging system for the automotive industry.

Among other projects, the Components segment continued developing contactors for DC applications, which resulted in an expansion of business in industries outside the rail sector. The segment is focusing on applications that cover the new energy, e-mobility, DC industry and smart home sectors.

EMPLOYEES

The size of the Schaltbau Group's workforce decreased by 213 during the 12-month period under report, standing at 3,157 employees at the end of the fiscal year 2018. The reduced number of staff was primarily in the Stationary Transportation Technology segment (-330 employees), mainly due to the sale of the Pintsch Bubenzer Group (-287 employees). The termination of the platform screen doors project in Brazil and structural changes at Pintsch Bamag Antriebs- und Verkehrstechnik GmbH as well as Pintsch Tiefenbach GmbH resulted in further staff cuts compared with the previous year. In the Mobile Transportation Technology segment, employee numbers increased moderately by 51, mainly due to volume-related growth, particularly at Bode and Rawag. Conversely, the headcount in the Sepsa Group decreased due to structural adjustments also made here. The number of employees in the Components segment increased by 63, mainly driven by higher revenue.



The average number of people employed by the Schaltbau Group (full-time equivalents) fell from 3,094 to 2,998 in the year under report, primarily due to the sale of the Pintsch Bubenzer Group and structural adjustments within the Pintsch Group. The increase in the average number of employees in the Mobile Transportation Technology and Components segments is mainly due to the higher revenue.

As part of its training and qualification programmes, the Schaltbau Group regularly conducts technical training courses, product training and advanced courses relating to legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market challenges of the future. At 31 December 2018, a total of 71 young people were undergoing vocational training in various Schaltbau Group companies (31 December 2017: 96), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician. The lower number of trainees compared to the previous year was mainly due to the sale of the Pintsch Bubenzer Group (-21 trainees).

CUSTOMER RELATIONS

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

In 2018, the Schaltbau Group demonstrated its ability to develop products and solutions for every key operating field with a total of three stands in Berlin at the InnoTrans 2018, one of the world's leading trade fairs for the railway industry.

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

REPORT ON OUTLOOK, RISK AND OPPORTUNITIES

OUTLOOK REPORT

FORWARD-LOOKING STATEMENTS

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

EXPECTED MACROECONOMIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT

In its most recent outlook published in January 2019, the International Monetary Fund (IMF) expects the global economy to grow by 3.5% in 2019, slightly down on the previous year's level. In October 2018, IMF experts were still predicting an increase of 3.7%. However, the risks to global growth have increased since then, whereas the potential for a further upswing has simultaneously diminished. The causes are the ongoing international trade conflicts with punitive import duties and sanctions, geopolitical tensions, deteriorating financing conditions and higher oil prices as well as a weaker outlook for a number of emerging economies (source: IMF World Economic Outlook, October 2018 and January 2019).

SECTOR-SPECIFIC ENVIRONMENT

According to experts, the global market for rolling stock is likely to grow at an average annual rate of 4.4% up to 2025, i.e. from a currently estimated USD 54.4 billion to USD 73.8 billion. The largest sales market for rolling stock is therefore set to be the Asia-Pacific region, followed by Europe and North America. The growth of the Asia-Pacific market is being driven by the expansion of rail networks in metropolitan areas, the construction of new railway lines and the approval of new high-speed rail projects (source: ResearchandMarkets.com, "Rolling Stock Market by Product Type, Components, Technology & Region – Global Forecast to 2025").

While other European countries are expanding their rail networks to handle the future growth in traffic, Germany is still putting too little money into its rail infrastructure, despite a record level of investment. That is the result of a survey conducted by the "Pro-Rail Alliance" and the management consultants "SCI Verkehr". In comparison, Germany only ranks low down in the European investment ranking, while other major economies in Europe are putting a three-digit per capita investment sum into rail infrastructure. Switzerland leads the ranking with expenditure of EUR 362 per inhabitant, followed by Austria with EUR 187 per inhabitant. Germany, however, spends only EUR 69 per inhabitant, a considerably lower amount (source: Pro-Rail Allianz, "Germany invests too little in rail infrastructure" from July 2018).

The traffic forecast for 2030 drawn up by the Federal Ministry of Transport and Digital Infrastructure (BMVI) provides for an average financial volume of around EUR 15 billion per year for the maintenance and expansion of transport networks for the period from 2016 to 2030, around EUR 10.7 billion of which is earmarked for maintenance and EUR 4.3 billion for expansion. Of the total volume available for maintenance and expansion, 41.6% is to be spent on the railway network. A share of 42.1% (an average of EUR 1.8 billion per year) is planned for the railway network for expansion and new construction projects during this period (source: BMVI, traffic forecast for 2030).

Looking at the automotive sector, the statistics portal Statista expects to see growth of 2.7% to a good EUR 85 billion in 2019 (source: Statista, January 2019). Additional impetus could also come from growing momentum in the electric mobility market. Automotive market expert Ferdinand Dudenhöffer from the University of Duisburg-Essen estimates that around 80,000 new electric cars could be sold in 2019, twice as many as in 2018 (source: Süddeutsche Zeitung, "2019 is likely to be the year of the electric car" from 13 December 2018). According to Professor Markus Lienkamp of the Technical University of Munich, around 30% of all new cars in Germany will be all-electric by 2025 (online source: Elektroautosnews.net from 16 May 2018).

In the field of New Energy, too, the signs are all pointing towards growth. The use of renewable energy in the EU has increased significantly in recent years. Its share of energy consumption doubled from around 8.5% in 2004 to 17.0% in 2016 (source: Eurostat). According to the "2020 climate and energy package", 20% of energy is likely to be generated from renewable sources by 2020 and this figure should rise to at least 27% by 2030 (source: European Commission).

The decisive factor for this trend was the political will in Europe to achieve the EU's climate targets. According to the current Energy Report published by the system supplier for solar components BayWa r.e and the platform "RE-Source", the majority of this growth has so far been supported by political promotional programmes offering investment opportunities to financial investors and, to a lesser extent, also to end consumers. It is only in recent years that commerce and industry have begun to make a steadily growing contribution to the energy transition and to invest more in renewable energy (source: BayWa r.e Energy Report 2019).

EXPECTED BUSINESS AND EARNINGS POSITION

The measures initiated to focus the Schaltbau Group on its strategic core competencies and boost profitability will be continued during the fiscal year 2019. Going forward, Schaltbau does not exclude the option of selling any business fields that are not part of its core business or not sustainably profitable in the long term. This realignment of the Schaltbau Group is expected to lead to a decrease in revenue up to fiscal year 2020, but an increase in profitability at the same time, which should enable the Group to return to its historic level of profitability in the medium term.

For the fiscal year 2019, the Schaltbau Group – excluding the Sepsa Group and Alte – is targeting revenue between EUR 480.0 million and EUR 500.0 million. Adjusted for these two companies, Group order intake is also expected to be in the range of EUR 480.0 million to EUR 500.0 million.

In the Mobile Transportation Technology segment, further revenue growth is targeted for 2019, which is largely secured by existing firm orders. Adjusted for the Sepsa Group and Alte, revenue growth is forecast to be in the high single-digit percentage range. The business operated by Schaltbau Refurbishment GmbH will also contribute to this improvement, albeit with a low level of revenue.

The Stationary Transportation Technology segment is also expected to grow in 2019, partly due to higher volumes in the field of Signal Technology.

The Components segment expects the favourable order situation to continue in 2019, above all due to further impetus coming from the "New Energy" and "Industry" market sectors.

Based on the improved order situation, the Schaltbau Group is targeting a higher level of earnings and expects EBIT (before exceptional items and excluding the Sepsa Group and Alte) in the range of 5-6% of adjusted revenue. This forecast mainly reflects the higher volume of adjusted revenue and the fact that negative earnings contributions from Alte will no longer be included in the figure. Moreover, higher productivity is expected to be achieved on the back of measures introduced and largely implemented in 2018.

Due to the lower cost of restructuring measures, the Executive Board expects Schaltbau Holding AG to record break-even earnings before tax.

EXPECTED FINANCIAL SITUATION

The Group's financial situation in 2019 will be influenced significantly by the planned financing measures. Due to the possible utilisation of a new receivables securitisation programme, it is expected that the debt-to-equity ratio can again be significantly reduced compared to 31 December 2018. Furthermore, the financial situation is heavily dependent on the reorganisation of the syndicated financing arrangement that is due to expire in December 2019. However, a new credit line is expected to be agreed upon with a partially changed group of syndicate banks, the amount of which does not differ greatly from the currently existing credit line and does not significantly change the financial situation overall.

The extraordinary termination right of the promissory note creditors up to the end of December 2019 also has a potential influence. Here, the Executive Board expects the majority of existing creditors to exercise their extraordinary termination right with otherwise unchanged conditions. The above-mentioned receivables securitisation programme serves to cover the resulting liquidity requirements. Furthermore, new bilateral loans are expected to be agreed upon with either existing or new creditors with yields equal to those earned by the previous creditors. Since the implementation of the share capital increase in February 2018, the existing credit lines are only being utilised to a partial degree. For this reason, the total financing volume (credit lines, promissory notes and receivables securitisation) should be slightly reduced by the end of 2019.

In operational terms, the Executive Board expects that the continued rigorous implementation of restructuring measures will lead to a year-on-year increase in free cash flow, thereby strengthening the available financial resources.

RISK REPORT

RISK MANAGEMENT

RISK STRATEGY AND ORGANISATION OF RISK MANAGEMENT

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

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

On 1 January 2018, Schaltbau introduced a new, IT-supported risk management system. With the changeover, core processes have been defined at the level of the Group parent company Schaltbau Holding AG, which are to be used to identify and manage risks. A centralised software tool supports the relevant processes and is intended to ensure regular reporting based on regulatory requirements. The allocation of responsibilities in risk management has been revised to suit the new circumstances.

The risk management system is described and defined in guidelines that apply throughout the Schaltbau Group. It includes an appropriately comprehensive system of documentation and reporting. The recording, evaluation and analysis of opportunities and risks in the Schaltbau Group is done on a continuous basis and reported at the end of each quarter. The risks that have been identified for fully consolidated entities and significant participations are recorded and evaluated by the lead companies responsible for the various segments and subsequently, in a second stage, consolidated and assessed at the level of the Group parent company. All potential causes of damage are recorded according to their probability of occurrence and their possible impact. With the introduction of the new system, risks with a potential to cause damage in excess of kEUR 500 are classified as material risks for the Group and therefore recorded and presented separately. The risk management officers at the level of the Group parent company and in the various lead companies of the operating segments are responsible for adhering to the risk management guidelines.

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

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

Maximum damage (earnings / liquidity)	
In kEUR	
Low	< 100
Medium	100 to 500
High	> 500

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

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

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

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

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

RISK REPORTING

In addition to internal ad hoc disclosures, the various Group companies are required to report on a quarterly basis on the entire spectrum of risks, as well as on any changes in the risk profile, to the responsible Group risk management and compliance officers, who, in turn, submit a detailed risk report to the Executive Board of Schaltbau Holding AG, also on a quarterly basis.

The Executive Board is provided with additional information regarding the risk situation within the Schaltbau Group in the form of monthly reports on revenue, earnings and personnel developments, continuous liquidity forecasts and reports on quality-related and other operating expenses, as submitted by the subsidiaries. Furthermore, review meetings take place regularly, in which all risk- and opportunity-related topics are discussed. Based on current developments, comparisons are made against budgeted figures, prior-year actual figures and the rolling forecast. Market and competition trends as well as development projects are also thoroughly considered and analysed. The sum of these measures ensures that risks are detected at an early stage, potential opportunities identified for each of the segments and subsidiaries, and that any measures necessary are promptly taken.

The following gross presentation of the risk situation does not take any risk-mitigating measures into account. The risk reporting entity is always identical with the Group reporting entity in the consolidated financial statements. The risks attributable to the Pintsch Bubenzer Group, which was sold in March 2018, are no longer included in the presentation. Apart from the risks described below, no further significant risks have been identified. Significant risks are classified as any individual risk to which the companies are exposed with a gross risk value of more than kEUR 500. The risk situation is described as at 31 December 2018, but takes into account events after the end of the reporting period.

COMPLIANCE

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

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

OVERALL ASSESSMENT OF THE SCHALTBAU GROUP'S RISK SITUATION

The Schaltbau Group has improved its overall risk situation through the financial stabilisation and restructuring measures implemented in both 2017 and early 2018. The bridge financing of EUR 25 million plus deferred repayments due at the end of February 2018 were repaid in full and on schedule, utilising the proceeds from the share capital increase successfully implemented in February 2018 and the sale of the Pintsch Bubenzer Group in March 2018 as well as further measures taken to strengthen liquidity and equity.

Nevertheless, despite these measures, the Schaltbau Group is exposed to risks that could have an adverse impact on its future development. At 31 December 2018, including bank guarantees, the Schaltbau Group was utilising EUR 45 million out of the total of EUR 100 million of funds available under the Syndicated Credit Agreement, which falls due on 31 December 2019. Furthermore, the creditors of the two promissory notes with a total volume of EUR 70 million have been granted an extraordinary right to terminate the notes by giving six months' notice no later than 30 June 2019. So far, the extraordinary termination right has been exercised by one promissory note creditor for a nominal amount of EUR 5.0 million.

Despite the fact that the remaining term of the Syndicated Credit Agreement is less than one year at the time of the issue of the independent auditor's report, the Executive Board of Schaltbau Holding AG expects the Group to be able to continue its operations beyond 31 December 2019. The Executive Board considers it highly probable that Schaltbau Holding AG will be able to meet its financial obligations beyond 2019 at all times. To sum up, there are no risks that endanger the Company's continued existence. There are, however, risks that could impair its future development.

As a result of the successful share capital increase and the sale of the Pintsch Bubenzer Group, as well as the steady improvement in business performance throughout the year, the Schaltbau Group was able to significantly reduce its net liabilities by EUR 58.0 million in 2018, from EUR 158.4 million at 31 December 2017 to EUR 100.4 million at 31 December 2018.

Various debt financing options are currently being explored to cover the amount of liquidity required:

- An element of the planned refinancing is the conclusion of a receivables securitisation transaction in which the Schaltbau Group's receivables are sold to a special-purpose entity on an ongoing basis. A corresponding mandate agreement has already been concluded with Commerzbank as arranger and signed by all parties involved.
- Due to the increased profitability, the improved performance indicators, continued compliance with the restructuring plan and the now contained (and therefore reduced level of) risks pertaining to the Spain-based Group entities Alte and the Sepsa Group, the lending banks have shown their willingness to renew the Syndicated Credit Agreement with new contractual terms and conditions. Other banks are also showing an interest in participating in a syndicated financing arrangement and have joined the financing process. The prerequisite for implementing the financing arrangement is that the restructuring of the Schaltbau Group can be completed as planned in the fiscal year 2019.
- Furthermore, the procurement of liquidity via loans on a bilateral level, such as in the form of private placements, is a conceivable alternative. Initial enquiries regarding a financing platform indicate that there is plenty of interest on the part of investors.
- The issuing of a so-called Nordic bond, a special form of bond, is also a conceivable option. Based on the information provided by a financial institution specialising in issuing bonds of this type, this form of debt financing can also be implemented with a high degree of probability, given the creditworthiness of the Schaltbau Group.
- Based on preliminary negotiations, the Schaltbau Group assumes that some of the promissory note creditors do not intend to exercise their extraordinary termination right.
- Funds could also possibly be raised by issuing convertible bonds out of existing conditional capital. However, a further share capital increase would require a corresponding resolution by the Annual General Meeting.

In accordance with customary contractual agreements, the lenders have an extraordinary termination right if certain agreed conditions are not met. 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, the Schaltbau Group may be restricted in making otherwise sensible investments, thereby impairing its operations and competitiveness.

The Schaltbau Group continues to depend on the successful implementation of the restructuring plan in the fiscal year 2019. The corresponding operational measures required to cut costs and improve processes entail significant risks, including delays in implementing necessary measures, the loss of key staff, and production restrictions. Moreover, the implementation of the restructuring plan or the sale of further Group companies may result in impairment losses, which, together with annual or event-triggered impairment tests, may have a material impact on earnings.

The market-related risks, which are partially attributable to structural changes and consolidation in the Group's main sales markets, combined with political and regulatory risks, have changed only insignificantly compared with the situation at the end of 2017. The same applies to management and internal financing risks that arise from decentralised and complex organisational structures.

RISK CATEGORIES IN THE SCHALTBAU GROUP

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

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

SIGNIFICANT RISKS OF SCHALTBAU HOLDING AG AND THE SEGMENTS

Risk category	Segments primarily affected	Assessment from segment perspective
Macroeconomic and sector-specific risks		
Political influence on the awarding of contracts	Components	High
Declining demand	Mobile Transportation Technology, Components	High
Pressure on selling prices	Mobile Transportation Technology Stationary Transportation Technology	High
Increasing competitive density and unfavourable competitive position	Stationary Transportation Technology	Medium to high
Purchasing risks		
Shortages of raw materials and intermediate products	Stationary Transportation Technology Components	Medium to high
Development and design risks		
Risks associated with the market launch of new products	Mobile Transportation Technology, Stationary Transportation Technology	Medium to high
Design risks	Stationary Transportation Technology	High
Production and quality risks		
Warranty risks	Mobile Transportation Technology	High
Sales volume and selling risks		
Project delays caused by customer	Components	High
Approval and certification risks	Mobile Transportation Technology	High
Working capital	Schaltbau Group	High
Personnel risks		
Shortage of skilled personnel	Stationary Transportation Technology	High
Labour law-related risks	Mobile Transportation Technology	High
Risk of employee attrition	Stationary Transportation Technology	High
Legal and tax risks		
Legal risks in connection with a project abroad	Mobile Transportation Technology, Stationary Transportation Technology	High
Financial risks		
Non-compliance with financing agreement conditions	Schaltbau Group	Medium to high
Liquidity bottlenecks	Schaltbau Group	Medium to high
Risks arising from investments		
Integration risks	Schaltbau Holding AG	High
Operational performance of subsidiaries/participations	Schaltbau Holding AG	High
Profitability of subsidiaries	Schaltbau Group	High
Restructuring risks		
Implementation of the restructuring plan	Mobile Transportation Technology	High

MACROECONOMIC AND SECTOR-SPECIFIC RISKS

Economic and political developments on sales markets, fluctuations in purchase prices and the impact of global and regional competition can all have an influence on the Schaltbau Group's order book situation and earnings. Due to the Schaltbau Group's presence in various economic areas and the high proportion of public-sector contracts, macroeconomic risks are low. The risk of fluctuating raw materials prices is mitigated by long-term supply contracts, centralised purchasing requirements, commodity futures or by passing on price increases to customers. Accordingly, there is no significant risk in this area in the short term. Based on the Company's assessment, the ongoing Brexit negotiations do not entail any significant risks for the Schaltbau Group. This also applies to the Group's entities with operations in the United Kingdom.

Political instability and **sanctions** as well as changes in **economic policy** could impair the sale of products in certain regions. In the rail sector, the Schaltbau Group generates the majority of its revenue with customers that are either directly or indirectly government-controlled. This sometimes causes the business decisions made by these customers with respect to the awarding of orders to be politically influenced or controlled. This type of political control can be seen in particular in the important non-European markets of the Schaltbau Group, such as in China. Furthermore, greater protectionism – in the form of the increasing call for local content or the preferential treatment of domestic suppliers in the case of public-sector contracts – can also complicate the acquisition of overseas projects.

A **decline in demand** in major areas, such as the Rolling Stock, Rail Infrastructure, and Road Vehicles sectors, could have a negative impact on individual segments or business fields. Governmental and investment decisions in the rail sector are particularly significant for the Schaltbau Group. Spending cuts or a shift of investments into areas not covered by the Schaltbau Group could adversely affect the order situation. The components business in China is exposed to high levels of risk, due to the sharp drop in demand for locomotives and passenger coaches on the one hand and delays in awarding public-sector contracts on the other.

The number of potential customers in the rail and bus sectors is limited. The existing structures put power in the hands of the customer, resulting simultaneously in increased **downward pressure on selling prices**. This situation applied particularly to the components business in China and the market for rolling stock in Europe. Greater concentration of competition, caused, for example, by new suppliers entering the market, may result in lower selling prices and the loss of market share (**competitive risks**). For instance, Schaltbau increasingly finds itself competing against local suppliers for components business in China. Their competitive products developed on the global market could lead to these local companies gaining additional market share. Falling prices have affected the profit margins of the Schaltbau Group's companies in the past and could continue to do so in the future, creating a medium risk across all segments.

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

RISKS ALONG THE VALUE CHAIN

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

Despite the risk-mitigating measures, the Components and Stationary Transportation Technology segments are exposed to purchasing risks. Extended lead times for primary materials can result in delivery delays for master controllers. In the Components segment, the risk of delivery delays increased due to the insolvency-related loss of a supplier.

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

Production breakdowns or interruptions can put pressure on costs and also lead to delayed deliveries, while quality problems in the production process or product development can result in customer complaints and hence corresponding warranty risks **(production and quality risks).** The occurrence of quality problems can also have a negative impact on sales of the product concerned. Industrial safety and environmental risks can endanger the health of employees and give rise to high liability risks.

Production risks are minimised by adhering to comprehensive policies and process requirements regarding quality management, product and industrial safety. Quality risks are partially covered by warranty provisions. Nevertheless, in some cases high risks can arise, given that the economic losses caused by justified customer complaints may exceed the amount of provisions recognised. Apart from product-related malfunctions or quality defects, delivery delays – possibly due to capacity reasons – can lead to loss of revenue, contractual penalties or even the delisting of products. This risk is considered high for the Mobile Transportation Technology segment. Furthermore, technical complications can occur during project implementation, particularly in the Stationary Transportation Technology segment, which delay the project or prevent the product from being accepted by the customer. In addition, production and quality risks are often associated with reputational risks that could have an adverse impact on business in the long term.

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

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

On the other hand, the risk of a drop in sales volume due to regulatory measures is regarded as high. For example, new certification requirements or local regulations in markets may have an impact on the awarding of contracts, or the non-issuing of approvals by national approval authorities may lead to the termination of projects, even though they may be flawless from a technical point of view. These types of risks in generating revenue can also result in higher-than-normal working capital levels.

PERSONNEL RISKS

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

The implementation of the restructuring plan currently entails high personnel risks. The job cuts initiated, particularly in the Stationary Transportation Technology segment, increase the risk of key staff leaving the company who cannot be replaced at short notice.

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

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

LEGAL AND TAX RISKS

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

FINANCIAL RISKS

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

In order to safeguard its ability to grow, both organically and by means of acquisition, Schaltbau Holding AG makes use of a syndicated credit agreement as well as funds from two promissory notes issued in 2015. The terms of the syndicated credit agreement, which were amended in 2017, are linked to a number of assurances, guarantees and conditions that must be complied with. Furthermore, the financing is based on the successful implementation of certain restructuring measures, which give the banks a special termination right if the stipulated conditions are not fulfilled. The overall risk is assessed as high, due to the potentially high level of damage.

The external bank financing of the subsidiaries also includes commitments to develop certain key financial performance indicators. A medium risk resulting from non-compliance with such commitments exists at an Italian subsidiary in the Components segment. Changes in key financial performance indicators are monitored continuously and as part of the monthly reporting process. **Liquidity problems** can arise firstly from operations and secondly from the premature termination or non-renewal of credit agreements, which could have an adverse effect on the Schaltbau Group's solvency. The expiry of the syndicated credit agreement and the special termination rights of the promissory note creditors effective 31 December 2019 require action to be taken. However, in view of the options available, its seems highly probable that refinancing will be arranged in good time. Some of the major financing agreements, especially the syndicated credit agreement, are subject to variable interest rates. The amount of interest to be paid is tied to the EURIBOR as the reference interest rate, which gives rise to interest rates that are fixed in the short term. Significant changes in interest rates would therefore influence the profitability, liquidity, and financial position of the Schaltbau Group. The Schaltbau Group is therefore exposed to the **risk of interest rate fluctuations**. At 31 December 2018, interest swaps for a nominal amount of EUR 6.0 million were being utilised through to mid-2019 to hedge a variable-interest credit volume of EUR 25.5 million within the cash pool. The fair value of the interest-rate swaps fluctuates, depending on market conditions. The hedging transactions entered into are regularly monitored by management. The promissory note issued in 2015 is subject to a fixed interest rate.

RISKS ARISING FROM INVESTMENTS

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

As a matter of principle, every investment decision is preceded by a prudent valuation of the targeted business and by a thorough analysis of the legal, technical, tax and financial aspects (“due diligence”) in order to minimise the risks referred to above. The integration of the companies acquired in Spain in recent years continues to entail risks, which, however, have already partially had an impact as a result of the revaluation of the Sepsa Group in 2017 and Alte Technologies S.L.U. in 2018. Both the Sepsa Group and Alte Technologies S.L.U. finished the year under report with a negative EBIT.

OPPORTUNITIES REPORT

OPPORTUNITIES MANAGEMENT

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

OPPORTUNITIES SITUATION

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

SECTOR-SPECIFIC OPPORTUNITIES

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

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

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

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

OPPORTUNITIES ARISING FROM IMPLEMENTING THE RESTRUCTURING PLAN

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

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

STRATEGIC OPPORTUNITIES

Strategic opportunities arise in particular from the implementation of a number of key projects that have already been initiated, such as increasing the share of service and aftersales business in the Mobile Transportation Technology segment and the further development of the technological platform for train automation. In the sales markets of electric mobility and new energy, too, R&D projects and a further improvement in product penetration can generate additional potential. In the Stationary Transportation Technology segment, increased demand for platform screen door systems from system integrators can have a positive impact on business development, especially in the context of the renegotiated public transport project in São Paulo, Brazil. By focusing on the Group's profitable core business, resources can also be directed to the most promising projects with the aim of enhancing business and earnings performance.

FINANCIAL OPPORTUNITIES

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

Some of the major financing agreements, especially the Syndicated Credit Agreement, have variable interest rates. The amount of interest to be paid is tied to the EURIBOR as the reference interest rate, which gives rise to interest rates that are fixed in the short term. Favourable changes in interest rates would therefore improve the profitability, liquidity, and financial position of the Schaltbau Group.

WARRANTY EXPENSE

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

OTHER DISCLOSURES

COMPENSATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD (COMPENSATION REPORT)

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

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

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

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

Compensation for the current members of the Executive Board totalled kEUR 1,852 in the fiscal year 2018 (2017: kEUR 1,403). The compensation includes benefits in kind relating to the use of company vehicles calculated in accordance with taxation guidelines. The tax on these payments in kind is paid individually by each member of the Executive Board. The total compensation comprises kEUR 1,502 (2017: kEUR 1,306) for fixed components and kEUR 350 (2017: kEUR 97) for performance-related components. kEUR 256 (2017: EUR 0) were recognised due to the termination of an Executive Board contract of service. A total of kEUR 370 was recognised as a provision at 31 December 2018 (31 December 2017: kEUR 295).

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

The total compensation received by former members of the Executive Board and their surviving dependents amounted to kEUR 338 (2017: kEUR 82). Pension provisions for this category of people totalling kEUR 492 have been recognised (2017: kEUR 533).

No loans were granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2018.

The basic compensation for a Supervisory Board member totalled kEUR 30 per annum in the year under report. The Chairman of the Supervisory Board received twice this amount and the Deputy Chairman received one-and-a-half times this amount, resulting in basic compensation totalling kEUR 225 in 2018.

For attendance at meetings of the committees of the Supervisory Board (audit committee, personnel committee, personnel development committee, strategy committee and technology committee), committee members will additionally receive a meeting fee of EUR 2,500 per meeting for each individual committee member and double this amount for the committee chairman. Supervisory Board members who have not been members of the Supervisory Board for the entire fiscal year will be compensated on a pro-rata basis. Expenses totalling kEUR 88 were incurred for attendance at meetings held in 2018.

Each member of the Supervisory Board receives additional compensation of EUR 300 per hour for the time required in excess of five meeting days per fiscal year, including the necessary preparation time, but not exceeding the hourly or daily rate of the representative of the auditor appointed as engagement partner for the relevant fiscal year. In accordance with the Articles of Association, several members of the Supervisory Board were paid a total of kEUR 106 and one further member was paid a total of kEUR 7 for additional work performed in 2018, based on a consulting contract.

Taking into account the basic compensation, the compensation for attendance at committee meetings, the additional compensation and the additional work performed, compensation totalled kEUR 426.

In the course of its activities, the Supervisory Board engaged external consultants to provide supporting services in 2018, at a total expense of kEUR 80 during the year under report.

The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view of the scale of the Supervisory Board's total compensation, the Company does not deem it necessary to introduce a deductible. However, a deductible has been contractually agreed upon for the Executive Board with effect from 2010.

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

1. At 31 December 2018, the subscribed capital comprised the following: The Company's share capital totalled EUR 10,799,671.80 (2017: EUR 8,063,919.40). It is divided into 8,852,190 shares without nominal value (2017: 6,609,770). By resolution of the Annual General Meeting on 8 June 2018, the Company switched from no-par value bearer shares (shares without nominal value) to registered shares on 19 October 2018.
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.
3. There are no major shareholders owning either a direct or an indirect share of capital exceeding 10% of the share voting rights. Since 3 November 2017, the shareholders Luxunion, Monolith, the Zimmermann family, and Elrena GmbH have pooled their voting rights by acting in concert. The shareholders informed the Company that they held a total of 28.90% of the voting rights on that day. As a result, Monolith further announced that the share of voting rights held by these shareholders amounted to 29.38% on 2 February 2019.
4. There are no shareholders with special controlling rights.
5. There are no voting right controls relating to shares held by employees.
6. Article 6 of the Articles of Association of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, appoint a deputy of the Executive Board, and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Association. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Association.

7. The Company’s subscribed capital (share capital) is divided into 8,852,190 registered shares (2017: 6,609,770). From this total, 7,645 of the Company's own shares are offset on the face of the balance sheet at their arithmetically calculated amount.
   In accordance with a resolution passed by the Annual General Meeting held on 11 June 2015, with the agreement of the Supervisory Board, the Executive Board is authorised up to 10 June 2020 to buy back a maximum of 10% of the share capital in place at the date of the resolution for purposes other than trading. No Schaltbau shares were bought back during the fiscal year 2018.
   Based on a resolution of the Annual General Meeting passed on 14 June 2016, a (new) Conditional Capital I was in place at 31 December totalling EUR 3,752,601.66, based on the issuing of up to 3,075,903 bearer shares. Subject to the approval of the Supervisory Board, up to 13 June 2021 the Executive Board is authorised to issue convertible and option bearer bonds as well as participation rights with either conversion or option rights.
   Based on a resolution of the Annual General Meeting passed on 6 June 2013, authorised capital of EUR 2,735,752.40 was in place at 31 December 2017. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 5 June 2018 by issuing new shares in return for either cash deposits or investments in kind, which may not exceed that amount. The authorisation was exercised in February 2018.
8. Schaltbau Holding AG’s loan agreements include change-of-control clauses, which grant creditors a special right of cancellation.
9. The Company has not entered into any compensation agreements, either with members of the Executive Board or with employees, regarding termination of employment in the event of a takeover offer.

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP´S ACCOUNTING AND FINANCIAL REPORTING PROCESS PURSUANT TO SECTION 289 SUBSECTION 4 AND SECTION 315 SUBSECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

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

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

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

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

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

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

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

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

Munich, 29 March 2019

Schaltbau Holding AG

The Executive Board

Dr Albrecht Köhler
(Spokesman)

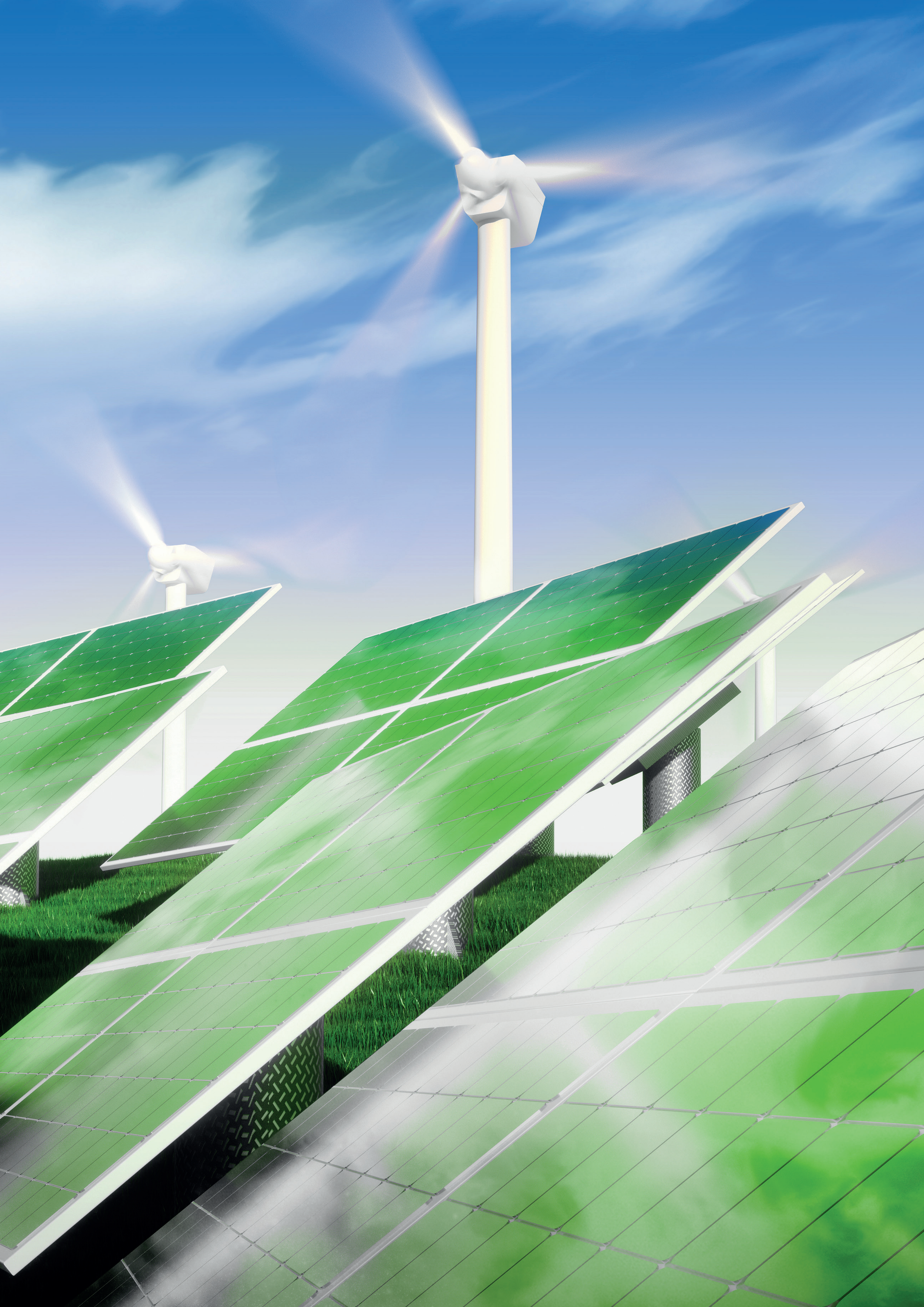
Thomas Dippold

Volker Kregelin

Dr Martin Kleinschmitt

CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

of Schaltbau Holding AG, Munich, for the fiscal year from 1 January to 31 December 2018



CONSOLIDATED BALANCE SHEET

ASSETS

In kEUR		Notes	31.12.2018	31.12.2017
A.	NON-CURRENT ASSETS			
I.	Intangible assets	(11)	51,101	67,470
II.	Property, plant and equipment	(12)	75,581	72,312
III.	At-equity accounted investments	(12)	3,152	7,773
IV.	Other investments	(12)	3,202	3,023
V.	Deferred tax assets	(9)	9,643	4,104
			142,679	**154,682**
B.	CURRENT ASSETS			
I.	Inventories	(13)	108,093	94,274
II.	Trade receivables	(14, 27)	93,303	91,869
III.	Current tax assets	(14)	672	1,471
IV.	Other receivables and assets	(14)	11,462	25,395
V.	Contract assets (current)*	(24)	537	0
VI.	Cash and cash equivalents	(15)	21,114	25,297
VII.	Assets held for sale	(16)	18,920	59,013
			254,101	**297,319**

Total assets	**396,780**	**452,001**

EQUITY AND LIABILITIES

In kEUR		Notes	**31.12.2018**	**31.12.2017**
A.	EQUITY			
I.	Subscribed capital	(17)	10,800	8,064
II.	Capital reserves	(18)	11,534	31,105
III.	Statutory reserves	(19)	231	231
IV.	Revenue reserves	(19)	58,235	49,257
V.	Currency translation reserve**	(19)	-2,632	-651
VI.	Revaluation reserve	(19)	2,975	3,041
VII.	Group net loss attributable to shareholders of Schaltbau Holding AG		-16,519	-51,742
VIII.	Equity attributable to shareholders of Schaltbau Holding AG		64,624	39,305
IX.	Minority interests	(20)	29,225	31,264
			93,849	**70,569**
B.	NON-CURRENT LIABILITIES			
I.	Pension provisions	(21)	36,792	37,505
II.	Personnel-related provisions	(22)	4,220	3,778
III.	Other provisions	(22)	3,098	10,431
IV.	Financial liabilities	(23)	12,124	125,186
V.	Contract liabilities (non-current)*	(24)	159	0
VI.	Other liabilities	(23)	4,686	595
VII.	Deferred tax liabilities	(9)	2,386	5,445
			63,465	**182,940**
C.	CURRENT LIABILITIES			
I.	Personnel-related provisions	(22)	8,893	6,108
II.	Other provisions	(22)	21,630	23,493
III.	Income taxes payable	(23)	682	463
IV.	Financial liabilities	(23)	109,388	58,551
V.	Trade accounts payable	(23)	47,435	46,442
VI.	Contract liabilities (current)*	(24)	14,589	12,758
VII.	Other liabilities	(23)	18,123	21,581
VIII.	Liabilities relating to assets held for sale	(16)	18,726	29,096
			239,466	**198,492**
Total equity and liabilities			**396,780**	**452,001**

* The line items "Contract liabilities (non-current)", "Contract liabilities (current)" and "Contract assets (current)" have been introduced as separate balance sheet line items in conjunction with the first-time application of IFRS 15. In addition, the line item "Advance payments received" has been redesignated as "Contract liabilities (current)". Comparative figures have not been adjusted. Further information on the first-time application of IFRS 15 can be found in the explanatory notes.

**The line item "Income/expenses recognised directly in equity" has been redesignated as "Currency translation reserve" for the sake of clarity.

CONSOLIDATED INCOME STATEMENT

In kEUR		Notes	2018	2017
1.	Revenue	(1)	518,343	516,459
2.	Change in inventories of finished and work in progress	(2)	3,015	9,230
3.	Own work capitalised	(2)	2,087	7,538
4.	**Total output**		**523,445**	**533,227**
5.	Other operating income	(3)	24,242	12,230
6.	Cost of materials	(4)	280,422	275,585
7.	Personnel expense	(5)	177,153	186,850
8.	Depreciation and amortisation		29,831	43,113
9.	Other operating expenses	(6)	67,133	62,884
10.	Impairment losses*	(27)	440	0
11.	**Loss before financial result and taxes (EBIT)**		**-7,292**	**-22,975**
	a) Result from at-equity accounted investments		-114	123
	b) Sundry other result from investments		-2,873	-1,925
12.	Result from investments	(7)	-2,987	-1,802
	a) Interest income		1,479	790
	b) Interest expense		-7,228	-11,719
	c) Other financial result		-54	-9
13.	Financial result	(8)	-5,803	-10,938
14.	**Loss before tax**		**-16,082**	**-35,715**
15.	Income taxes	(9)	1,947	-13,852
16.	**Group net loss for the year**		**-14,135**	**-49,567**
	Allocation of Group net loss for the year			
	attributable to minority shareholders		2,384	2,175
	attributable to shareholders of Schaltbau Holding AG		-16,519	-51,742
	Group net loss for the year		**-14,135**	**-49,567**
	Earnings per share – undiluted	(10)	**-1.93**	**-8.04**
	Earnings per share – diluted		**-1.93**	**-8.04**

The consolidated income statement for the fiscal year 2018 includes two months of Pintsch Bubenzer Group figures on a pro-rata basis. The Pintsch Bubenzer Group is still fully included in the comparative figures for the fiscal year 2017. In order to ensure comparability of the consolidated income statement, the income statement of the Pintsch Bubenzer Group is shown separately in the section “Explanatory notes to the consolidated income statement”.

* The line item “Impairment losses” is shown separately in the income statement in conjunction with the first-time application of IFRS 9. In previous periods, impairment losses were included in other operating expenses. Comparative figures have not been adjusted.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In kEUR	Notes	2018	2017
Group net loss for the year		**-14,135**	**-49,567**
Items which will not subsequently be reclassified to profit or loss			
Actuarial gains/losses relating to pensions	(21)	-21	1,420
Tax effect		1,256	-2,462
		1,235	**-1,042**
Items which were or may subsequently be reclassified to profit or loss			
Unrealised losses arising on currency translations			
— from fully consolidated companies		-761	-1,310
— from at-equity accounted companies		-814	-579
Derivative financial instruments	(27)		
— Change in unrealised gains (+) / losses(-)		-11	177
— Realised gains (-) / losses (+)		264	223
Tax effect		-76	-120
		-1,398	-1,607
Other comprehensive income after tax		**-163**	**-2,471**
Group comprehensive loss		**-14,298**	**-52,039**
— attributable to minority shareholders		2,790	1,327
— attributable to shareholders of Schaltbau Holding AG		-17,088	-53,365

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

CONSOLIDATED CASH FLOW STATEMENT

In kEUR	Notes	2018	Adjusted* 2017	2017
Loss before financial result and taxes (EBIT)		**-7,292**	**-22,975**	**-22,975**
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment		26,681	32,278	32,278
Gains/losses on the disposal of intangible assets and property, plant and equipment		426	-165	-165
Change in current assets		-22,320	-21,520	-21,520
Change in provisions		-7,438	-523	-523
Change in liabilities		2,694	19,174	19,174
Dividends received		771	0	0
Income tax paid		-2,146	-3,751	-3,751
Other non-cash income/ expenses		2,379	7,957	7,957
Cash flows from operating activities	(25)	**-6,245**	**10,475**	**10,475**
Payments for investments in				
— Intangible assets and property, plant and equipment		-14,687	-17,622	-17,622
— Investments		-1,436	-5,393	-5,393
— Cash deposits		0	-15,550	-15,550
Proceeds from disposal of				
— Property, plant and equipment		265	325	325
— Repayment of cash deposits		0	11	11
— Business units and companies		28,420	3,933	3,933
— Cash deposits		15,550	0	0
Cash flows from investing activities	(25)	**28,112**	**-34,296**	**-34,296**
Share capital increase		46,498	15,537	15,537
Distribution to minority interests		-3,267	-3,496	-3,496
Acquisition of minority interests		-884	0	0
Loan repayments		-74,680	-5,989	-5,989
New loans raised		5,450	6,641	6,641
Interest paid		-5,847	-7,891	-7,891
Interest received		556	834	834
Change in sundry other financial liabilities*		5,905	14,272	76
Cash flows from financing activities	(25)	**-26,269**	**19,908**	**5,712**
Change in cash funds due to exchange rate fluctuations		**-136**	-900	-900
Change in cash funds	(25)	**-4,539**	**-4,813**	**-19,009**
Cash funds at the end of the year		**21,824**	26,364	12,168
Cash funds at the beginning of the year		**26,364**	31,177	31,177
		-4,539	**-4,813**	**-19,009**

* Unlike at 31 December 2018, cash funds at 31 December 2017 still include the current account liabilities. Further information is provided in note 25 relating to the cash flow statement. In order to enable a comparison of the year under report with the previous year, an adjusted column has been added for the previous year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In kEUR	Attributable to shareholders of Schaltbau Holding AG					
	Subscribed capital	Capital reserves	Statutory reserves		Revenue reserves	Revaluation reserve
				Other	Cash flow hedges	
Balance at 1.1.2017	**7,506**	**16,126**	**231**	**62,898**	**-554**	**3,041**
Profit/deficit brought forward	0	0	0	-15,822	0	0
Dividends	0	0	0	0	0	0
Share capital increase	558	14,979	0	0	0	0
Other changes	0	0	0	3,495	0	0
Group net profit /loss for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-1,040	280	0
Group comprehensive income	0	0	0	-1,040	280	0
Balance at 31.12.2017	**8,064**	**31,105**	**231**	**49,531**	**-274**	**3,041**
Adjustments for first-time application of IFRS 9 and IFRS 15 in accordance with IAS 8	0	0	0	-2,367	0	0
Balance at 1.1.2018 (adjusted)	**8,064**	**31,105**	**231**	**47,164**	**-274**	**3,041**
Profit/loss brought forward	0	0	0	-51,742	0	0
Dividends	0	0	0	0	0	0
Share capital increase	2,736	44,612	0	0	0	0
Other changes	0	-64,183	0	61,676	0	-66*
Group net profit /loss for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	1,234	177	0
Group comprehensive income	0	0	0	1,234	177	0
Balance at 31.12.2018	**10,800**	**11,534**	**231**	**58,332**	**-97**	**2,975**

* In conjunction with the preparation of the annual financial statements of Schaltbau Holding AG as at 31 December 2018, the Executive Board decided to transfer an amount of EUR 64,182,590.65 from capital reserves in order to cover the accumulated deficit that had arisen in accordance with German commercial law (HGB).

Attributable to shareholders of Schaltbau Holding AG				Minority interests in			Group equity
Currency translation reserve		Net profit/loss for year	Total	Capital and reserves	Net profit/loss for year	Total	
relating to fully consoli-dated entities	relating to at-equity accounted entities						
1,539	-1,327	-15,822	73,638	29,622	3,813	33,435	107,073
0	0	15,822	0	3,813	-3,813	0	0
0	0	0	0	-3,496	0	-3,496	-3,496
0	0	0	15,537	0	0	0	15,537
0	0	0	3,495	-2	0	-2	3,493
0	0	-51,742	-51,742	0	2,175	2,175	-49,567
-284	-579	0	-1,623	-848	0	-848	-2,471
-284	-579	-51,742	-53,365	-848	2,175	1,327	-52,038
1,255	**-1,906**	**-51,742**	**39,305**	**29,089**	**2,175**	**31,264**	**70,569**
0	0	0	-2,367	0	0	0	-2,367
1,255	-1,906	-51,742	36,938	29,089	2,175	31,264	68,202
0	0	51,742	0	2,175	-2,175	0	0
0	0	0	0	-3,267	0	-3,267	-3,267
0	0	0	47,348	0	0	0	47,348
-2	0	0	-2,575	-1,603	41	-1,562	-4,137
0	0	-16,519	-16,519	0	2,384	2,384	-14,135
-1,165	-814	0	-568	406	0	406	-163
-1,165	-814	-16,519	-17,087	406	2,384	2,790	-14,298
88	**-2,720**	**-16,519**	**64,624**	**26,800**	**2,425**	**29,225**	**93,849**

* Change due to deconsolidation of Pintsch Bubenzer GmbH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

DESCRIPTION OF BUSINESS

Schaltbau Holding AG is a stock market-listed corporation, based in Munich, Germany. It is the ultimate parent company of the Schaltbau Group, which supplies components and systems for the transportation technology sector. During the fiscal year 2018, Schaltbau Group entities supplied complete level crossing systems, shunting and signals technology, door and boarding systems for buses, trains and commercial vehicles, 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.

PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2018 were approved for publication by the Executive Board on 29 March 2019. The consolidated financial statements and group management report will be posted electronically in the Federal Gazette.

The cash flow statement has been prepared in accordance with IAS 7, with cash flows classified into cash flows from operating, investing and financing activities. The cash flow from operating activities is determined using the indirect method. As at 31 December 2018, cash funds reported in the consolidated cash flow statement include cash and cash equivalents but not current account liabilities. Information relating to the changes made in the composition of cash and cash equivalents is provided in the section "BASIS OF PREPARATION".

BASIS OF PREPARATION

The consolidated financial statements of Schaltbau Holding AG, Munich, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and the additional requirements of the German Commercial Code pursuant to § 315e (1) HGB. All IFRSs issued by the International Accounting Standards Board (IASB) in London, United Kingdom, applicable at the balance sheet date and endorsed by the EU, and all Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory for the fiscal year under report, have been applied.

The following revised or new Standards have been applied for the first time in the fiscal year 2018:

	Name	Effective date
New	IFRS 9 Financial instruments	1.1.2018
Amended	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1.1.2018
New	IFRS 15 Revenue from Contracts with Customers	1.1.2018
Amended	Clarifications to IFRS 15 Revenue from Contracts with Customers	1.1.2018
Amended	Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2	1.1.2018
Amended	Annual Improvements to IFRSs 2014 – 2016 (Amendments to IAS 28, IFRS 1)	1.1.2018
Amended	Transfers of Investment Property - Amendments to IAS 40	1.1.2018
New	IFRIC 22 Foreign Currency Transactions and Advance Consideration	1.1.2018

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

CHANGES DUE TO THE FIRST-TIME APPLICATION OF IFRS 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.

Financial assets are now 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”. There was no material effect as at 1 January 2018. 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 is accounted for recognising any change in the present value of the liability through profit or loss. Due to the retrospective application of the Standard, an adjustment of kEUR 2,520 (before deferred taxes) was recognised directly in equity during the fiscal year under report which had the effect of reducing equity.

The new requirements contained in IFRS 9 relating to the recognition of impairment allowances are based 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-stage 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 are measured using the "simplified approach”. Under the simplified impairment model, a risk provisioning allowance is recognised on the instruments to cover the amount of losses expected to be incurred over their remaining term, irrespective of their credit quality. During the fiscal year under report, Schaltbau recognised an adjustment of kEUR 721 (before deferred taxes) directly in equity which had the effect of reducing equity.

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 of 1 January 2018:

1 January2018 In kEUR	**Category IAS 39**	**Carrying amount based on IAS 39**	**Category IFRS 9**	**Carrying amount based on IFRS 9**
Assets-side financial instruments				
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
Total assets excluding assets held for sale		**140,948**		**140,227**
Assets-side financial instruments held for sale				
Trade accounts receivable	LaR	14,695	AC	14,695
Other current assets	n/a	6,319	n/a	6,319
– of which other current assets	LaR	6,166	AC	6,166
– of which derivatives	FVPL	124	FVPL	124
– of which derivatives designated for hedge accounting	n/a	29	n/a	29
Cash and cash equivalents	LaR	1,067	AC	1,067
Total assets held for sale		**22,081**		**22,081**
Total assets		**163,029**		**162,308**
Liabilities-side financial instruments				
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	n/a	21,366	n/a	21,366
– of which other liabilities	FLAC	20,944	FLAC	20,944
– of which derivatives designated for hedge accounting	n/a	422	n/a	422
Total liabilities excluding liabilities in conjunction with assets held for sale		**251,507**		**254,027**
Liabilities-side financial instruments – liabilities in conjunction with assets held for sale				
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
Total liabilities in conjunction with assets held for sale		**21,316**		**21,316**
Total liabilities		**272,823**		**275,343**

AC = Amortised Cost FLAC = Financial Liabilities at Amortised Cost
FVPL = Fair Value Profit and Loss LaR = Loans and Receivables

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

In kEUR	AC (LaR 2017)	FVPL*	FLAC
Carrying amount at 31.12.2017 (IAS 39)	162,876	124	272,401
Changes in measurement due to IFRS 9	-721	n/a	+2,520
Carrying amount 1.1.2018 (IFRS 9)	162,155	124	274,921

* 2017 Held for trading

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	in kEUR
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

* Balances at 31 December 2017 also include flat-rate specific allowances

On the grounds of materiality, no impairment losses pursuant to IFRS 9 were recognised on other financial assets and trade accounts receivable held for sale or on cash and cash equivalents as at 1 January 2018.

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 previous Standards and other requirements for revenue recognition, including those contained in IAS 18 Revenue, IAS 11 Construction Contracts and relevant Interpretations. Application of IFRS 15 is mandatory with effect from 1 January 2018. For the purposes of the transition to IFRS 15, the Company opted to apply the modified retrospective method in its consolidated financial statements, with cumulative adjustments recognised as at 1 January 2018.

Revenue was recognised during the reporting period predominantly 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 "Contract liabilities (current)". Advance payments received from customers at 31 December 2017 totalled kEUR 12,758.
- 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 kEUR 159 were recognised for extended warranty periods and reported under "Contract liabilities (non-current)".

CHANGES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows changes in the Schaltbau Group's cash and cash equivalents during the period under report. Cash funds comprise cheques, cash in hand and cash at bank. At 31 December 2017, cash funds were stated net of current account liabilities to banks. As a result of a decision taken by the IFRS IC in June 2018, it is no longer permissible to offset these amounts. Current account liabilities to banks are now reported within cash flows from financing activities. In order to improve comparability, the previous year's cash flow statement has been adjusted to comply with the new definition of cash funds. Further information is provided in note (25) CASH FLOW STATEMENT.

The following new or amended Standards and Interpretations were not mandatory for the fiscal year 2018 and were not applied early:

	Name	Effective date
New	IFRS 16 Leases	1.1.2019
New	IFRS 17 Insurance Contracts	1.1.2021
New	IFRIC 23 Uncertainty over Income Tax Treatments	1.1.2019
Amended	Prepayment Features with Negative Compensation – Amendments to IFRS 9	1.1.2019
Amended	Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	1.1.2019
Amended	Annual Improvements to IFRSs (2015 - 2017 Cycle)	1.1.2019
Amended	Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1.1.2019
Amended	Change in Definition of a Business – Amendments to IFRS 3	1.1.2020
Amended	Sales or Contributions of Assets between an Investor and its Associate/Joint Venture – Amendments to IFRS 10 and IAS 28	n/a*

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

Unless otherwise stated, the new or amended Standards and Interpretations have no effect on the consolidated financial statements of the Schaltbau Group or their impact is not yet known.

EXPECTED IMPACT OF THE FIRST-TIME ADOPTION OF IFRS 16 LEASES

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

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

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

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

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

When applying the modified retrospective method to leases classified as operating leases under IAS 17, a lessee may elect for each individual lease whether exemptions are to be used on transition.

The Schaltbau Group leases various properties, facilities and vehicles. Lease/rental contracts are generally concluded for fixed periods of between one and ten years, but may include renewal options. The contracts do not contain any credit terms. The items leased may not be used as collateral for borrowings. For the purpose of its analysis and evaluation of existing lease arrangements, the Schaltbau Group has applied available exemptions and practical expedients under IFRS 16 as follows:

- Intragroup leases will not be accounted for in accordance with IFRS 16
- Measurement requirements will be applied to each individual lease
- Leases in which the underlying asset is of low value within the meaning of the new Standard will not be accounted for in accordance with IFRS 16
- Short-term leases within the meaning of the new Standard will not be accounted for in accordance with IFRS 16
- As permitted by IFRS 16.15, lease and non-lease components will be treated as a single lease
- Contractual extension options and termination options will be taken into account if the probability of exercise is greater than 75%. Past decisions will be taken into account when assessing the most likely lease term
- In addition to the total amount of lease payments dependent on the lease term, payments for the exercise of purchase options will also be taken into account if the probability of exercise is greater than 75%.

The first-time application of IFRS 16 is expected to have the following impact on the Schaltbau Group's net assets and results of operations: As some Group companies are classified in the fiscal year 2019 as held for sale and accounted for in accordance with IFRS 5, the disclosures are presented on a differentiated basis.

The following table shows the expected effect of the first-time application of IFRS 16 on the Schaltbau Group excluding the companies classified as held for sale:

IMPACT ON NET ASSETS

Assets		Liabilities	
Balance sheet item	Range	Balance sheet item	Range
Right-of-use assets	kEUR 10,993 – kEUR 13,436	Lease liabilities	kEUR 10,993 – kEUR 13,436

IMPACT ON RESULTS OF OPERATIONS

Consolidated income statement	
Income statement line items	Range
Increase in depreciation	kEUR 2,312 – kEUR 2,826
Decrease in other operating expenses	kEUR 2,555 – kEUR 3,123
Increase in interest expense	kEUR 460 – kEUR 562
Increase in EBIT	kEUR 243 – kEUR 297

The following table shows the expected effect of the first-time application on companies which were or are being classified as held for sale:

IMPACT ON NET ASSETS

Assets		Liabilities	
Balance sheet item	Range	Balance sheet item	Range
Right-of-use assets	kEUR 2,159 – kEUR 2,639	Lease liabilities	kEUR 2,159 – kEUR 2,639

IMPACT ON RESULTS OF OPERATIONS

Consolidated income statement	
Income statement line items	Range
Increase in depreciation	kEUR 510 – kEUR 624
Decrease in other operating expenses	kEUR 573 – kEUR 701
Increase in interest expense	kEUR 92 – kEUR 112
Increase in EBIT	kEUR 63 – kEUR 77

CONSOLIDATION PRINCIPLES

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

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

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

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

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

Intragroup profits on goods sold or services provided, gains and losses on sales of tangible and intangible assets and on intragroup provisions are also eliminated with income statement effect (net of the related deferred taxes).

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

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

Associated companies accounted for using the equity method are included in the balance sheet at the Group’s share of assets, liabilities and contingent liabilities after fair value adjustments, and any goodwill attributable to the Group. An associated company is defined as an entity over which the Group has significant influence. There is a rebuttable assumption that this is the case when more than 20% of the shares of the entity are held.

GROUP REPORTING ENTITY

In principle, all subsidiaries and associated companies are required to be included in the consolidated financial statements.

Subsidiaries are companies that are controlled by Schaltbau Holding AG and are fully consolidated if material.

In addition to Schaltbau Holding AG the following 7 (2017: 8) German and 15 (2017: 15) foreign companies are included in the consolidated financial statements of Schaltbau Holding AG:

Company	Registered office	Abbrev-iation	Shareholding
Gebr. Bode GmbH & Co. KG [1)]	Kassel	BOBE	100%
Gebr. Bode & Co. Beteiligungs GmbH [1)]	Kassel	BOKS	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH [1)]	Kassel	BOVW	100%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (Poland)	BORA	89.3%
Schaltbau Transportation UK Ltd.	Milton Keynes (UK)	BOUK	99.8%
Bode North America Inc.	Spartanburg (USA)	BONA	100%
Alte Technologies S.L.U.	Barcelona (Spain)	ALTE	100%
Albatros S.L.U.	Madrid (Spain)	ALBA	100%
Albatros North America Inc.	Ballston Spa (USA)	ALNA	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	Dinslaken	PIBA	100%
Pintsch Aben B.V.	Maarssen (Netherlands)	PIAB	100%
Schaltbau Refurbishment GmbH	Dinslaken	SBRS	100%
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (Brazil)	PIBR	100%
Pintsch Tiefenbach GmbH [1)]	Sprockhövel	PITB	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	PIUS	100%
Schaltbau GmbH [1)]	Munich	SBOP	100%
Schaltbau Austria GmbH	Vienna (Austria)	SBOE	100%
Schaltbau France S.A.S.	Argenteuil (France)	SBFR	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	SBME	100%
Schaltbau North America Inc.	Hauppauge (USA)	SBNA	100%
SPII S.P.A.	Saronno (Italy)	SPII	65%
Xi’an Schaltbau Electric Corporation Ltd.	Xi’an Shaanxi (P.R.CH)	XIAN	50%

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

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

The fully consolidated subsidiaries of Albatros S.L.U., Madrid, Spain, and Albatros North America Inc., Ballston Spa, USA, are accounted for at 31 December 2018 as “assets held for sale” in accordance with IFRS 5.

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

The following associated companies are included in the consolidated financial statements at 31 December 2018 using the equity method:

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

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

Company	**Registered office**	**Shareholding**
Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda. 2)	Sao Paulo (Brazil)	100%
Albatros Railway Equipment Co. Ltd. 2)	Shanghai (China)	100%
Albatros Electromechanical Equipment Co. Ltd. 2)	Shanghai (China)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (China)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (China)	100%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Xi'an SPII Electric Co. Ltd. 1)	Xi'an Shaanxi (P.R.CH)	32.5%
Bode Korea Co. Ltd.	Seoul (South Korea)	100%
BODO Pro-Last Profil San. Ve Tic. A.S. 1)	Bursa (Turkey)	40%
Kineco Alte Train Technologies Pvt Ltd	Bardez (India)	51%
GEZ Unterstützungsgesellschaft mbH	Munich	100%
Shenyang Bode Transportation Equipment Co. Ltd.	Shenyang (P.R. CH.)	49%
Schaltbau Siyakhulisa South Africa PTY Ltd.	Olivedale (South Africa)	24.5%
Schaltbau Radel South Africa PTY Ltd.	Olivedale (South Africa)	43.7%

1) Not accounted for using the equity method
2) Reclassified to assets held for sale in accordance with IFRS 5

The former company Albatros Servicos Industriais Ltda, Sao Paulo, Brazil, was merged with Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda., Sao Paulo, Brazil, during the fiscal year 2018. Conservacion Ferroviaria, S.A., Madrid, Spain, was liquidated during the fiscal year under report.

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

Company	Registered office	Shareholding
Albitren Mantenimiento y Servicios Industriales, S.A.	Ciudad Real (Spain)	43%
JB Albatros Renovables, S.L.	Ciudad Real (Spain)	31.3%
Técnicas Avanzadas de Equipamientos TAQUIP, S.L.	Madrid (Spain)	97.5%

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. A gain of kEUR 11 arose on deconsolidation at 1 March 2018. For further information, see the section "SIGNIFICANT EVENTS".

USE OF ESTIMATES

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

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

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

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

Other significant estimates include capitalised development costs, inventories, trade accounts receivable, risk allowances on trade accounts receivable, other provisions and pension provisions.

FOREIGN CURRENCY TRANSLATION

The financial statements of consolidated companies prepared in a foreign currency are translated using the "functional currency" concept. The financial statements of consolidated companies whose functional currency is not the euro are drawn up in accordance with the modified closing rate method. Under this method, the balance sheet amounts of consolidated foreign companies are translated at the closing spot exchange rate prevailing at the balance sheet date. Equity items are translated using the historical exchange rate. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences resulting from the translation of the balance sheet items are recognised directly in equity. Transactions denominated in a foreign currency are translated into the functional currency using the relevant exchange rates prevailing at transaction date. In subsequent periods, foreign currency monetary items are translated at the closing rate and exchange differences recognised in the income statement.

Exchange rates relevant for foreign currency translation into euro changed as follows:

Currency		**Closing rate**		**Average rate**
	31.12.2018	**31.12.2017**	**2018**	**2017**
Chinese renminbi yuan	7.8751	7.8044	7.8080	7.6286
US dollar	1.1450	1.1993	1.1812	1.1297
British pound	0.8945	0.8872	0.8847	0.8764
Turkish lire	6.0588	4.5464	5.7011	4.1230
Polish zloty	4.3014	4.1770	4.2609	4.2561
Brazilian real	4.4440	3.9729	4.3103	3.6060

ACCOUNTING PRINCIPLES AND POLICIES

The principal accounting policies used to prepare the consolidated financial statements for the fiscal year 2018 are described below. Unless otherwise stated, the accounting policies were applied consistently for each of the accounting periods presented.

In accordance with IAS 1, the balance sheet is presented on the basis of the current/non-current distinction. Current assets and liabilities are those that fall due within a period of one year. Regardless of their maturity, inventories and trade accounts receivable/payable are also deemed to be current if they are sold, used or are due within the normal course of a business cycle (which can be longer than one year). Deferred tax assets and liabilities are presented as non-current items.

INTANGIBLE ASSETS

Intangible assets with a limited useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trademarks and software are amortised over a period of three to ten years and capitalised development costs over a period of three to ten years, or in individual project-related items, over the period of the project.

Intangible assets with indefinite useful lives as well as intangible assets not yet being utilised are not amortised, but tested annually for impairment. An impairment test is also performed for these assets if there are any indications of impairment as of the balance sheet date. Assets subject to scheduled amortisation are tested for impairment if there is any indication that the carrying amount of the asset can no longer be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of the asset is defined as the higher of its fair value less costs to sell and its value in use.

For the purpose of the impairment test, assets are aggregated at the lowest level at which cash flows are generated that are largely independent of the cash flows of other assets or groups of assets (cash-generating units/CGU). At each reporting date, a review is carried out for all non-financial assets (except goodwill) on which impairment losses have previously been recognised whether any of those impairment losses should be reversed.

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

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

The following forecast assumptions were applied for impairment tests performed in 2018:

	Revenue growth in %		**Cost increases in %**	
In %	**2019**	**2020/2021**	**2019**	**2020/2021**
Components segment				
SPII S.P.A.	40.8	6.1	33.6	4.6
Schaltbau North America Inc.	7.4	10.8	5.9	10.4
Mobile Transportation Technology segment				
Gebr. Bode GmbH & Co. KG	1.2	-0.1	0.1	-0.2
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	3.2	3.8	0.1	3.4
Schaltbau Transportation UK Ltd.	-10.9	-0.1	-16.0	-0.1
Alte Technologies S.L.U.	6.0	6.3	-3.4	-6.4
Albatros S.L.U.[1]	n/a	n/a	n/a	n/a
Stationary Transportation Technology segment				
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH[3]	125.2	4.3	87.1	2.4
Pintsch Bubenzer GmbH[2]	n/a	n/a	n/a	n/a
Pintsch Tiefenbach GmbH[3]	n/a	n/a	n/a	n/a
Pintsch Tiefenbach US Inc.	-11.7	12.8	-8.5	6.9

1 Held-for-sale company
2 All shares in Pintsch Bubenzer GmbH were sold on 24 January 2018 (transaction closed on 1 March 2018)
3 PITB merged with PIBA during the fiscal year 2019 in accordance with a merger agreement dated 14 February 2019

A large part of budgeted revenue for the fiscal year 2019 are underpinned by orders already received.

The following discount rates were applied:

	WACC after-tax in %		WACC pre-tax in %	
In %	**2018**	**2017**	**2018**	**2017**
SPII S.p.A.	8.1	7.7	10.1	10.0
Schaltbau North America Inc.	6.0	6.1	8.0	7.3
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH	5.3	5.6	8.0	7.3
Pintsch Bubenzer GmbH[2]	n/a	5.6	n/a	7.3
Pintsch Tiefenbach GmbH[3]	n/a	5.6	n/a	7.3
Pintsch Tiefenbach US Inc.	5.9	6.1	8.1	7.3
Gebr. Bode GmbH & Co. KG	5.3	5.6	6.8	7.3
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	7.2	7.3	8.5	9.5
Schaltbau Transportation UK Ltd.	6.6	6.8	8.3	8.8
Alte Technologies S.L.U.	7.7	7.8	7.7	10.2
Albatros S.L.U[1].	n/a	7.8	n/a	10.7

1 Held-for-sale company
2 All shares in Pintsch Bubenzer GmbH were sold on 24 January 2018 (transaction closed on 1 March 2018)
3 Merger of Pintsch Tiefenbach GmbH Pintsch Bamag with Pintsch Bamag GmbH during the fiscal year 2019

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENTS

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as investments are not classified as financial instruments. They are stated at the lower of cost or, in if there is no active market, at their fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 7.7% and 16.2% for each individual investment. Interests in associated companies accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment.

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

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

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

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

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

DEFERRED TAXES

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

INVENTORIES

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

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities comprise non-derivative and derivative receivables and payables.

Classification

With effect from 1 January 2018, the Group classifies financial assets in the following measurement categories:

- financial assets subsequently measured at fair value (either through other comprehensive income or through profit or loss), and
- financial assets measured at amortised cost.

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

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

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

Financial liabilities are classified into the following measurement categories:

- Measured at fair value through profit or loss and
- Measured at amortised cost.

Recognition and derecognition

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

Previously, financial instruments were derecognised when the rights to receive cash flows expired or were transferred and the Schaltbau Group had transferred substantially all of the risks and rewards of ownership.

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

Measurement

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

The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset involved. The Group classifies its debt instruments into three measurement categories:

- Measured at amortised cost (AC): Assets that are held to collect contractual cash flows and for which these cash flows solely represent payments of principal and interest are measured at amortised cost. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Gains or losses arising on the derecognition of the financial asset are recognised directly in profit or loss as other operating income/expense together with foreign currency gains and losses.
- At fair value through other comprehensive income (FVOCI): Assets held to collect contractual cash flows and held-for-sale financial assets, where the cash flows solely represent payments of principal and interest, are measured at fair value through other comprehensive income. Changes in carrying amount – with the exception of interest income and foreign currency gains and losses recognised in profit or loss – are recognised in other comprehensive income. Expenses for impairment losses and income from the reversal of impairment

losses are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and reported as part of the financial result. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Foreign currency gains and losses are reported in other operating income/expenses and impairment losses in a separate line item in the income statement.

- At fair value through profit or loss (FVPL): Assets that do not meet the criteria of the category "measured at amortised cost" or "FVOCI" are classified as FVPL. Gains or losses arising on a debt instrument that is subsequently measured at FVPL are recognised on a netted basis in other operating income/expenses in the period in which they arise.

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

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

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

Derivatives and hedging transactions

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

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

The fair values of derivative financial instruments designated as hedges and changes in the cash flow hedge reserve within equity are shown in note (27) RISK MANAGEMENT POLICY AND HEDGING ACTIVITIES. The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the hedge is more than twelve months and as a current asset or current liability if the remaining term of the hedge is less than twelve months. The Schaltbau Group does not hold any derivatives for trading purposes. Derivative financial instruments are reported in the balance sheet under the headings “Other receivables and assets” or “Other liabilities”.

Cash flow hedges accounted for as hedging relationships

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

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

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

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

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

Ineffectiveness of hedging relationships

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

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

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

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

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

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

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

Accounting policies applied up to 31 December 2017

Up to 31 December 2017, financial instruments held by the Schaltbau Group were classified the following categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement:

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

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

For all categories of financial assets, the criterion for the first-time recognition of a financial instrument was the trading date, in other words the date on which the obligation to buy or sell the instrument was entered into. Financial assets and liabilities were recognised initially at their fair value. If a financial asset or liability was not valued through profit or loss at its fair value, transaction costs directly attributable to the acquisition of the financial asset or to the issue of the financial liability were included in the carrying amount. Subsequently they were measured at either at amortised cost or fair value, depending on which category they had been allocated to in accordance with IAS 39. The amortised cost of a financial asset or financial liability was calculated using the effective interest method, based on the amount at which a financial instrument was initially measured, less any repayments, impairments or uncollectible amounts.

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

Derivative financial instruments were measured at their fair value, which corresponded to the market value. The market value reflected the effect of closing out a derivative at the balance sheet date, regardless of the result arising on the underlying transactions. The market values of derivative financial instruments calculated at the end of the reporting period could differ from currently realisable amounts due to the volatility of the market data used for measurement purposes. Fair value gains and losses were recognised as other operating income or expenses.

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

TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS, CONTRACT ASSETS, CASH AND CASH EQUIVALENTS

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

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

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

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

The expense for impairment losses recognised on trade accounts receivable is reported on the line item “Impairment losses”, on a net basis, in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

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

REVALUATION RESERVE

The revaluation reserve comprises the amounts included directly in equity in conjunction with the fair value measurement of land on the first-time adoption of IFRS. These amounts are determined as the difference between the expected market values of the plots of land concerned and their acquisition cost (net of deferred tax).

PENSION PROVISIONS

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

Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. In accordance with IAS 19, actuarial gains and losses are recognised as remeasurements directly in equity. Past service cost/income is recognised immediately through profit or loss. The service cost is reported as personnel expense and the interest component of the allocation to the pension provision is reported as part of the net interest result.

The biometric tables issued by Prof. Dr. Klaus Heubeck (2018G) (2017; "2015G") were used as the basis for mortality probabilities. The effects of the changeover are described in note (21) PENSION PROVISIONS. The interest rate applied to calculate pension provisions is based on current capital market interest rates.

OTHER PROVISIONS

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

PROVISIONS FOR PRE-RETIREMENT PART-TIME WORKING ARRANGEMENTS

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

FINANCIAL LIABILITIES

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

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

CONTINGENT LIABILITIES

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

LEASES

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

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

REVENUE AND PROFIT RECOGNITION

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

Components segment and Mobile Transportation Technology segment revenue

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

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

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

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

Stationary Transportation Technology segment revenue

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

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

Contract assets are stated net of impairment allowances measured in accordance with IFRS 9. The Group applies the simplified approach described in IFRS 9 whereby the amount of the loss allowances is measured on the basis of lifetime expected credit losses.

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

The expense for impairment losses recognised on contract assets is reported on the line item “Impairment losses”, on a net basis, in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

Determination of the stand-alone selling price

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

BORROWING COSTS

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

SIGNIFICANT EVENTS

IMPAIRMENT LOSS RECOGNISED ON THE JOINT VENTURE ZHEJIANG YONGGUI BODE TRANSPORTATION EQUIPMENT CO. LTD. IN TIANTAI, CHINA (BOYO).

The BOYO joint venture was established during the fiscal year 2017. At the end of 2017, an impairment loss of kEUR 1,600 was recognised on the investment. The obligation entered into at the time of the establishment of the joint venture to make a further capital contribution of kCNY 10,600 (kEUR 1,358) in 2018 was fulfilled.

Towards the end of the year, shortcomings in the joint venture's forecast became apparent. In particular, the lack of incoming orders was one of the reasons for the shortfall against budget. As part of the process of preparing the consolidated financial statements, an impairment test was performed again in accordance with IAS 28 in conjunction with IAS 36 on the basis of adjusted forecast figures and actual performance in 2018. As a result, an impairment loss of kEUR 3,371 was recognised at the year-end on the remaining carrying amount of the Group's investment in BOYO, reflecting the fact that the value in use of the investment was lower than its carrying amount measured at amortised cost.

The recoverable amount was determined on the basis of a fixed planning period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.6% (pre-tax WACC of 8.4%) and a perpetual annuity growth rate of 1.0%. The recoverable amount in the fiscal year 2018 was slightly negative. Further information is provided on note 12 SIGNIFICANT EVENTS.

IMPAIRMENT LOSS RECOGNISED ON THE INVESTMENT IN SHENYANG PINTSCH BAMAG TRANSPORTATION & ENERGY EQUIPMENT CO. LTD., SHENYANG, CHINA, (PBTE)

The contract with the joint venture partner was terminated during the second half of 2018. As a result, the remaining carrying amount of the Group's investment in PBTE amounting to kEUR 269 was written down at the end of 2018, given that future cash inflows are no longer expected. There are no obligations to make further capital contributions.

IMPAIRMENT LOSS RECOGNISED ON GOODWILL AND ASSETS RELATING TO ALTE TECHNOLOGIES S.L.U., BARCELONA, SPAIN

In September 2018, an impairment test was performed in accordance with IAS 36 on the basis of adjusted forecast figures and actual performance in 2018. As a result, goodwill was written down by kEUR 8,172 and other assets by kEUR 1,840 in 2018, reflecting the fact that the recoverable amount was lower than the carrying amount of the cash-generating unit. The company is part of Mobile Transportation Technology segment.

The recoverable amount (value in use) was determined on the basis of a fixed planning period of three years and corresponded to a positive amount of kEUR 2,687. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.4% (pre-tax WACC of 8.4%) and a perpetual annuity growth rate of 1%. Further information is provided in the explanation of the accounting treatment of intangible assets in the note on ACCOUNTING PRINCIPLES AND POLICIES.

Due to a further identified shortcomings in the company's forecasts, the impairment test pursuant to IAS 36 was reperformed at the end of fiscal year under report and, as a consequence, assets were written down by kEUR 1,700. The impairment loss was based on the continued deterioration in Alte's economic and financial situation and updated forecast figures. Alte's budgeted and forecast order intake and revenue were identified as not being in line with latest expectations and, in addition to the shortfall in 2018, are unlikely to generate positive earnings in 2019.

The recoverable amount (value in use) was determined on the basis of a fixed planning period of three years and corresponded to a positive amount of kEUR 987. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.7% (pre-tax WACC of 8.5%) and a perpetual annuity growth rate of 1%. Further information is provided in the explanation of the accounting treatment of intangible assets in the note on ACCOUNTING PRINCIPLES AND POLICIES.

In February 2019, the Executive Board of Schaltbau Holding AG decided to put the Spanish subsidiary Alte Technologies S.L.U. up for sale. Alte will therefore be accounted for as a "disposal group" in accordance with IFRS 5 with effect from the fiscal year 2019. Furthermore, a provision amounting to kEUR 1,300 was recognised in December 2018 for risks arising from potential calls on Group and bank guarantees.

IMPAIRMENT LOSS RECOGNISED ON GOODWILL RELATING TO SCHALTBAU TRANSPORTATION UK LTD., MILTON KEYNES, UNITED KINGDOM

In September 2018, an impairment test was performed in accordance with IAS 36 on the basis of adjusted forecast figures and actual performance in 2018 (triggering event). As a result, goodwill was written down by kEUR 2,271, reflecting the fact that the recoverable amount was lower than the carrying amount of the cash-generating unit. The company is part of Mobile Transportation Technology segment.

The recoverable amount (value in use) was determined on the basis of a fixed planning period of three years and corresponded to a positive amount of kEUR 3,362 . The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 6.6% (pre-tax WACC of 8.3%) and a perpetual annuity growth rate of 1%. Further information is provided in the explanation of the accounting treatment of intangible assets in the note on ACCOUNTING PRINCIPLES AND POLICIES.

SEPSA GROUP

In November 2017, the Executive Board decided to put up for sale the Sepsa Group (Albatros S.L.U, Madrid, Spain and its subsidiaries, hereafter referred to as the Sepsa Group), which is part of the Mobile Transportation Technology segment. The plan is to sell all shares on the basis of a share deal. With effect from November 2017, 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 purchase offer received from a potential buyer in November 2017 could not be successfully completed in spring 2018. In the final analysis, the failure to complete the transaction was mainly due to different views regarding a major project under negotiation at the time. Whereas Schaltbau wished to take this major order (which was already at an advanced stage in negotiations at the time) into account for the purposes of determining the sales price, the potential investor had no interest in concluding the said project. This difference of opinion ultimately led to a termination of the sales negotiations. In particular for the aforementioned reason, which was attributable to events or circumstances beyond Schaltbau's control, the sale of the Sepsa Group could not take place within a period twelve months from November 2017. As part of the M&A process, a new investor was found in summer 2018, with whom detailed negotiations are currently being held. In light of other new enquiries received from investors, the Executive Board of Schaltbau Holding AG is confident that there is a sustained interest in the market to acquire Sepsa. For this reason, the SEPSA Group continues to be accounted for as a "disposal group" in accordance with IFRS 5 at 31 December 2018. At the balance sheet date, the Executive Board continues to work on the assumption that – in view of the current specific status of the major project – the Sepsa Group can still be sold for EUR 1 despite the ongoing losses. As a consequence, the assets and liabilities of the disposal group are reported at the same amount, resulting in reversals of impairment losses on assets. The income from these reversals is reported as other operating income despite the fact that further losses are arising and liabilities increasing. A total of kEUR 4,919 was recognised in the fiscal year 2018 as other operating income. This amount is not classified as an exceptional item, given that the corresponding expense from the Sepsa Group's operations is included in the consolidated income statement.

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 (hereafter referred to as PBOP) to Platin1452 GmbH, Frankfurt am Main. In return for the sale of all shares in PBOP (including its investments in subsidiaries) and in settlement of a shareholder loan from Schaltbau Holding AG to PBOP, a purchase price kEUR 30,250 plus interest was agreed.

Completion of the sale was subject to customary closing conditions including receipt of necessary antitrust approval. The transaction was completed on 1 March 2018.

In conjunction with the sale, assets totalling kEUR 42.347 and liabilities totalling kEUR 11,266 (i.e. net liabilities of kEUR 31,081) were transferred. In addition, deferred taxes amounting kEUR 479 were released with income statement impact. A deconsolidation gain of kEUR 11 was recognised on 1 March 2018.

In the consolidated financial statements as of 31 December 2017, the Pintsch Bubenzer Group was 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 kEUR 49,333. Net proceeds after deduction of transaction costs – which were offset against capital reserves in accordance with IFRS – amounted to kEUR 46,498.

Transaction costs amounting to kEUR 1,179 which had arisen during the fiscal year 2017 were accounted for as prepaid expenses at 31 December 2017 and, together with costs arising in 2018 amounting to kEUR 1,656 were offset against equity on 19 February 2018 (net of deferred taxes totalling kEUR 850) 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 for an amount of up to kEUR 25,000 with the lending banks, time-limited until 28 February 2018. On 22 February 2018, the Company repaid to the banks the fully utilised bridge financing of kEUR 25,000 as well as kEUR 7,000 of instalment payments and interest amounting to kEUR 465.

As soon as the bridge financing was repaid, restricted funds totalling kEUR 15,550 (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”.

TRANSFERS FROM CAPITAL RESERVES

In conjunction with the preparation of the annual financial statements of Schaltbau Holding AG as at 31 December 2018, the Executive Board decided to transfer an amount of EUR 64,182,590.65 from capital reserves in order to cover and set off against the accumulated deficit that had arisen in accordance with German commercial law (HGB).

FINANCING AT THE LEVEL OF SCHALTBAU HOLDING AG

Schaltbau Holding AG is currently financed via a Syndicated Credit Agreement and a promissory note loan. The Syndicated Credit Agreement with a volume of EUR 100 million expires on 31 December 2019. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral. The amount utilised at the end of the reporting period totalled kEUR 24,718 and is reported under current financial liabilities.

Liabilities to banks also include a promissory note (Schuldscheindarlehen) with a nominal amount of EUR 70 million, one for EUR 28.5 million (due 30 June 2022) and the other for EUR 41.5 million (due 30 June 2025). The liability is carried at amortised cost using the effective interest method, with the two tranches subject to effective interest rates of 3.23% and 3.92% respectively. In line with the amendment to the Syndicated Credit Agreement with effect from 31 March 2017, interest payable to the promissory note creditors during the period from 1 April 2017 to 31 December 2019 was increased by 100 basis points. In addition, the promissory note creditors were granted an option to terminate the loan agreement by giving six months' notice to the end of 2019. One promissory note creditor exercised this right to terminate as at 31 December 2018.

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

At 31 December 2018, liabilities relating to promissory notes are reported as current financial liabilities.

EXERCISE OF OPTION OF MINORITY SHAREHOLDER IN SCHALTBAU TRANSPORTATION UK LTD., MILTON KEYNES, UNITED KINGDOM (HEREAFTER BOUK)

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

FINANCING AT THE LEVEL 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 kEUR 1,500 and kEUR 1,400 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 kEUR 1,800. In addition, further strategic options in connection with the 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 decreased during the fiscal year under report by kEUR 7,646 from kEUR 11,704 at 31 December 2017 to kEUR 4,057 at 31 December 2018. These provisions were recognised in previous years mainly in connection with the "Level Crossing Technology" project in Denmark and the "Platform Screen Doors" project in Brazil. During the fiscal year 2018, Schaltbau and Bombardier Transportation reached an agreement with Companhia Do Metropolitano de São Paulo ("Metro São Paulo") in Brazil relating to the modified continuation of the Platform Screen Doors (PSD) project that has been ongoing since 2012. Against this background, the provision for onerous contracts was reduced at 30 June 2018 by kEUR 7,090. In the case of the "Level Crossing Technology in Denmark" project, it was necessary to increase the provision for onerous contracts by kEUR 1,465 during the fiscal year under report. In addition, a provision for pending losses of kEUR 2,419 was recognised in 2018 in connection with a loss-making project in the Mobile Transportation Technology segment.

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 kEUR 2,200. During the fiscal year 2018, an amount of kEUR 1,653 was reversed due to the fact that actual restructuring costs were lower.

Results of operations of Gebr. Bode GmbH & Co. KG, Kassel, in 2018 did not develop as planned, mainly due to unrealised product sales and a higher cost of materials ratio in the Road and Rail business fields. A restructuring provision of kEUR 1,800 was recognised In December 2018, with a view improving the economic situation of Gebr. Bode GmbH & Co. KG on a sustainable basis. Furthermore, a provision amounting to kEUR 1,300 was recognised in December 2018 for risks arising from potential calls on Group and bank guarantees.

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 kEUR 1,516 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. At the end of the fiscal year under report, a further amortisation expense of kEUR 1,474 was recognised on own work capitalised.

AMENDMENT TO THE PUT OPTION AGREEMENT WITH THE MINORITY SHAREHOLDER OF SPII S.P.A.

The existing put option relating to the option to acquire the remaining minority interest in SPII S.p.A. was amended in October 2018. The new exercise date for the option was contractually postponed until 1 May 2022 and resulted in the recognition of a sundry non-current liability (without income statement impact) amounting to kEUR 4,686.

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement for the year ended 31 December 2018 includes two months of Pintsch Bubenzer Group figures on a pro-rata basis. The comparative figures for the period for the period from 1 January to 31 December 2017 include the Pintsch Bubenzer Group for the full six month period.

To ensure improved comparability of the consolidated income statement, the following table shows the income statement of the Pintsch Bubenzer Group:

In kEUR		1.1.-31.12.2018	1.1.-31.12.2017
17.	Revenue	8,227	49,678
18.	Change in inventories of finished and work in progress	821	0
19.	Own work capitalised	0	609
20.	**Total output**	**9,048**	**50,287**
21.	Other operating income	63	924
22.	Cost of materials	4,777	26,165
23.	Personnel expense	2,831	16,135
24.	Depreciation, amortisation and impairment losses	0*	2,581
25.	Other operating expenses	1,118	7,355
26.	**Profit/loss before financial result and taxes (EBIT)**	**385**	**-1,025**
27.	Financial result	-175	-990
28.	**Profit/loss before tax**	**210**	**-2,015**
29.	Income taxes	-74	-151
30.	**Net profit/loss for the year**	**136**	**-2,166**

* 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 kEUR 38,517 and liabilities totalling kEUR 8,730 in connection with Pintsch Bubenzer.

(1) REVENUE

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

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

Revenue by segment	**2018**	**2017**
In kEUR		
Components	145,169	130,654
— of which recognised over a period of time	119	0
Mobile Transportation Technology	303,816	265,255
— of which recognised over a period of time	0	0
Stationary Transportation Technology	69,131	120,496
— of which recognised over a period of time	470	150
Holding	227	54
— of which recognised over a period of time	0	0
	518,343	**516,459**

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

In kEUR	**2018**	**2017**
Aggregated transaction price of unfulfilled (or partially unfulfilled) performance obligations	**4,731**	0

Management expects 88% of these outstanding (or partially outstanding) performance obligations to be recognised as revenue in 2019. The remaining 12% is expected to be recognised as revenue mainly in 2020. The amount stated does not include any variable consideration components for which constraining estimates apply.

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

The following table shows revenue recognised during the fiscal year under report that was included in the net amount of contract liabilities at the beginning of the period (see note (24) CONTRACT ASSETS AND LIABILITIES):

In kEUR	**2018**	**2017**
Revenue recognised included in the net amount of contract liabilities at the beginning of the period	12,023	0
Revenue recognised relating to performance obligations fulfilled in prior periods	0	0
	12,023	**0**

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

Revenue by market	2018	2017
In kEUR		
Germany	188,198	179,991
Other EU countries	202,685	185,275
Other European countries	38,790	33,444
Asia	57,291	62,892
Americas	30,012	44,150
Other countries	1,367	10,707
	518,343	**516,459**

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

In kEUR	2018	2017
Change in inventories	3,015	9,230
Own work capitalised	2,087	7,538
	5,102	**16,768**

(3) OTHER OPERATING INCOME

In kEUR	2018	2017
Reversal of provisions*	12,662	3,018
Currency/ exchange rate gains	1,091	198
Reversal of impairment losses**	0	825
Public-sector grants	20	53
Other operating income	10,469	8,136
	24,242	**12,230**

* The reversal of provisions includes income from the Sepsa Group.
** In conjunction with the first-time application of IFRS 9, the line item "Impairment losses" is shown separately in the income statement. In previous periods, impairment losses were included in other operating expenses. Comparative figures have not been adjusted.

Other operating income includes income of kEUR 13,330 (2017: kEUR 4,147) relating to prior periods (mostly income from the reversal of provisions). Sundry operating income includes in particular income arising in conjunction with the valuation of Sepsa pursuant to IFRS 5 (kEUR 4,919) and income from allocating costs to Pintsch Bubenzer GmbH (kEUR 1,140). In the previous year, sundry operating income of kEUR 4,653 included the gain on the sale of shares in Shenyang Bode Transportation Equipment Co. Ltd. Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

In kEUR	2018	2017
Cost of raw materials, supplies and purchased goods for resale	241,920	235,080
Cost of purchased services	38,502	40,505
	280,422	**275,585**

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

(5) PERSONNEL EXPENSE / EMPLOYEES

In kEUR	2018	2017
Wages and salaries	146,019	154,623
Social security, pension and welfare expenses	31,134	32,227
	177,153	**186,850**

In relation with pension expenses, reference is made to the comments made in note (21) PENSION PROVISIONS.

NUMBER OF EMPLOYEES

	2018	2017
Development	**467**	519
Purchasing and logistics	**305**	312
Production	**1,613**	1,565
Sales and marketing	**333**	387
Administration including Executive Board members and group company directors	**261**	286
Trainees	**19**	25
	2,998	**3,094**

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

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

(6) OTHER OPERATING EXPENSES

In kEUR	2018	2017
Administrative expenses	26,912	27,189
Selling expenses	14,839	18,039
Operating expenses	8,372	8,198
Employee-related costs	1,657	1,738
Currency / exchange rate losses	1,508	3,177
Other taxes	1,111	1,047
Losses arising on the disposal of non-current assets	460	69
Allocation to provisions for pending losses on onerous contracts	4,137	790
Sundry other expenses	8,137	1,671
Impairment losses on receivables*	0	966
	67,133	**62,884**

* In conjunction with the first-time application of IFRS 9, the line item “Impairment losses” is shown separately in the income statement. In previous periods, impairment losses were included in other operating expenses. Comparative figures have not been adjusted.

Administrative expenses mainly include legal and consulting costs, insurance and contributions, vehicle costs and IT costs. Selling expenses relate mainly to advertising costs, sales commissions and travel and entertainment expenses. Sundry other expenses in the fiscal year 2018 include expenses for penalties and warranties totalling kEUR 1,620.

The Group has various rental and leasing agreements in place – in particular for property, electronic data processing, vehicles and other office equipment – that are due to expire in the coming years. Rental and lease expenses amounted to kEUR 5,584 (2017: kEUR 5,681)

(7) RESULT FROM INVESTMENTS

In kEUR	2018	2017
Result from at-equity accounted investments	-114	123
Other results from investments	-2,873	-1,925
	-2,987	**-1,802**

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

The result from equity accounted investments relates to the Group’s share of the results (reporting period ended 31 December 2018) of BoDo Bode-Dogrusan A.S. (Turkey), Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China), and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. (China) Entities accounted for using the equity method did not make any distributions during the year under report.

Other results from investments include impairment losses recognised on the investment in Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China), and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd. (China) as well as the distributions of non-consolidated companies. Further information is provided in the note on SIGNIFICANT EVENTS. In the previous year, impairment losses recognised on the carrying amounts of Sepsa do Brasil Comercializacao de Equipamentos Ferroviarios e Industriais Ltda., Sao Paulo, Brazil, and Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Zhejiang, China, are included in the result from investments.

If the relevant exchange rates had been 10% more favourable or less favourable, the result from equity-accounted companies would have been a loss of kEUR 129 / loss of kEUR 102 (2017: profit of kEUR 140 / profit of kEUR108)).

(8) FINANCIAL RESULT

In kEUR	**2018**	**2017**
Other interest and similar income	1,479	790
Interest and similar expenses	-7,228	-11,719
Other financial result	-54	-9
	-5,803	**-10,938**

The increase in other interest and similar income largely is due to the early redemption of financial liabilities. Interest expenses include kEUR 736 (2017: kEUR 741) relating to the interest component of the allocation to personnel-related provisions. The use of interest rate swaps and their designation as cash flow hedges of interest-bearing liabilities increased interest expense by kEUR 300 in the year under report (2017: kEUR 352).

(9) INCOME TAXES

In kEUR	**2018**	**2017**
Income tax expense	-3,613	-3,128
Deferred tax income (2017: expense)	5,560	-10,724
	1,947	**-13,852**

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

Deferred tax assets related to the following balance sheet items:

In kEUR	Non-current assets	Invent-ories	Other assets	Pension provisi-ons	Other provisi-ons	Liabilities	Tax loss carry-forwards	Netting	Total
Balance at 1.1.2017	**1,470**	**3,474**	**926**	**5,675**	**6,342**	**386**	**5,596**	**-8,417**	**15,452**
(Debited) / credited									
- to profit or loss	-888	-900	-114	-741	-3,528	-146	-5,098		-11,415
- to other compre-hensive income	0	0	0	-2,468	0	-100	0		-2,568
Currency	-17	-16	-12	2	16	2	-8		-33
Balance at 31.12.2017	**565**	**2,558**	**800**	**2,468**	**2,830**	**142**	**490**	**-5,749**	**4,104**
IFRS first-time adoption	0	0	216	0	0	597	0		813
Balance at 1.1.2018	**565**	**2,558**	**1,016**	**2,468**	**2,830**	**739**	**490**	**-5,749**	**4,917**
(debited) / credited									
- to profit or loss	67	-383	37	82	-703	-316	4,646		3,430
- to other compre-hensive income	0	0	0	1,256	0	-84	0		1,172
Currency	-1	-1	-6	-1	-2	-1	0		-12
Balance at 1.12.2018	**631**	**2,174**	**1,047**	**3,805**	**2,125**	**338**	**5,136**	**-5,613**	**9,643**

Deferred tax liabilities related to the following balance sheet items:

In kEUR	Non-current assets	Inven-tories	Other assets	Pension provisi-ons	Other provisi-ons	Liabilities		Offset	Total
Balance at 1.1.2017	**11,362**	**132**	**11**	**0**	**0**	**448**		**-8,417**	**3,536**
(debited) / credited									
- to profit or loss	830	-9	-359	0	0	260			722
- to other compre-hensive income	0	0	-20	0	0	0			-20
Currency	58	0	0	0	0	-1			57
Balance at 31.12.2017	**10,474**	**141**	**390**	**0**	**0**	**-189**		**-5,749**	**5,445**
IFRS first-time adoption	0	0	0	0	0	-159			-159
Balance at 1.1.2018	**10,474**	**141**	**390**	**0**	**0**	**30**		**-5,749**	**5,286**
(Debited) / credited									
- to profit or loss	2,931	0	65	0	0	5			3,001
- to other compre-hensive income	0	0	9	0	0	0			9
Currency	26	0	0	0	0	0			26
Balance at 31.12.2018	**7,517**	**141**	**316**	**0**	**0**	**25**		**-5,613**	**2,386**

Deferred tax assets amounting to kEUR 3,248 were recognised with income statement effect on tax losses available for carryforward in Germany following a reassessment of recoverability (2017: deferred tax expense of kEUR 3,370 recorded). In addition, the valuation allowance of kEUR 4,009 recognised in the previous year on the surplus of deferred tax assets over deferred tax liabilities for the tax group was reversed, whereby the amount attributable to the actuarial valuation of the pension provision (kEUR 1,249) was recognised directly in equity and the remainder (kEUR 2,772) recognised through the income statement.

No deferred tax assets are recognised on corporation tax and municipal trade losses available for carryforward amounting to kEUR 35,792 (2017: kEUR 47,555) and on foreign tax losses available for carryforward amounting to kEUR 89,232 (2017: kEUR 76,996).

Out of a total tax interest carryforward in Germany amounting to kEUR 6,180 (2017: kEUR 6,909), deferred tax assets of kEUR 1,244 were recognised on an amount of kEUR 4,694 (2017: kEUR 0).

Reconciliation of expected and actual expense in the income statement

In kEUR	**2018**	**2017**
Loss before tax	-16,083	-35,715
Expected tax expense (30%)	4,825	10,715
— Different computation of taxes outside Germany	-799	476
— Tax-exempt income	2,203	770
— Non-deductible expenses	-8,899	-4,060
— Associated companies and interests accounted for using the equity method	-985	-756
— Tax expense and reimbursements for prior years	-334	168
— Change in valuation allowances on deferred tax assets on tax losses available for carryforward	1,528	-10,659
— Effect of tax rate changes	0	101
— Foreign withholding tax	-351	-337
— Measurement of deferred taxes on temporary differences	2,772	-6,437
— Other differences	1,987	-3,833
Income tax expense	1,947	-13,852
Effective tax rate	12.1%	-38.8%

(10) **EARNINGS PER SHARE**

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

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

At 31 December 2018, a total of 8,844,545 ordinary shares were in circulation (2017: 6,602,125 shares). The Company began to repurchase own (treasury) shares in 2014 (see explanatory comments in note 19 CAPITAL / REVENUE / OTHER RESERVES). The Company's share capital was introduced during the fiscal year under report. Further information is provided in the note on SIGNIFICANT EVENTS.

	2018	2017
Shares in circulation at beginning of year	6,609,770	6,152,190
Treasury shares	-7,645	-7,645
Share capital increase	2,242,420	457,580
Calculated weighted number of shares at end of fiscal year	8,537,364	6,440,528
Further potential shares from share options (diluted)	-	-
Actual and potential shares at end of year (diluted)	8,844,545	6,602,125
Shares - undiluted at 31 December	8,844,545	6,602,125
Shares - diluted at 31 December	8,844,545	6,602,125
Weighted shares - undiluted	8,537,364	6,440,528
Weighted shares - diluted	8,537,364	6,440,528

Earnings per share	2018	2017
Group net loss for the year (kEUR)	-14,135	-49,567
Attributable to minority shareholders (kEUR)	2,384	2,175
Attributable to shareholders of Schaltbau Holding AG (kEUR)	-16,519	-51,742
Earnings per share - undiluted	EUR -1.93	EUR -8.04
Earnings per share - diluted	EUR -1.93	EUR -8.04

	2018	2017
Weighted shares - undiluted	8,537,364	6,440,528
Weighted shares - diluted	8,537,364	6,440,528
Earnings per share – undiluted (weighted)	EUR -1.93	EUR -8.04
Earnings per share – diluted (weighted)	EUR -1.93	EUR -8.04

Reconciliation between undiluted and diluted weighted shares	2018	2017
Weighted shares - undiluted	8,537,364	6,440,528
Weighted shares - diluted	8,537,364	6,440,528

EXPLANATORY NOTES TO THE CONSOLIDATED BALANCE SHEET

(11) **INTANGIBLE ASSETS**

Goodwill can be analysed as follows:

In kEUR	2018	2017
SPII S.p.A.	14,813	14,813
Schaltbau North America Inc.*	5,956	5,700
Components segment	**20,769**	**20,513**
Gebr. Bode GmbH & Co. KG	381	381
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.*	11,575	11,920
Schaltbau Transportation UK Ltd.*	1,952	4,232
Alte Technologies S.L.U.	0	8,172
Mobile Transportation Technology segment	**13,908**	**24,705**
Pintsch Tiefenbach GmbH	696	696
Pintsch Tiefenbach US Inc.	214	214
Stationary Transportation Technology segment	**910**	**910**
	35,586	**46,128**

* Subject to currency fluctuations

As a consequence of economic developments during the fiscal year, it was necessary to recognise an impairment loss of kEUR 8,172 relating to goodwill at the level of Alte Technologies S.L.U. and one of kEUR 2,271 relating to goodwill at the level of Schaltbau Transportation UK Ltd. (both Mobile Transportation Technology segment). In the previous year, an impairment loss of kEUR 5,280 was recognised on goodwill at the level of Albatros S.L.U. (Mobile Transportation Technology segment) and one of kEUR 1,100 relating to goodwill at the level of Pintsch Bubenzer GmbH (Stationary Transportation Technology segment).

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

Due to the impairment losses recognised during the fiscal year for the cash-generating units (CGUs) Alte Technologies S.L.U. and Schaltbau Transportation UK Ltd., the recoverable amount corresponded to the carrying amount. Accordingly, any change in one of the significant assumptions used would result in further impairment. As far as Alte Technologies S.L.U. is concerned, no further significant impairment losses would arise based on the latest information.

The recoverable amount of the cash-generating unit SPII S.p.A. corresponds to its carrying amount at the end of the fiscal year 2018.

The underlying planning assumptions for impairment tests performed in 2018 were as follows:

	Revenue growth in %		Cost increases in %	
In %	2019	2020/2021	2019	2020/2021
SPII S.p.A.	40.8	6.1	33.6	4.6
Schaltbau Transportation UK Ltd.	-10.9	-0.1	-16.0	-0.1
Alte Technologies S.L.U.	6.0	6.3	-3.4	-6.4

The following discount rates were applied:

	WACC after-tax in %		WACC pre-tax in %	
In %	2018	2017	2018	2017
SPII S.p.A.	8.1	7.7	10.1	10.0
Schaltbau Transportation UK Ltd.	6.6	6.8	8.3	8.8
Alte Technologies S.L.U.	7.7	7.8	7.7	10.2

There were no changes at the level of the remaining companies.

Intangible assets include **capitalised development costs** with a carrying amount of kEUR 9,330 (2017: kEUR 14,097) and relate primarily to the Stationary Transportation Technology segment. Capitalised development costs totalling kEUR 2,990 (2017: kEUR 3,423) were written down for impairment in 2018. Further information is provided in the note on SIGNIFICANT EVENTS.

(12) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The debit balances arising on the consolidation of **associated companies accounted for using the equity method** represent goodwill and are included in the carrying amounts of the entities accounted for using this method. No systematic amortisation was recorded on goodwill. Instead, investments accounted for using the equity method (and goodwill contained therein) is tested for impairment whenever events warrant it. Negative at-equity values are not recognised in the consolidated balance sheet.

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

In kEUR	2018				2017			
	BODO	BOYO	PBTE	∑	BODO	BOYO	PBTE	∑
Carrying amount at 1.1.	**3,074**	**4,319**	**380**	**7,773**	**2,861**	**0**	**268**	**3,129**
Share purchase/foundation	0	-53	0	-53	0	6,444	0	6,444
income	851	-856	-110	-115	741	-484	-135	122
Change in capital	0	0	0	0	0	0	256	256
Currency adjustment	-773	-39	-1	-813	-528	-41	-9	-578
Consolidation / impairment loss	0	-3,371	-269	-3,640	0	-1,600	0	-1,600
Carrying amount at 31.12.	**3,152**	**0**	**0**	**3,152**	**3,074**	**4,319**	**380**	**7,773**

In kEUR	2018			2017		
Name	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,152	0	50.0%	3,074	0
PBTE	20.0%	0	0	20.0%	380	143
BOYO	49.0%	0	0	49.0%	4,319	384*
		3,152	**0**		**7,773**	**527**

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

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

BODO	**31.12.2018**		**31.12.2017**	
In kEUR	100%	Group's share	100%	Group's share
Non-current assets	4,190	2,095	4,688	2,344
Current assets	8,177	4,089	8,297	4,148
Non-current liabilities	94	47	48	24
Current liabilities	5,975	2,988	6,052	3,026
Revenue	12,142	6,071	16,276	8,138
Net profit for the year	1,702	851	1,482	741
Other comprehensive income	0	0	0	0
Total comprehensive income	1,702	851	1,482	741
Dividend	0	0	0	0

BOYO	**31.12.2018**		**31.12.2017**	
In kEUR	100%	Group's share	100%	Group's share
Non-current assets	5,662	2,775	1,112	545
Current assets	7,491	3,671	5,519	2,705
Non-current liabilities	0	0	0	0
Current liabilities	3,158	1,547	1,639	803
Revenue	7,111	3,484	483	236
Net loss/profit for the year	-1,747	-856	-988	-484
Other comprehensive income	0	0	-	-
Total comprehensive income	-1,747	-856	-988	-484
Dividend	0	0	-	-

In the fiscal year 2018, there were objective indications of impairment of the investment in BOYO. Following the performance of an impairment test, the carrying amount of the investment amounting to kEUR 3,371 (2017: kEUR 1,600) was fully written down. Further information is provided in the note on SIGNIFICANT EVENTS.

The recoverable amount of the investment in BOYO (accounted for using the equity method) was determined on the basis of its value in use and was calculated using the discounted cash flow (DCF) method). Computations relating to the value in use are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal company purposes. For the purposes of the calculation it is assumed that BOYO will achieve growth of 1% in all years after the third year. In the previous year, the recoverable amount was determined on the basis of a fixed planning period of three years. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.7%, an after-tax WACC of 7.6% (pre-tax WACC of 8.5%) and a perpetual annuity growth rate of 4.8%. In the previous year, a recoverable amount of KEUR 4,319 had been determined.

The contract with the joint venture partner relating to PBTE was terminated during the second half of 2018. As a result, the remaining carrying amount of the Group's investment amounting to kEUR 269 was written down at the end of 2018, reflecting the fact that future cash inflows are no longer expected. No obligation exists to make any contribution to capital.

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

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

The following discount rate was applied:

	WACC after-tax		**WACC pre-tax**	
In %	**2018**	2017	**2018**	2017
BOYO	7.6	7.6	26.0	8.5

DEVELOPMENT OF FIXED ASSETS 2018

In kEUR		Acquisition/manufacturing cost						
		1.1.2018	Translation differences	Additions	Disposals	IFRS 5 rec-lass.	Reclassifications Reversal of impairment losses	31.12.2018
I.	Intangible assets							
1.	Concessions, similar rights and software	28,670	-122	891	-3,411	0	16	26,043
2.	Goodwill	75,927	-122	0	-24	0	0	75,780
3.	Capitalised development costs	10,502	-4	0	-38	0	7,656	18,116
4.	Ongoing development projects	8,383	-14	114	-192	0	-7,656	635
5.	Payments in advance	191	0	815	-4	0	0	1,002
		123,673	**-262**	**1,820**	**-3,669**	**0**	**16**	**121,576**
II.	Property, plant and equipment							
1.	Land and buildings	67,597	-170	1,480	-1,180	0	0	67,727
2.	Plant and machinery	45,674	-48	3,115	-1,813	0	662	47,590
3.	Other plant and equipment	46,384	-80	2,991	-5,910	0	3,709	47,092
4.	Leased property, plant and equipment	130	0	418	-54	0	0	493
5.	Assets under construction	2,548	-3	4,864	0	0	-4,386	3,023
		162,333	**-301**	**12,868**	**-8,957**	**0**	**-16**	**165,925**
III.	Investments							
6.	Investments in subsidiaries	1,969	0	192	0	0	0	2,161
7.	At-equity accounted investments	8,941	1	0	-53	0	0	8,889
8.	Participations	1,089	0	0	0	0	0	1,089
9.	Non-current loans receivable from Group companies	0	0	0	0	0	0	0
10.	Non-current marketable securities	105	-1	28	0	0	0	132
11.	Other non-current loans receivable	0	0	0	0	0	0	0
		12,104	**0**	**220**	**-53**	**0**	**0**	**12,271**
		298,110	**-563**	**14,908**	**-12,679**	**0**	**0**	**299,772**

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

Depreciation, amortisation and impairment losses							Carrying amounts	
1.1.2018	Translation differences	Additions	Disposals	IFRS 5 reclass.	Reclassifications Reversal of impairment losses	31.12.2018	31.12.2018	31.12.2017
-21,616	110	-2,707 [1]	3,352	0	0	-20,860	5,183	7,054
-29,799	24	-10,443 [2]	24	0	0	-40,194	35,586	46,128
-4,596	3	-4,844 [3]	16	0	0	-9,421	8,695	5,906
-192	0	0	192	0	0	0	635	8,191
0	0	0	0	0	0	0	1,002	191
-56,203	**137**	**-17,994**	**3,584**	**0**	**0**	**-70,475**	**51,101**	**67,470**
-27,060	-35	-1,826	1,137	0	0	-27,783	44,204[8]	44,797[8]
-29,032	-4	-3,408 [4]	1,474	0	-175	-31,146	16,444	16,642
-38,099	53	-3,389 [5]	5,719	0	175	-35,540	11,552	8,285
-90	-1	-60	20	0	0	-130	363	40
0	0	-5	0	0	0	-5	3,018	2,548
-94,281	**13**	**-8,688**	**8,350**	**0**	**0**	**-94,604**	**75,581**	**72,312**
-140	0	0	0	0	0	-140	2,021	1,829
-1,168	-815	-3,640 [6]	0	0	-114	-5,736	3,153	7,773
0	0	0	0	0	0	0	1,089	1,089
0	0	0	0	0	0	0	0	0
0	0	-41 [7]	0	0	0	-41	91	105
0	0	0	0	0	0	0	0	0
-1,308	**-815**	**-3,681**	**0**	**0**	**-114**	**-5,917**	**6,354**	**10,796**
-151,792	**-665**	**-30,363**	**11,934**	**0**	**-114**	**-170,996**	**133,036**	**150,578**

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

DEVELOPMENT OF FIXED ASSETS 2017

In kEUR		Acquisition/manufacturing cost					
	01.01.2017	Translation differences	Additions	Disposals	IFRS 5 rec-lass.	Reclassifications Reversal of impairment losses	31.12.2017
I. Intangible assets							
12. Concessions, similar rights and software	40,779	-41	897	-624	-12,428	87	28,670
13. Goodwill	84,951	-328	0	0	-8,696	0	75,927
14. Capitalised development costs	20,498	-245	1,470	-5,886	-7,666	2,331	10,502
15. Ongoing development projects	10,888	0	5,048	-4,531	-691	-2,331	8,383
16. Payments in advance	47	0	182	0	0	-38	191
	157,163	**-614**	**7,597**	**-11,041**	**-29,481**	**49**	**123,673**
II. Property, plant and equipment							
17. Land and buildings	76,934	-324	917	-308	-9,632	10	67,597
18. Plant and machinery	56,894	-172	3,124	-1,420	-15,616	2,864	45,674
19. Other plant and equipment	57,742	-183	3,378	-3,127	-11,524	98	46,384
20. Leased property, plant and equipment	291	9	0	0	0	-170	130
21. Assets under construction	3,331	4	2,607	0	-543	-2,851	2,548
	195,192	**-666**	**10,026**	**-4,855**	**-37,315**	**-49**	**162,333**
III. Investments							
22. Investments in subsidiaries	4,971	0	203	0	-3,809	604	1,969
23. At-equity accounted investments	3,308	0	6,701	0	-1,068	0	8,941
24. Participations	1,089	0	0	0	0	0	1,089
25. Non-current loans receivable from Group companies	1,163	0	0	0	-1,023	-140	0
26. Non-current marketable securities	104	1	0	0	0	0	105
27. Other non-current loans receivable	19	0	0	-11	-8	0	0
	10,654	**1**	**6,904**	**-11**	**-5,908**	**464**	**12,104**
	363,009	**-1,279**	**24,527**	**-15,907**	**-72,704**	**464**	**298,110**

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

Depreciation, amortisation and impairment losses							Carrying amounts	
01.01.2017	Translation differences	Additions	Disposals	IFRS 5 rec-lass.	Reclassifications Reversal of impairment losses	31.12.2017	31.12.2017	31.12.2016
-27,431	13	-6,698 [1]	620	11,905	1	-21,616	7,054	13,348
-29,799	0	-6,380 [2]	0	6,380	0	-29,799	46,128	55,152
-11,736	176	-5,812 [3]	5,886	6,890	0	-4,596	5,906	8,762
-4,531	0	-350	4,531	158	0	-192	8,191	6,357
0	0	0	0	0	0	0	191	47
-73,497	**163**	**-19,240**	**11,037**	**25,333**	**1**	**-56,203**	**67,470**	**83,666**
-27,407	292	-3,143	274	2,925	-1	-27,060	44,797 [8]	53,881 [8]
-38,096	199	-5,349 [4]	1,393	13,007	-186	-29,032	16,642	18,798
-45,566	160	-4,520 [5]	3,033	8,663	131	-38,099	8,285	12,176
-116	-3	-26	0	0	55	-90	40	175
0	0	0	0	0	0	0	2,548	3,331
-111,185	**648**	**-13,038**	**4,700**	**24,595**	**-1**	**-94,281**	**72,312**	**88,361**
-2,153	0	-325 [6]	0	2,942	-604	-140	1,829	2,818
-179	-579	-1,600 [7]	0	1,068	122	-1,168	7,773	3,129
0	0	0	0	0	0	0	1,089	1,089
-1,163	0	0	0	1,023	140	0	0	0
0	0	0	0	0	0	0	105	104
0	0	-8	0	8	0	0	0	19
-3,495	**-579**	**-1,933**	**0**	**5,041**	**-342**	**-1,308**	**10,796**	**7,159**
-188,177	**232**	**-34,211**	**15,737**	**54,969**	**-342**	**-151,792**	**150,578**	**179,186**

1 thereof impairment losses of kEUR 162
2 thereof impairment losses of kEUR 6,380
3 thereof impairment losses of kEUR 2,332
4 thereof impairment losses of kEUR 807
5 thereof impairment losses of kEUR 132
6 thereof impairment losses of kEUR 325
7 thereof impairment losses of kEUR 1,600
8 The net carrying amounts of land and buildings include kEUR 4,260 (previous year: kEUR 4,354) relating to the revaluation of land

Total research and development expenditure in 2018 amounted to kEUR 32,013 (2017: kEUR 38,785), and the corresponding expense was kEUR 31,899 (2017: kEUR 32,267). A total of kEUR 114 (2017: kEUR 6,518) was capitalised. The decline in the capitalisation ratio was attributable to development cycles in the railway industry.

(13) **INVENTORIES**

In kEUR	31.12.2018	31.12.2017
Raw materials and supplies	62,718	51,745
Work in process	33,433	30,073
Finished products, goods for resale	11,686	10,884
Payments in advance	256	1,572
	108,093	**94,274**

Write-downs totalling kEUR 4,289 (2017: kEUR 3,037) were recognised on inventories in the year under report. comprising kEUR 1,014 (2017: kEUR 1,284) for the Stationary Transportation Technology segment, kEUR 2,565 (2017: kEUR 303) for the Mobile Transportation Technology segment and kEUR 710 (2017: kEUR 1,450 for the Components segment. Reversals of write-downs on inventories amounted to kEUR 555 (2017: kEUR 984). Write-downs on inventories at the end of the reporting period totalled kEUR 15,715 (2017: kEUR 19,661).

(14) **TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS**

In kEUR	31.12.2018	31.12.2017
Trade accounts receivable	93,303	91,869
Receivables from affiliated companies	1,535	1,594
Receivables from associated companies	2,691	669
Income tax receivables	672	1,471
Receivables from participations	28	292
Escrow account for restricted cash	0	15,550
Other assets	7,205	7,290
	105,436	**118,735**

A factoring agreement is in place with one customer involving reverse factoring arrangements. Default and late payment risks are transferred in full to the factor, as a result of which all relevant receivables are derecognised upon sale. At 31 December 2018, all receivables were sold as part of the factoring arrangements.

Information relating to impairment losses and allowances is provided in note (27) RISK MANAGEMENT AND HEDGING ACTIVITIES.

(15) CASH AND CASH EQUIVALENTS

In kEUR	31.12.2018	31.12.2017
Cheques and cash on hand	17	42
Cash at bank	21,097	25,255
	21,114	**25,297**

The amounts shown have a maturity of up to three months.

(16) ASSETS AND LIABILITIES HELD FOR SALE

In 2017, it was decided to sell Albatros S.L.U, Madrid, Spain and its subsidiaries (hereinafter referred to as the 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 Sepsa Group is still up for sale. The accounting treatment applied for the Sepsa Group is unchanged from the Annual Report 2017. For further information, see the note on SIGNIFICANT EVENTS.

Assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 31 December 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 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 (SEPSA Group) at 31 December 2018 are shown in the following table.

ASSETS	**In kEUR**	**In kEUR**
	31.12.2018	**31.12.2017**
Intangible assets	1,467	358
Property, plant and equipment	2,182	1,740
Inventories	7,892	9,620
Trade accounts receivable	5,788	6,792
Other current non-financial assets	862	868
Current income tax assets	19	61
Cash and cash equivalents	710	1,056
Assets held for sale	**18,920**	**20,495**

LIABILITIES	**In kEUR**	**In kEUR**
	31.12.2018	**31.12.2017**
Other non-current provisions	619	851
Other non-current financial liabilities	4,325	6,862
Other non-current non-financial liabilities	273	208
Other current provisions	1,323	1,196
Current financial liabilities	3,603	2,125
Trade accounts payable	5,676	5,661
Other current financial liabilities	905	906
Other current non-financial liabilities	2,002	2,557
Liabilities held for sale	**18,726**	**20,366**

The line item “Liabilities in conjunction with assets held for sale” does not include deferred tax liabilities amounting to kEUR 195 (2017: kEUR 129).

At 31 December 2017, assets and liabilities reported as held for sale related to the disposal group Pintsch Bubenzer GmbH as follows:

ASSETS	**In kEUR**
	31.12.2017
Goodwill	2,315
Intangible assets	1,474
Property, plant and equipment	11,075
Other non-current investments	867
Inventories	8,329
Trade accounts receivable	7,904
Other current financial assets	6,319
Other current non-financial assets	224
Cash and cash equivalents	11
Assets held for sale	**38,518**

LIABILITIES	**In kEUR**
	31.12.2017
Pension provisions	360
Other non-current provisions	580
Other non-current financial liabilities	1,366
Other current provisions	1,375
Current financial liabilities	245
Trade accounts payable	3,137
Other current financial liabilities	1,015
Other current non-financial liabilities	652
Liabilities held for sale	**8,730**

(17) CHANGES IN GROUP EQUITY

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

(18) SUBSCRIBED 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. For further information, see the note on SIGNIFICANT EVENTS. On 22 October 2018, Schaltbau Holding AG's shares were converted from bearer shares to registered shares on a one-to-one basis. thereby implementing the resolution taken by the Annual General Meeting on 7 June 2018. The Company's subscribed capital (share capital) is subdivided into 8,852,190 (non-par value registered shares (31 December 2017: 6,609,770 (non-par value bearer shares). Each share's arithmetic par value at 31 December 2018 was EUR 1.22.

Number of shares	31.12.2018	31.12.2017
Ordinary shares issued	8,852,190	6,609,770
Treasury shares	7,645	7,645

On the basis of the authorisation granted by the Annual General Meeting on 6 June 2013, the Company's share capital was increased by EUR 2,735,752.40 to EUR 10,799,671.80. In accordance with a resolution taken by the Supervisory Board on 15 February 2018, Article 5 of the Company's Articles of Association (Share capital, Authorised capital) were amended. The **Authorised Capital** created on 6 June 2013 (Authorised Capital 2013/I) has therefore been fully used up.

In accordance with the resolution passed at the Annual General Meeting on 14 June 2016, a (new) **Conditional Capital II** amounting to EUR 3,752,601.66 was in place at 31 December 2018, created by the conditional issue of up to 3,075,903 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue up to 13 June 2021 bearer convertible bonds and bonds with warrants for a total amount of up to EUR 175,000,000.

(19) CAPITAL / REVENUE / OTHER RESERVES

As a result of the share capital increase out of Authorised Capital executed in February 2018, **capital reserves** increased by kEUR 44,612 to kEUR 75,717. In conjunction with the preparation of the annual financial statements of Schaltbau Holding AG as at 31 December 2018, the Executive Board decided to transfer an amount of kEUR 64,183 from capital reserves in order to cover the accumulated deficit that had arisen in accordance with German commercial law (HGB). Following this transfer, capital reserve totalled kEUR 11,534 at the end of the reporting period.

Capital reserves include share premiums totalling kEUR 28,680 (2017: kEUR 13,701) which had arisen in conjunction with share capital increases at the level of Schaltbau Holding AG in previous years. Furthermore, it was necessary in previous years to make a transfer to capital reserves in conjunction with the overestimation of losses (kEUR 1,251) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to kEUR 258 (net of deferred tax of kEUR 172), the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to kEUR 595 and – in conjunction with bonus agreements – the difference (kEUR 67) between the proceeds from share sales and their purchase price. In conjunction with the acquisition of shares in Albatros

S.L.U. in 2015 in return for treasury shares, an amount of kEUR 254 was transferred to capital reserve, representing the difference between the cost of the treasury shares based on their average historical cost and the market price on the date of acquisition.

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In addition, net of deferred tax, there was a positive impact of kEUR 177 (2017: kEUR 280) from the fair value measurement of derivative instruments included in cash flow hedges and a positive impact of kEUR 1,234 (2017: negative impact of kEUR 1,040) from pension provisions and the necessary revaluation of deferred tax assets.

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

The nominal amount of the treasury shares corresponds to approximately 0.086% (2017: 0.116%) of share capital.

Treasury shares developed as follows:

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

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

The remaining changes in revenue reserves amounting to kEUR 61,676 include the positive amount of kEUR 64,183 transferred out of capital reserves during the fiscal year under report to cover the accumulated deficit that had arisen at the level of Schaltbau Holding AG in accordance with German commercial law (HGB) and the negative amount of kEUR 4,120 resulting from the increase in the put option – recognised directly in equity – relating to the acquisition of the remaining shares in SPII S.p.A. The remainder is mainly attributable to the acquisition of minority interests in BOUK.

The currency translation reserve includes the impact of currency translation.

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

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

(20) MINORITY INTERESTS

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

(21) **PENSION PROVISIONS**

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

Actuarial gains and losses are now recorded in the year in which they arise by recognition directly in equity (revenue reserves). These amounts will not be recognised in profit or loss in subsequent accounting periods.

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

In kEUR	**31.12.2018**	**31.12.2017**
Claims under reinsurance policies relating to pension commitments	49	51

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

In kEUR	**2018**	**2017**
Employer contributions to state pension insurance plans	9,895	10,519

Pension provisions developed as follows:

In kEUR	**2018**	**2017**
Balance at 1.1	37,505	40,154
Service cost	550	536
Interest expense	640	614
Benefit payments	-1,948	-2,036
Remeasurements	21	-1,420
Foreign currency translation	24	12
Other items	0	5
Reclassification to liabilities in conjunction with assets held for sale	0	-360
Carrying amount of provision at 31.12.	**36,792**	**37,505**

The amounts shown in the line item "Remeasurements" mainly relate to changes in financial assumptions (negative amount of EUR 0.7 million) and demographic assumptions (positive amount of EUR 0.5 million). Currency factors are negligible, reflecting the fact that the principal commitments relate to Germany.

The total pension provision at the end of the reporting period comprises kEUR 10,577 (2017: kEUR 11,051) for current employees (before reclassification to liabilities in conjunction with assets held for sale), kEUR 3,440 (2017: kEUR 3,943) for former employees with vested entitlements and kEUR 22,775 (2017: kEUR 22,871) for pensioners and surviving dependants. After the reclassification to liabilities in conjunction with assets held for sale, the corresponding figures were kEUR 10,753 for current employees, kEUR 3,943 for former employees with vested entitlements and kEUR 22,809 for pensioners and surviving dependants.

The main actuarial assumptions applied were as follows:

In %	**31.12.2018**	**31.12.2017**
Interest rate	1.9	1.8
Salary trend	2.4	2.1
Pension trend	1.7	1.7
Fluctuation rate	1.7	1.7

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

If the other assumptions used in the calculation were kept constant, the extent to which the defined benefit obligation would have been affected by changes in one of the relevant actuarial assumptions that were reasonably possible at the end of the reporting period and 31 December 2018 would have been as follows:

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

2017	**Change in %**	**Increase in kEUR**	**Decrease in kEUR**
Discount rate	0.50	-2,507	2,830
Salary trend	0.26	351	-328
Pension trend	0.24	1,063	-1,018
Fluctuation rate	0.41	-115	117

As of 31 December, the weighted average period of defined benefit plan pension obligations is 13.3 years (2017: 14.2 years).

Pension expense comprised the following:

In kEUR	2018*	2017
Current service cost	550	630
Past service cost/income	0	-95
Gains / losses arising from settlements	0	0
Total service cost (personnel expense)	550	535
Interest expense	640	614
Pension expense recognised in the consolidated income statement	1,190	1,149
— Effect of changes in demographic assumptions	452	54
— Effect of changes in financial assumptions	-678	-1,102
— Effect of experience adjustments	277	-372
Remeasurements recognised in the consolidated statement of comprehensive income	51	-1,420
Total pension expense	1,241	-271

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

Future cash flows:

Contributions for pension obligations in the fiscal year 2019 are expected to amount to kEUR 1,278. Expected benefit payments in coming years are shown in the following table:

In kEUR	2019	2020	2021	2022	2023
Benefit payments	1,943	1,925	1,919	1,909	1,903

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

In kEUR	2018	2019	2020	2021	2022
Benefit payments	1,774	1,764	1,745	1,736	1,733

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

The measurement of mortality probabilities was based for the first time on the biometric table "2018G" issued by Prof. Dr. Klaus Heubeck (2017: "2015G"). The expense attributable to the change in mortality tables amounting to kEUR 451 was recognised in other comprehensive income.

(22) **OTHER PROVISIONS**

Other provisions developed as follows:

In kEUR	1.1.2018	Utilised	Reversed	Allocated	Interest impact	IFRS 5 reclass.*	Currency / other **	31.12.2018
Non-current provisions								
Personnel	3,778	-449	-2	803	96	0	-6	4,220
Warranties	599	-81	-90	247	0	0	0	675
Pending losses on onerous contracts	8,695	-1,606	-7,090	2,384	0	0	0	2,384
Other provisions	1,137	0	0	2	0	0	-1,100	39
	14,209	**-2,135**	**-7,182**	**3,435**	**96**	**0**	**-1,106**	**7,318**
Current provisions								
Personnel	6,108	-4,740	-532	8,074	0	0	-17	8,893
taxes	847	-186	-4	587	0	0	3	1,247
Warranties	8,225	-1,383	-1,348	3,361	0	0	-1	8,855
Outstanding supplier invoices	8,208	-7,148	-610	5,754	0	0	-13	6,193
Pending losses on onerous contracts	3,009	-2,920	-168	1,753	0	0	0	1,673
Other provisions	3,204	-1,429	-2,238	3,017	0	0	1,108	3,663
	29,601	**-17,806**	**-4,899**	**22,547**	**0**	**0**	**1,081**	**30,523**
Total	**43,810**	**-19,942**	**-12,081**	**25,982**	**96**	**0**	**-25**	**37,840**

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

In kEUR	1.1.2017	Utilised	Reversed	Allocated	Interest impact	IFRS 5 reclass.*	Currency / other **	31.12.2017
Non-current provisions								
Personnel	4,888	-1,015	-14	424	127	-647	15	3,778
Warranties	926	-41	0	396	0	-682	0	599
Pending losses on onerous contracts	13,548	-2,412	0	0	0	0	-2,441	8,695
Other provisions	154	0	-16	1,100	0	-101	0	1,137
	19,516	**-3,468**	**-30**	**1,920**	**127**	**-1,430**	**-2,426**	**14,209**
Current provisions								
Personnel	8,432	-6,552	-1,084	5,580	0	-252	-16	6,108
Income taxes	905	-205	-218	262	0	0	103	847
Warranties	8,961	-1,090	-1,218	3,163	0	-1,575	-16	8,225
Outstanding supplier invoices	5,557	-4,467	-184	7,730	0	-358	-70	8,208
Pending losses on onerous contracts	3,066	-2,836	180	816	0	-298	2,441	3,009
Sundry other provisions	2,190	-1,306	-323	2,765	0	-86	-36	3,204
	29,111	**-16,456**	**-3,207**	**20,316**	**0**	**-2,569**	**2,406**	**29,601**
Total	**48,627**	**-19,924**	**-3,237**	**22,236**	**127**	**-3,999**	**-20**	**43,810**

* Reclassification to liabilities in conjunction with assets held for sale in accordance with IFRS 5

** Includes exchange rate differences and reclassifications between current and non-current amounts

Tax provisions were recognised mainly to cover the expected income tax expense in Germany. It is expected that most of the amounts provided will be utilised in 2019 (previous year: 2018). As a result of the “minimum taxation” rule introduced in Germany in 2004, only the first EUR 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

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

Current **personnel-related provisions** are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards and pre-retirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to kEUR 783 (2017: kEUR 505) and are offset against personnel-related provisions. In addition, a provision of kEUR 1,800 was recognised in the fiscal year under report for restructuring measures.

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

In the previous year, **provisions for pending losses on onerous contracts** related primarily to the provision for the Platform Screen Door (PSD) project in Brazil and a level crossing system project in Denmark. In addition, a provision of kEUR 2,419 was recognised in the fiscal year 2018 for an onerous contract in the Mobile Transportation Technology segment. Furthermore, the provision for the level crossing technology project was increased by kEUR 1,465. The provision is measured on the basis of the unavoidable costs necessary to settle contractual obligations. The unavoidable costs for one contract reflect the minimum net cost of exiting the contract; this represents the lower of expected settlement costs and any compensation or penalties that would result from non-performance. Overhead expenses associated with the onerous contract concerned were included in the calculation of unavoidable costs. Further information relating to the change in the provision for pending losses on onerous contracts during the fiscal year 2018 is provided in the note on SIGNIFICANT EVENTS.

In addition to a restructuring provision for the Stationary Railway Technology segment amounting to kEUR 272 (2017: kEUR 2,200), **sundry other provisions** mainly include provisions for the year-end Company and Group audits, legal disputes and Supervisory Board compensation.

There were no reimbursement claims.

(23) LIABILITIES

In kEUR	**31.12.2018**	**31.12.2017**
Non-current liabilities		
— Liabilities to banks	11,160	124,181
— Finance lease liabilities	129	27
— Other financial liabilities	835	978
Financial liabilities	**12,124**	**125,186**
Contract liabilities (non-current)	159	0
Other liabilities	4,686	595
	16,969	**125,781**
Current liabilities		
Current income tax payable	682	463
— Liabilities to banks	109,030	57,553
— Finance lease liabilities	200	12
— Other financial liabilities	159	986
Financial liabilities	**109,388**	**58,551**
Trade accounts payable	47,435	46,442
Contract liabilities (current)	14,589	12,758
— Liabilities to affiliated companies	938	1,442
— Liabilities to other group entities	612	2,152
— Sundry other liabilities	16,573	17,987
Other liabilities	18,123	21,581
	190,217	**139,795**
Total liabilities	**207,187**	**265,576**

Collateral of kEUR 129,384 (2017: kEUR 134,418) has been given to cover **liabilities to banks**; of this amount, kEUR 100,005 (2017: kEUR 100,005) relates to shares in subsidiaries and pledge-like collateral and kEUR 29,379 (2017: kEUR 34,413) to mortgages.

Credit lines from banks total kEUR 213,091 (2017: kEUR 253,132), of which kEUR 69,828 (2017: kEUR 41,539) is freely available as at 31 December 2018. The weighted average interest rate as at 31 December 2018 for liabilities to banks during the past year was 3.88% (2017: 4.0%).

The syndicated credit accounted for by Schaltbau Holding AG runs until the end of 2019. Drawdowns on the syndicated credit are presented as current liabilities. In an agreement dated 15 December 2017, the syndicate banks waived the special termination right to which they were entitled in the event of non-compliance with financial covenants. In this context, interest rate terms and conditions were adjusted and the financial covenants (originally based on debt and equity capital ratios) replaced by other requirements.

The financial covenants were replaced by a requirement to comply with the restructuring concept which is based on an expert opinion drawn up by Roland Berger. This also includes the timely implementation of the measures defined in the restructuring concept. A further requirement is that the cumulative negative EBITDA (earnings before interest, taxes, depreciation and amortisation) of the Schaltbau Group does not deviate materially (by 10% or more, but at least EUR 3.0 million) from the figure defined in the restructuring concept. In addition, the liquidity outlook for each monthly forecast report (covering a period of 13 weeks) is required to be positive. All requirements attached to the syndicated credit were fulfilled as at 31 December 2018.

SPII S.P.A. also has external bank financing, for which local covenants are in place relating to cash flow and earnings performance indicators. The covenants were not complied with during the fiscal year 2018, triggering an extraordinary right of termination on the part of the bank. The net amount of the loan utilised at the end of the reporting period totalled kEUR 1,024 and is reported under current financial liabilities.

Finance lease liabilities comprised the following:

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

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

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

(24) CONTRACT ASSETS AND LIABILITIES

As a result of the first-time application of IFRS 15, the following items are reported in the new balance sheet line items “Current/Non-current contract assets“ and “Current/Non-current contract liabilities”. Comparative figures for the previous year have not been adjusted. Further information is provided in note (2) REVENUE.

In kEUR	31.12.2018	31.12.2017
Current contract assets		
Receivables resulting from revenue recognised over time	537	0
	537	**0**

In kEUR	31.12.2018	31.12.2017
Contract liabilities (non-current)		
Liabilities for extended guarantees	159	0
	159	**0**
Contract liabilities (current)		
Advance payments received	14,589	12,758
	14,589	**12,758**

EXPLANATORY NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(25) CASH FLOW STATEMENT

Cash flows from operating activities (indirect method)

Based on the loss before financial result and taxes (EBIT) of EUR 7.3 million, cash outflows from operating activities in 2018 totalled EUR 6.3 million, a year-on-year deterioration of EUR 16.7 million.

Cash flows from investing activities

Cash inflows for investing activities in 2018 totalled EUR 28.1 million. In the previous year, investing activities resulted in a net cash outflow of EUR 34.3 million.

At EUR 16.1 million, payments for investments in intangible assets and property, plant and equipment were again lower than the previous year (EUR 17.6 million). Capitalised development costs included in this figure amounting to EUR 0.1 million were significantly lower than one year earlier (EUR 5.0 million). Further investments primarily at Schaltbau GmbH, Bode Rawag Sp.z.o.o. and Xi’an Schaltbau Ltd. locations resulted in cash outflows for land and buildings (in total EUR 1.5 million). The outflow was, nevertheless, lower than the corresponding figure one year earlier (€ 3.5 million). Investments in “Other operational and office equipment”, “Plant and machinery” and “Assets under construction” increased year-on-year by around EUR 4.9 million to EUR 11.4 million.

Proceeds from the repayment of cash deposits resulted from the fact that cash funds arising on the occasion of the share capital increase out of Authorised Capital in 2017 – which were reported in the previous year as "Restricted cash" under "Other receivables and assets” – became freely available to the Company for the first time after the subsequent share capital increase in 2018. Proceeds from the disposal of business units and companies totalling EUR 28.4 million related to the sale of Pintsch Bubenzer GmbH, Kirchen. In the previous year, proceeds from the disposal of business units and companies amounting to EUR 3.9 million related to the sale of Shenyang Bode Transportation Equipment Co. in Shenyang, China.

Cash flows from financing activities

A share capital increase out of Authorised Capital executed during the fiscal year under report gave rise to proceeds of EUR 46.5 million. The inflow of EUR 46.5 million from the share capital increase includes gross issue proceeds of EUR 49.3 million less transaction costs amounting to EUR 2.8 million. Using funds that became available out of previously restricted cash as well as proceeds from the sale of Pintsch Bubenzer GmbH, financial liabilities amounting to EUR 74.7 million were repaid.

During the fiscal year 2018, 34.8% of the shares in Schaltbau Transportation UK Ltd. were acquired from the minority shareholder companies for a purchase price of EUR 0.9 million.

Composition of cash funds

Cash funds and financial liabilities both include the amounts reclassified as held for sale in accordance with IFRS 5.

Cash funds comprise:

In kEUR	**31.12.2018**	**31.12.2017***	**31.12.2017**
Cash and cash equivalents (continuing operations)	21,114	25,297	25,297
Cash and cash equivalents (discontinued operations)	**710**	1,067	1,067
Current account liabilities to banks	0	0	-14,196
	21,824	**26,364**	**12,168**

* Due to the decision taken by the IFRS IC in June 2018, current account liabilities to banks are required to be reported as part of cash flows from financing activities. Accordingly, the calculation and presentation of the relevant items have been adjusted. In conjunction with this change in accounting policy, the amount reported as cash funds as at 31 December 2017 was adjusted to kEUR 26,364. The change in accounting policy had no impact as at 1 January 2017, since current account liabilities to banks were not included in cash funds at that date.

In kEUR		**Cash relevant**	**Non-cash relevant***	
	31.12.2017	**2018**	**2018**	**31.12.2018**
Change in sundry other financial liabilities	194,336	-68,616	3,722	129,441
— thereof non-current	133,415	1,097	-109,834	16,449*
— thereof current	60,921	-69,713	113,556	112,992*
Total	**194,336**	**-68,616**	**3,722**	**129,441**

* Includes mainly the reclassification between non-current and current as well as the deconsolidation of PBOP.

In kEUR[2]		**Cash relevant[3]**	**Non-cash relevant[1]**	
	31.12.2016	**2017**	**2017**	**31.12.2017**
Change in sundry other financial liabilities	178,500	7,867	7,969	194,336
— thereof non-current	43,304	4,833	85,278	133,415
— thereof current	135,196	3,034	-77,309	60,921
Total	**178,500**	**7,867**	**7,969**	**194,336**

1 Contains the reclassification between non-current and current.
2 The presentation of the table was adapted to the adjusted stejusted to the adjusted cash flow statement.
3 Due to the adjustment of the cash funds during the previous year the cash-relevant amounts were misstated. This was corrected in the current account.

OTHER EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(26) SUPPLEMENTARY DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Carrying amounts and fair values

The balance sheet contains non-derivative financial instruments such as receivables and payables as well as derivative financial instruments such as forward currency contracts and swap transactions whose value is derived from the base value of the contract. Financial instruments are measured in accordance with IFRS 9 on the basis of the allocation of items to various measurement categories. The following table shows the carrying amounts and fair values of all financial instruments recognised in the consolidated financial statements of Schaltbau Holding AG in accordance with IFRS 9. The presentation compared to the end of previous fiscal year has been changed in order to improve the clarity and informational value of the table.

31 December 2018 In kEUR	**Category IFRS 9**	**Carrying amount**	**Fair value**	**Level pursuant to IFRS 13**
Assets-side financial instruments				
Trade accounts receivable	AC	93,303	n/a*	n/a
Other receivables and assets	n/a	11,461	n/a	n/a
— thereof not measured on basis of IFRS 9	n/a	3,872	n/a	n/a
— thereof: other receivables and assets	AC	7,508	n/a*	2
— thereof stand-alone derivatives	FVPL	81	n/a	2
Cash and cash equivalents	AC	21,114	n/a*	n/a
Total assets excluding assets held for sale		**122,006**		
Assets-side financial instruments held for sale				
Trade accounts receivable	AC	5,788	n/a*	n/a
Cash and cash equivalents	AC	710	n/a*	n/a
Total assets held for sale		**6,498**		

31 December 2018 In kEUR	**Category IFRS 9**	**Carrying amount**	**Fair value**	**Level pursuant to IFRS 13**
Liabilities-side financial instruments				
Non-current financial liabilities	n/a	12,124	n/a	n/a
— thereof not measured pursuant to IFRS 9	n/a	129	n/a	n/a
— thereof non-current financial liabilities	FLAC	11,995	11,245	3
Non-current other liabilities	n/a	4,686	n/a	n/a
— thereof not measured on basis of IFRS 9	n/a	4,686	n/a	n/a
Current financial liabilities	n/a	109,388	n/a	n/a
— thereof not measured pursuant to IFRS 9	n/a	200	n/a	n/a
— thereof current financial liabilities	FLAC	109,188	n/a*	3
Trade accounts payable	FLAC	47,435	n/a*	n/a
Other liabilities	n/a	18,123	n/a	n/a
— thereof not measured on basis of IFRS 9	n/a	2,930	n/a	n/a
— of which other liabilities	FLAC	15,037	n/a*	2
— of which derivatives designated for hedge accounting	n/a	140	n/a	n/a
— thereof stand-alone derivatives	FVPL	17	n/a	2
Total liabilities excluding liabilities in conjunction with assets held for sale		**186,728**		
Liability-side financial instruments - liabilities in connection with assets held for sale				
Non-current financial liabilities	FLAC	4,325	n/a*	3
Current financial liabilities	FLAC	3,603	n/a*	3
Trade accounts payable	FLAC	5,676	n/a*	n/a
Other current financial liabilities	FLAC	905	n/a*	n/a
Total liabilities in conjunction with assets held for sale		**14,509**		

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

31 December 2017 In kEUR	**Balance sheet carrying amounts**	**Not measured on basis of IAS 39**	**Carrying amounts based on IAS 39**
Measurement category pursuant to IAS 39:			Loans and receivables
Measurement at:			amortised cost
Assets-side financial instruments			
Other non-current investments [1]	3,023	3,023	0
Trade accounts receivable [2]	91,869	0	91,869
Current income tax receivables	1,471	1,471	0
Other current assets [2]	25,395	1,613	23,782
Cash and cash equivalents [2]	25,297	0	25,297
Total assets excluding assets held for sale	**147,055**	**6,107**	**140,948**
Assets-side financial instruments held for sale			
Other non-current investments [1]	867	867	0
Trade accounts receivable [2]	14,695	0	14,695
Current income tax receivables	61	61	0
Other current assets [2]	6,319	0	6,166
Cash and cash equivalents [2]	1,067	0	1,067
Total assets held for sale	**23,009**	**928**	**21,928**
Total assets	**170,064**	**7,035**	**162,876**
Liabilities-side financial instruments			
Non-current financial liabilities	125,186	27	0
Non-current other liabilities	595	595	0
Current income tax payable	463	463	0
Current financial liabilities	58,551	12	0
Trade accounts payable [2]	46,442	0	0
Other liabilities [2]	21,581	215	0
Total liabilities excl. liabilities in conjunction with assets held for sale	**252,818**	**1,312**	**0**
Liability-side financial instruments - liabilities in connection with assets held for sale			
Non-current financial liabilities	8,228	0	0
Current financial liabilities	2,370	0	0
Trade accounts payable [2]	8,797	0	0
Other current financial liabilities [2]	1,921	0	0
Total liabilities in conjunction with assets held for sale	**21,316**	**0**	**0**
Total liabilities	**274,134**	**1,312**	**0**

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these investments. The carrying amounts of investments in non-consolidated companies included therein do not fall within the scope of application of IAS 39.
2) No disclosure made, since the carrying amount approximates the fair value.
3) All fair values were determined according to fair value hierarchy Level 2

Carrying amounts based on IAS 39						
Financial liabilities measured at amortised cost	Available-for-sale financial assets		Held for trading	Derivatives in hedging relationships		
Amortised cost	Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (directly in equity)	Total carrying amounts based on IAS 39	Fair values
0	0	0	0	0	0	0
0	0	0	0	0	91,869	0
0	0	0	0	0	0	0
0	0	0	0	0	23,782	0
0	0	0	0	0	25,297	0
0	0	0	0	0	**140,948**	0
0	0	0	0	0	0	0
0	0	0	0	0	14,695	0
0	0	0	0	0	0	0
0	0	0	124	29	6,319	0
0	0	0	0	0	1,067	0
0	0	0	**124**	**29**	**22,081**	0
0	0	0	**124**	**29**	**163,029**	0
125,160	0	0	0	0	125,160	125,250[3)]
0	0	0	0	0	0	0
0	0	0	0	0	0	0
58,539	0	0	0	0	58,539	0
46,442	0	0	0	0	46,442	0
20,944	0	0	0	422	21,366	0
251,085	0	0	0	**422**	**251,507**	**125,250[3)]**
8,228	0	0	0	0	8,228	8,536[3)]
2,370	0	0	0	0	2,370	0
8,797	0	0	0	0	8,797	0
1,921	0	0	0	0	1,921	0
21,316	0	0	0	0	**21,316**	**8,536[3)]**
272,401	0	0	0	**422**	**272,823**	**133,786**

Total carrying amounts per measurement category

In kEUR		31.12.2018
AC	Amortised cost	128,424
Assets-side FVPL	Fair value through profit and loss	81
Liabilities-side FVPL	Fair value through profit and loss	17
FLAC	Financial liabilities at amortised cost	198,165

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)

Reclassifications between Levels are made at the end of the period. There were no reclassifications of fair value measurements between Level 1 and Level 2. Similarly, there were no reclassifications within level 3 in connection with fair value measurements.

The fair value of interest rate swaps is determined using interest rate curves observable on the relevant markets and obtained through pricing service agencies. The fair value of non-current non-derivative financial instruments is determined by discounting, taking into account a risk-adjusted market interest rate with matching maturities. The fair value of the relevant derivatives is determined by banks. The banks value the derivatives on the basis of market data valid for the relevant reporting date using recognised mathematical methods (net present value method for forward transactions and swaps).

Net gains and losses by measurement category

In kEUR	2018	2017
FVPL (2017: Financial assets and liabilities held for trading)	-109	156
AC (2017: Loans and receivables)	-749	-3,310
FLAC (Financial liabilities measured at amortised cost)	948	-1,787

Net gains on financial assets and liabilities measured at fair value resulted mainly from changes in market values. Net losses relating to assets measured at amortised cost resulted mainly from currency factors, changes in allowances and changes in market values. Net losses relating to financial liabilities measured at amortised cost related mainly to the impact of interest rates on fair value measurement.

Net losses of kEUR 8 (2017: net gains of kEUR 124) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

Total interest income and expenses relating to financial instruments not measured at fair value through profit or loss were as follows:

In kEUR	2018	2017
Interest income	1,479	790
Interest expense	-6,184	-10,975
Total	**-4,705**	**-10,185**

Netting of financial assets and liabilities

As a general principle, no financial assets and liabilities have been netted in the consolidated financial statements of the Schaltbau Group, reflecting the fact that the necessary requirements for netting have not been met. Similarly, no master netting agreements or similar agreements are in place, so there is no possibility of offsetting amounts under specific conditions. Derivative transactions are concluded in accordance with the German Framework Agreement for Financial Forward Transactions or ISDA (International Swaps and Derivatives Association). They do not meet the offsetting requirements of IAS 32 (Financial Instruments) given the fact that netting is only enforceable in the event of insolvency. Derivative instruments with positive fair values do not necessarily relate to the same banks as derivatives with negative fair values. For this reason, there was no potential to offset items in the event of insolvency at the reporting date.

(27) RISK MANAGEMENT AND HEDGING ACTIVITIES

Risk management for the entire Group is managed centrally by the parent company. Regulations regarding risk management policies, hedging activities and documentation requirements are laid down in guidelines issued by the corporate compliance/finance department and have been incorporated into relevant processes and procedures. The regulations are reviewed and updated at regular intervals. The guidelines are approved by the Executive Board. In the course of its operating activities, the Schaltbau Group is exposed to market price risks (foreign currency and interest rate risks), credit default risks and liquidity risks.

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

Currency risks

Forward currency contracts were in place with banks at 31 December 2018 to hedge cash flows from foreign customers amounting to kUS $ 2,421 (2017: kUS $ 2,877), kCNH 25,500 (2017: kCNH 0) and kPLN 14,000 (2017: kPLN 0). The forward exchange contracts have a maximum remaining term of 12 months (2017: maximum remaining term of three months). Hedge accounting was not applied to forward currency contracts during the fiscal year 2018.

Of the Group's trade accounts receivable, 71.0% (2017: 75.4%) are denominated in Euro and 15.4% (2017: 14.0%) in CNY.

Currency sensitivity for the main financial instruments is shown in the following tables. The impact on earnings is as follows:

Currency sensitivity in kEUR		**2018**		**2017**
	Euro appreciation +10%	Euro devaluation -10%	Euro appreciation +10%	Euro devaluation -10%
EUR/USD	25	-25	-5	5
EUR / CNY	3	-3	119	-119
EUR / GBP	0	0	-1	1

Currency sensitivity, for which financial instruments have been classified as available-for-sale, is shown in the following tables.

Currency sensitivity in kEUR		**2018**		**2017**
	Euro appreciation +10%	Euro devaluation -10%	Euro appreciation +10%	Euro devaluation -10%
EUR/USD	30	-30	396	-396
EUR / GBP	-132	132	-7	7

Commodity price risks

Price risks also arise for the Schaltbau Group in connection with the procurement of raw materials for the manufacture of its products. Schaltbau uses silver and gold in the production of some its products. The risk of price changes depends, among other things, on the following factors:

- Inflation
- Interest rates
- Stock markets
- Geopolitical factors
- The US dollar exchange rate
- Oil prices

At 31 December 2018, commodity swaps were in place with banks for gold and silver (one swap in each case). The value of silver and gold purchases hedged totalled kEUR 1,489 and kEUR 1,113 respectively. The fair values of swaps at 31 December 2018 amounted to kEUR 14 for gold and kEUR 59 for silver. Hedge accounting was not applied to commodity swaps during the fiscal year 2018.

The following table shows the change in value of commodity swaps in the event of a 10% change in the price of gold or silver.

Sensitivity in kEUR		**2018**
	+10%	-10%
Forward commodity transaction (gold)	105	-105
Forward commodity transaction (silver)	144	-144

Interest rate risks

In addition, the Schaltbau Group is exposed to interest rate risks from variable-interest financial assets and liabilities. One interest rate swap (2017: five) was held at the end of the reporting period in conjunction with a cash flow hedge to hedge the interest rate risk attached to the Syndicated Credit Agreement amounting to kEUR 6,000.

A change in the interest rate of plus or minus 100 basis points (i.e. a change of 1% in the interest rate), would have the following impact on the balance sheet as at 31 December 2018 (assuming that there would be no other changes to balances of cash at, and liabilities to, banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In kEUR	**Balance at 31.12.2018**		**+ 100 basis points**			**- 100 basis points**		
	Fair value	Interest rate	Δ Fair value	Income statement impact	Δ Equity impact	Δ Fair value	Income statement impact	Δ Equity impact
Interest rate swap	-140	4.37	15	0	11	-16	0	-11
Bank interest				-188			188	
Sundry other interest				-7			7	
Total CF sensitivity				-135			135	

In kEUR	**Balance at 31.12.2017**		**+ 100 basis points**			**- 100 basis points**		
	Fair value	Interest rate	Δ Fair value	Income statement impact	Δ Equity impact	Δ Fair value	Income statement impact	Δ Equity impact
Interest rate swap	-422	4.37%	77	0	54	-77	0	-54
Bank interest				-676			676	
Sundry other interest				-15			15	
Total CF sensitivity				-692			692	

The impact of the interest rate swap on the net assets, financial position and results of operations of the Group are as follows:

Interest rate swap in kEUR	**2018**	**2017**
Carrying amount (balance sheet line item: Other liabilities)	-140	-422
Nominal amount	6,000	6,000
Due date	28.6.2019	28.6.2019
Hedge ratio	1:1	1:1
Change in the fair value of outstanding hedging instruments since 1 January, as used to determine ineffectiveness	282	280
Change in the fair value of the hedged item, as used to determine the effectiveness of hedging relationships	315	233
Weighted average hedging rate during fiscal year	Fixed interest rate 4.34	Fixed interest rate 4.34

The following table shows the reconciliation of the cash flow hedge reserve in the period from 1 January to 31 December.

	2018
Cash flow hedge reserve - balance at 1.1.	-274
Additions in fiscal year	-8
Reclassifications to profit and loss	185
Income statement line item to which the reclassification was made	Interest expense
Losses which are no longer expected to be realised	-
Cash flow hedge reserve - balance at 31.12.	-97
Ineffective amount	-
Income statement line item in which Ineffectiveness is recorded	Interest expense

The interest rate swap was not subject to any significant ineffectiveness during the fiscal years 2018 or 2017. As a result of obligations relating to the interest rate swap, an amount of kEUR 287 (2017: kEUR 225) was reclassified from revenue reserves to interest expense in the income statement.

Default risk

Default risk arises for bank balances, trade accounts receivable, other financial assets and derivative financial instruments with positive fair values. Credit risk is managed as part of receivables management. Creditworthiness information is obtained from credit insurance agencies for all major new customers and the appropriate payment terms and conditions stipulated. The payment behaviour of existing customers is continuously monitored. In the event of any deterioration, payment terms are amended and the payment behaviour of the customer concerned is carefully monitored. In order to limit losses or avoid bad debts, supply restrictions (such as delivery stop and delivery against upfront payment) are put in place. A small volume of rolling receivables balances is insured against loss. Advance payments from customers reduce the risk of bad debts, particularly in the area of project work. Money and capital market investments and derivative hedging instruments are entered into only with counterparties of first-class credit standing. Of the trade accounts receivable total reported at the end of the reporting period 35.8% (2017: 36.0%) relate to the five largest debtors.

Impairment allowances based on the simplified approach comprises the following:

In kEUR	1.1.2018	Adjust-ment IFRS 9	Utilised	Re-versed	Allo-cated	Reclassi-fied*	Currency / other	31.12.2018
Trade accounts receivable**	-3,908	-721	22	206	-1,557	0	22	-5,936
Other receivables***	-604	0	604	0	0	0	0	0
Total	**-4,512**	**-721**	**626**	**206**	**-1,557**	**0**	**-22**	**-5,936**

* Reclassification to assets held for sale in accordance with IFRS 5
** Impairment allowance based on expected credit losses over the term of the loan
*** Impairment allowance based on expected 12-month credit losses

The change in the impairment allowance was mainly due to the change in receivables. Default rates changed only slightly during the fiscal year under report. The maximum credit risk corresponds to the carrying amount of accounts receivable. Receivables totalling kEUR 20,392 (2017: kEUR 18,337)) were insured against default.

The following table shows an analysis of the age structure of trade accounts receivable:

In kEUR	Overdue at 31.12.2018					
	No impairment allowance recognised	up to 30 days	31 to 60 days	61 to 90 days	Credit-impaired receivables	**Total**
Gross carrying amount	68,293	12,119	4,572	3,093	11,162	**99,239**

There was no need to recognise impairment allowances on other financial assets, contract assets, available-for-sale trade accounts receivables or cash and cash equivalents during the fiscal year under report. Gross carrying amounts values generally correspond to amounts reported in the balance sheet.

Impairment allowances at the end of the previous fiscal comprised the following:

In kEUR	**1.1.2017**	**Group reporting entity**	**Utilised**	**Reversed**	**Allocated**	**Reclassified***	**Currency / other**	**31.12.2017**
Trade accounts receivable	**6,643**	0	561	825	361	-1,637	-73	**3,908**
Other receivables	**123**	0	0	0	604	-123	0	**604**
Total	**6,766**	**0**	**561**	**825**	**965**	**-1,760**	**-73**	**4,512**

* Reclassified to assets held for sale in accordance with IFRS 5

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

In kEUR			**31.12.2017**
	Gross	Impairment allowance	Carrying amount
Overdue			
– up to 30 days	13,042	-104	**12,938**
– 31 to 60 days	5,600	-154	**5,446**
– 61 to 90 days	2,382	-84	**2,298**
– 91 to 180 days	5,012	-248	**4,764**
– 181 to 365 days	3,440	-200	**3,240**
– more than one year	4,271	-2,984	**1,287**
	33,747	**-3,774**	**29,973**
Not yet due	62,030	-134	**61,896**
	95,777	**-3,908**	**91,869**

Liquidity risks

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

The expected cash outflows from financial liabilities are spread over the coming years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

The expected cash outflows from liabilities not pertaining to assets held for sale are spread over coming few years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

In kEUR	Carrying amount	Total cash outflows	up to 1 year	1 to 5 years	more than 5 years
Financial liabilities	121,512	152,405	116,632	28,864	6,909
Trade accounts payable	47,435	47,435	47,409	26	0
Derivative instruments	156	158	158	0	0
Other liabilities	15,042	15,035	15,035	0	0
	184,145	**215,033**	**179,235**	**28,889**	**6,909**

The expected cash outflows from liabilities pertaining to assets held for sale are spread over coming few years as shown below (excluding interest payments). The carrying amounts of the relevant items are shown as a basis for comparison.

In kEUR	Carrying amount	Total cash outflows	up to 1 year	1 to 5 years	more than 5 years
Financial liabilities	7,929	10,802	3,603	3,021	4,178
Trade accounts payable	5,676	5,676	5,676	0	0
Other current financial liabilities	905	905	905	0	0
	14,510	**17,383**	**10,184**	**3,021**	**4,178**

(28) CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In kEUR	**31.12.2018**	**31.12.2017**
Other financial obligations		
Rental and lease expenses	18,686	12,970
Sundry commitments	2,730	2,350

Contingent liabilities amounting to kEUR 0 (2017: kEUR 2,282) related mainly to the financing arrangements of non-consolidated subsidiaries. The risk of losses as a result of claims in conjunction with these contingent liabilities is assessed as low, since it can be assumed that sufficient liquidity will be available via group financing.

The rental and leasing expenses shown under **other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements are spread over the following future years as follows: up to one year kEUR 7,306 (2017: kEUR 4,286), between one and five years kEUR 10,202 (2017: kEUR 7,260) and later than five years kEUR 3,908 (2017: kEUR 1,424).

At 31 December 2018, Group guarantees amounted to kEUR 33,974 (2017: kEUR 38,451) and bank guarantees to kEUR 19,847 (2017: kEUR 20,950). These figures include Group guarantees relating to the SEPSA Group (which is reported in the line item "Assets held for sale") amounting to kEUR 5,138 as well as bank guarantees amounting to kEUR 6,626 (2017: total amount of kEUR 15,107). Regarding the guarantees relating to the SEPSA Group, management anticipates the probability of the SEPSA Group being called on to meet guaranteed at more than 10% and less than 50%. The resulting contingent liability is estimated at kEUR 6,544. A provision of kEUR 1,300 was recognised during the fiscal year 2018 for risks arising from potential calls on guarantees issued on behalf of Alte.

(29) 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 description of the three segments Components, Mobile Transportation Technology and Stationary Transportation Technology is provided in the Management Report. Segments were either not aggregated, either in the previous fiscal year or in the year under report.

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

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

GEOGRAPHICAL PRESENTATION

In kEUR	Assets		Capital expenditure		External revenue	
	31.12.2018	**31.12.2017**	**2018**	**2017**	**2018**	**2017**
Germany	203,832	218,458	11,151	11,800	188,198	179,991
Other EU countries	122,561	156,394	2,404	5,173	202,685	185,275
Other European countries	0	3,074	0	0	38,790	33,444
China / Hong Kong	40,950	46,149	1,103	6,750	57,291	62,892
North America	29,436	26,281	249	417	30,012	44,150
Other countries	0	1,645	0	387	1,367	10,707
	396,779	**452,001**	**14,907**	**24,527**	**518,343**	**516,459**

RECONCILIATIONS

In kEUR	Revenue	
	2018	**2017**
Total revenue of segments	520,210	520,928
Other revenue	4,225	3,589
Consolidation	-6,092	-8,058
Revenue as per income statement	**518,343**	**516,459**

In kEUR	EBIT	
	2018	**2017**
Total EBIT of segments	4,896	-10,541
Other EBIT	-12,098	-12,441
Consolidation	-90	7
EBIT as per income statement	**-7,292**	**-22,975**

In kEUR	Assets	
	2018	**2017**
Total segment assets	414,833	458,965
Other assets	236,835	144,674
Consolidation	-254,889	-151,638
Group assets as per balance sheet	**396,779**	**452,001**

In kEUR	Liabilities	
	2018	**2017**
Total segment liabilities	308,971	341,322
Other liabilities	129,400	180,168
Consolidation	-135,439	-140,057
Group liabilities as per balance sheet	**302,932**	**381,433**

“Other revenue" comprises almost entirely revenue recorded at the level of Schaltbau Holding AG for IT services provided to subsidiaries. This revenue, together with inter-segment revenue, is eliminated on consolidation.

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

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

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

PRODUCT-BASED SEGMENT INFORMATION

In kEUR	**Components**		**Mobile Transportation Technology**	
	2018	**2017**	**2018**	**2017**
Order-intake (external)	150,519	146,281	393,539	333,426
Revenue	146,242	131,316	304,829	269,107
— of which external	145,169	130,654	303,816	265,255
— of which with other segments	1,073	662	1,013	3,852
Order-book (external))	89,513	88,524	439,902	351,111
EBITDA *7)	29,690	26,375	-3,255	6,518
Result from operating activities (EBIT)	25,135	21,386	-22,839	-26,422
Result from operating activities before exceptional items	25,135	21,386	-893	-2,186
Result from at-equity accounted investments	0	0	-4	258
Sundry other results from investments	753	0	-3,357	-1,925
Interest income	45	123	456	515
Interest expense	-1,735	-1,516	-6,834	-4,177
Income taxes	-1,175	-2,949	156	-2,215
Segment result / Group result *8)	4,052	17,044	-32,477	-33,975
Capital expenditure on investments	192	152	28	6,445
Impairment losses on financial assets	0	-6	-3,371	-1,925
Capital expenditure *1)	7,092	2,767	5,972	10,255
Depreciation and amortisation *1)	-4,440	-4,984	-16,550	-22,111
Impairment losses (excluding investments)	-839	-1,541	-3,883	-516
Reversals of impairment losses (excluding investments)	582	-809	118	-903
Sundry other significant non-cash items	-3,786	-5,453	-13,027	-17,326
Segment assets *2)	152,170	146,425	194,103	203,062
Investments accounted for at-equity	0	0	3,152	7,393
Capital employed *3)	109,739	105,578	136,235	145,763
Segment liabilities *4)	95,366	86,914	171,808	169,561
Employees (average number)	809	761	1,769	1,675
EBIT margin *5)	17.2%	16.4%	-7.5%	-10.0%
Return on capital employed (ROCE)* 6)	-22.9%	20.3%	-16,8%	-18.1%

*1) in / on intangible assets and property, plant and equipment
*2) Balance sheet total
*3) Working capital (inventories + trade accounts rec. advance payments received - trade accounts rec.) plus non-current assets excluding deferred tax asset
*4)Liabilities
*5) EBIT / external revenue
*6) EBIT / Capital employed
*7) Earnings before interest, taxes, depr. and amortisation
*8) With effect from 2018, the amount shown is after the profit transfer for the year

Stationary Transportation Technology		Sub-total		Holding company other consolidations		Schaltbau Group	
2018	2017	2018	2017	2018	2017	2018	2017
87,027	114,287	631,085	593,994	227	54	631,312	594,048
69,139	120,505	520,210	520,928	-1,867	-4,469	518,343	516,459
69,130	120,496	518,116	516,405	227	54	518,343	516,459
8	9	2,094	4,523	-2,094	-4,523		
53,619	68,703	583,034	508,338	0	0	583,034	508,338
7,571	-809	34,006	32,084	-11,467	-11,946	22,539	20,138
2,600	-5,505	4,896	-10,541	- 12,187	-12,434	-7,292	-22,975
-695	-4,406	23,547	14,795	-7,550	-12,434	15,996	2,361
-110	-135	-114	123	0	0	-114	123
-269	0	-2,873	-1,925	0	0	-2,873	-1,925
317	246	818	884	660	-94	1,479	790
-929	-2,078	-9,498	-7,771	2,720	-3,948	-7,228	-11,719
-355	-4,933	-1,375	-10,097	3,322	-3,755	1,947	-13,852
1,254	-12,405	-27,171	-29,336	13,036	-20,231	-14,136	-49,567
0	307	220	6,904	0	0	220	6,904
-269	0	-3,640	-3,640	0	0	-3,640	-1,925
115	3,868	13,179	16,890	1,509	733	14,687	17,623
-4,971	-4,696	-25,961	-31,791	-721	-487	-26,681	-32,278
-1,111	-1,946	-5,832	-4,003	-13	0	-5,846	-4,003
61	-97	761	-1,809	0	0	761	-1,809
1,886	-12,147	-14,928	-34,926	-276	-10,536	-15,203	-45,462
68,559	109,478	414,833	458,965	18,054	-6,964	396,779	452,001
0	380	3,152	7,773	0	0	3,152	7,773
32,389	36,916	278,363	288,257	-5,955	-10,736	272,408	277,521
41,796	84,847	308,971	341,322	-6,040	40,111	302,932	381,433
393	634	2,971	3,070	27	24	2,998	3,094
-3.8%	-4.6%					-1.4%	-4.4%
11.0%	-14.9%					-2,7%	-8.3%

RECONCILIATION OF EBIT TO EBIT BEFORE EXCEPTIONAL ITEMS BY SEGMENT

The following table shows the reconciliation of EBIT to EBIT before exceptional items for each segment for the fiscal year 2018.

In kEUR	Compo-nents	Mobile Transpor-tation Technology	Stationary Transpor-tation Technology	Sub-total	Holding, other eliminations	Group
Profit/loss from operating activities (EBIT)	**25,135**	**-22,840**	**2,600**	**4,895**	**-12,187**	**-7,292**
Significant non-operating impairment losses in accordance with IAS 36	0	13,942	0	13,942	0	13,942
Impairment losses due to reclassifications pursuant to IFRS 5	0	3,786	0	3,786	0	3,786
Earnings impact of disposals of subsidiaries	0	0	564	564	0	564
One-time/significant restructuring expenses	0	1,800	-1,225	575	4,637	5,212
Exceptional earnings impact of allocations to and reversals of provisions for onerous contracts	0	2,419	-5,625	-3,206	0	-3,206
Exceptional earnings impact of disposals of own work capitalised	0	0	2,990	2,990	0	2,990
Profit/loss from operating activities (EBIT) before exceptional items	**25,135**	**-893**	**-696**	**23,546**	**-7,550**	**15,996**

Significant non-operating impairment losses in accordance with IAS 36 recognised for the Mobile Transportation Technology segment relate in particular to impairment losses on goodwill at the level of Alte (kEUR 8,172) and BOUK (kEUR 2,271) and to impairment losses on tangible assets at the level of Alte (kEUR 3,499) (the full share of impairment losses affecting EBIT). Impairment losses due to reclassifications pursuant to IFRS 5 relate to the SEPSA Group. Non-recurring restructuring expenses amounting to kEUR 1,800 relate to the restructuring provision recognised in 2018 at the level of BOKS. The exceptional earnings impact of allocations to and reversals of provisions for onerous contracts includes an allocation of kEUR 2,419 to provisions for a loss-making customer order in this segment.

The earnings impact of disposals of subsidiaries in the Stationary Transportation Technology segment relates to the sale of PBOP during the fiscal year under report. Additions to and reversals of restructuring provisions recognised in 2018 are included in non-recurring restructuring expenses. The exceptional earnings impact of allocations to and reversals of provisions for onerous contracts" comprises the reversal of the provision for the "Platform Screen Doors in Brazil" project amounting to kEUR 7,090 and the allocation for the "Level crossing technology in Denmark" project amounting to kEUR 1,465. Impairment losses recognised in 2018 on development projects amounting to kEUR 2,990 are included in the exceptional earnings impact of disposals of own work capitalised.

Non-recurring restructuring expenses in the Holding Company, Other Consolidations segment include in particular costs of consultancy services and the allocation of a provision for risks for potential calls on bank and Group guarantees issued amounting to kEUR 1,300.

The total operating result (EBIT) of the segments in the previous year was a loss of kEUR -10,541. This figure comprised the Components" segment with profit of kEUR 21,386 (of which kEUR 0 from exceptional items), the Mobile Transportation Technology segment with a loss of kEUR -26,422 (of which exceptional items amounting to kEUR -12.042 for "Significant non-operating impairment losses in accordance with IAS 36" and kEUR -12,194 for "Impairment losses due to reclassifications pursuant to IFRS 5" and the Stationary Transportation Technology segment with a loss of kEUR -5,505 (of which exceptional items amounting to kEUR -1,100 for "Significant non-operating impairment losses in accordance with IAS 36".

Further information is provided in the note on SIGNIFICANT EVENTS.

(30) RELATED PARTY TRANSACTIONS

Transactions between fully consolidated companies on the one hand and associated and non-consolidated companies on the other, all conducted on the basis of arm's length principles, are disclosed below from the perspective of the fully consolidated companies:

In kEUR	Volume of services performed		Volume of services received	
	2018	2017	**2018**	2017
Associated companies				
– Goods and services	332	715	-1,777	-1,995
– Other transactions	1	0	-69	-606
Non-consolidated companies				
– Goods and services	8,210	12,684	-2,592	-3,432
– Other transactions	87	387	-366	-1,301

The following receivables and payables – mostly from trading and at a level customary for the business – existed at the end of the reporting period from the perspective of the Group's fully consolidated entities. Amounts reclassified to assets and liabilities held for sale are not included (see note 16 ASSETS / LIABILITIES HELD FOR SALE).

In kEUR	Receivables and other assets		Liabilities	
	2018	2017	**2018**	2017
Associated companies	1,113	669	612	2,152
Non-consolidated companies	3,142	1,886	938	1,442

In addition to the above, receivables from/payables to affiliated and non-consolidated companies amounting to kEUR 0 (2017: kEUR 6,123) and kEUR 326 (2017: kEUR 123) respectively are reported at the end of the reporting period as assets and liabilities held for sale in accordance with IFRS 5.

Noerr LLP has been engaged to provide legal advisory services in connection with the implementation of individual restructuring measures. The member of the Executive Board and Chief Restructuring Officer, Dr. Martin Kleinschmitt, has been a lawyer and partner at Noerr LLP since 2001. In addition to Executive Board compensation, expenses incurred in 2018 for consulting services provided by Noerr LLP amounted to kEUR 523 (2017: kEUR 825). Information relating to compensation for the activities of the Executive Board is provided in note (32) SUPERVISORY BOARD AND EXECUTIVE BOARD.

On 22 December 2017, a consultancy agreement was concluded for the term from 1 January 2018 to 31 March 2018 with Gesellschaft für Unternehmens- und Technologieberatung (GfUT), Munich, represented by the Partner and CEO Dr. Albrecht Köhler. The subject of the consultancy agreement is providing support at Gebr. Bode GmbH

& Co. KG in Kassel in the strategic advancement of the various business segments. The expense for consulting services totalled kEUR 17 in the fiscal year 2018.

On 29 September 2018, the Company concluded a consultancy agreement with PALMURA s.a.s.u., Saint-Quen, France, represented by its owner Andreas Knitter. The consultancy agreement ended on 31 December 2018. The subject of the consultancy agreement was the provision of support to the Sepsa Group, Alte Technologies S.L.U. and the Bode Group in special restructuring issues as well as the provision of support in business development and sales activities of these companies. The expense for consultancy services totalled kEUR 7 in the fiscal year 2018.

Disclosures relating to key management personnel are provided in the note (32) SUPERVISORY BOARD AND EXECUTIVE BOARD.

Disclosures relating to non-controlling interests

Attributable to non-controlling interests:

In kEUR	XIAN		BORA		SPII		BOUK
	2018	2017	**2018**	2017	**2018**	2017	2017
Capital in %	50.0	50.0	10.7	10.7	35.0	35.0	35.0
Voting rights in % 1)	50.0	50.0	10.7	10.7	35.0	35.0	35.0
Group net profit / loss	2,856	2,808	110	322	-539	-436	-519
Equity	16,767	16,654	5,464	5,471	6,985	7,525	1,614
Assets 2)	20,475	20,657	5,890	5,292	11,500	12,175	3,031
Liabilities 2)	4,377	4,003	1,871	1,275	4,411	4,650	1,577
Net profit / loss for the year 2)	2,856	2,808	110	322	-539	-436	-519
Other comprehensive income for the year 2)	-524	-983	117	201	0	0	-65
Total comprehensive income 2)	2,332	1,825	227	523	-539	-436	-584
Cash flows							
from operating activities	7,548	1,958	-3,035	-54	-1,650	1,085	-241
from investing activities	-1,103	-7	-1,741	-125	-119	-52	-181
from financing activities	-5,280	-3,253	3,268	-247	-1,025	471	94

1) Board majority
2) Before elimination of intragroup transactions

Due to the almost complete acquisition of minority interests in BOUK in the fiscal year 2018, no further information is provided for 2018 on this company .

(31) CAPITAL MANAGEMENT DISCLOSURES

Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity fell in 2018 as a result of the loss recorded for the year. The share capital increase in February 2018 had an offsetting effect. Group equity totalled EUR 93.8 million at the end of the reporting period, an increase of EUR 23.3 million compared to one year earlier. As a result of the 12.2% decrease in the balance sheet total, the Group equity ratio improved from 8.0% to 23.7%. Compared to the end of the previous financial year, the debt coefficient (net bank liabilities to banks / EBITDA) decreased, reflecting minimally lower net liabilities to banks and a higher EBITDA and now stands at 4.4 (2017: 7.8). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

(32) SUPERVISORY BOARD AND EXECUTIVE BOARD

The external mandates of former members of the Executive Board and Supervisory Board are only disclosed for the period in which they worked for Schaltbau.

MEMBERS OF THE EXECUTIVE BOARD

Dr Albrecht Köhler Spokesman, CEO (since 19 May 2018)	No external mandates
Thomas Dippold Chief Financial Officer, CFO (since 1 January 2017)	No external mandates
Volker Kregelin Board member for the Mobile and Sta- tionary Transportation Technology segments (since 1 December 2018)	No external mandates
Dr Martin Kleinschmitt Member of the Executive Board Chief Restructuring Officer (CRO) (until 31 March 2019)	**Chairman of the Supervisory Board** G&H Bankensoftware AG (since 2017) SAF-HOLLAND GmbH (since 2014) **Member of the Board of Directors** SAF-HOLLAND S.A. (since 25.04.2013) **Member of the Management Board** Noerr Consulting AG (since 14.12.2006) **Partner** Noerr LLP
Dr Bertram Stausberg Spokesman, CEO (until 18 May 2018)	No external mandates

MEMBERS OF THE SUPERVISORY BOARD

Dr Hans Fechner Chairman (since 7 June 2018)	**Member of the Advisory Board** Auma Riester GmbH & Co KG (since 2017) Granulat GmbH (since June 2018) Deutsche Bank (since 2004)
Spokesman of the Management Board of G. Siempelkamp GmbH & Co KG (until 30 December 2018) Business consultant	**Administrative Board** RWTÜV e.V., Essen (since 2002)
Prof Dr Thorsten Grenz Deputy Chairman (since 24 May 2018)	**Managing Director** KIMBIRIA Gesellschaft für Beteiligung und Beratung mbH (since 18 October 2013)
Business consultant	**Member of the Advisory Board** Gpredictive GmbH (since 28 November 2013) **Supervisory Board** Drägerwerk AG & Co. KGaA (since 9 May 2008) Drägerwerk Verwaltungs AG (since 9 May 2008) Dräger Safety AG & Co KGaA (since 9 May 2008) Dräger Safety Verwaltungs AG, Lübeck (since 9 May 2008) CREDION AG (since 28 February 2019)
Jeannine Pilloud Member (since 7 June 2018)	**Member of the Administrative Board** Salt Mobile SA (since July 2018) Innovation Process Technology ipt (since January 2018)
Delegate for the development of the public transport sector in the Swiss Federal Railways (SBB)	**Managing Director and President** CH-Direkt Verein (since June 2016)
Andreas Knitter Member (since 8 June 2017)	**Member of the Supervisory Board:** BEACON RAIL Lux Holdings S.a.r.l., Luxembourg (since October 2017)
Business consultant	**Member of the Advisory Board:** Dellner Couplers AB, Sweden
Achim Stey Member (since 26 June 2018)	**Chairman:** Works Council of Gebr. Bode GmbH & Co. KG, Kassel (since 30 January 2014)
Employee representative	**Member:** Group Works Council of Schaltbau Holding AG, Munich (since 18 May 2014)

Herbert Treutinger Member (since 13 September 2017) Employee representative	**Chairman:** Group Works Council of Schaltbau Holding AG, Munich (since 8 June 2017) Works Council of Schaltbau GmbH
Dr Ralph Heck Chairman (until 6 June 2018) Senior Director Mc Kinsey & Company, Düsseldorf	**Member of the Advisory Board:** Würth Group, Künzelsau (since 1 January 2016) **Member of the Boards of Trustees:** Bertelsmann Stiftung (since 27 September 2012) **Member of the Supervisory Board** Bilfinger SE, Mannheim (since 11 May 2016) Klöckner & Co SE, Duisburg (since 16 May 2018) **Board Member** Formel D GmbH, Troisdorf (since 4 July 2017)
Helmut Meyer Deputy Chairman (until 30 April 2018) Business consultant	**Member of the Advisory Board:** Ventilatorenfabrik Oelde GmbH, Oelde (from May 2008) **Chairman of the Advisory Board:** Martor KG, Solingen (from October 2010)
Dr Albrecht Köhler Member (until 18 May 2018) CEO and Partner, Gesellschaft für Unternehmens- und Technologieberatung, Munich	No external mandates
Thomas Farnschläder Member (until 1 March 2018) Employee representative	**Chairman:** Works Council of Pintsch Bubenzer GmbH, Kirchen (since 30.01.2014) **Member:** Group Works Council of Schaltbau Holding AG, Munich (from 18 May 2014 until 1 March 2018)

REMUNERATION OF PERSONS IN KEY POSITIONS

In connection with the requirement to disclose terms and conditions (IAS 24.18), information is provided in Compensation Report in the Group Management Report.

Remuneration of members of the Executive Board

The following table shows the total compensation of the current members of the Executive Board:

In kEUR	2018	2017
Non-performance-related compensation	1,502	1,306
Performance-related compensation	350	97
Total compensation	**1,852**	**1,403**

Total compensation includes benefits-in-kind based on the value of company car usage pursuant to the tax authority's guidelines. These benefits-in-kind are taxed at the level of each individual Executive Board member. The contracts of the members of the Executive Board do not contain any commitments in the event of the termination of Executive Board activities which, in their legal form, deviate significantly from commitments made to employees. Total compensation in the fiscal year relates exclusively to short-term employee benefits (IAS 24.17). An amount of kEUR 370 (2017: kEUR 295) was recognised as a provision at the end of the reporting period.

The following table shows the total compensation of the former members of the Executive Board and their surviving dependants:

In kEUR	2018	2017
Non-performance-related compensation	82	82
Severance pay	256	0
Total compensation	**338**	**82**

No provisions were recognised for severance payments at the end of the fiscal year 2018. Pension provisions for former members of the Executive Board totalled kEUR 492 (2017: kEUR 533).

Compensation of Supervisory Board members

The following table shows the total compensation of members of the Supervisory Board:

In kEUR	2018	2017
Basic compensation for previous year	225	113
Compensation for work on committees	88	0
Compensation for additional work (based on time spent)	106	115
Compensation in connection with consultancy agreements	7	32
Reimbursement of out-of-pocket expenses (rental of office and use of secretariat)	0	13
Total compensation	**426**	**273**

Total compensation in the fiscal year relates exclusively to short-term employee benefits (IAS 24.17). In the course of its activities, during 2018 the Supervisory Board engaged external consultants to provide supporting services in 2018. In total, an expense of kEUR 80 was incurred for these services in the year under report.

The Company has taken out a D&O insurance policy for the members of its Executive and Supervisory Boards. In view of the Supervisory Board's total compensation, the Company does not deem it necessary to introduce a deductible. However, a deductible has been contractually agreed upon for the Executive Board with effect from 2010.

Shares – Executive Board and Supervisory Board members

The following table shows the shares in Schaltbau Holding AG held by members of the Executive Board and the Supervisory Board:

Shares (number)	**1.1.2018**	**Additions**	**Sales**	**31.12.2018**
Executive Board	0	1,138	0	1,138
Dr Albrecht Köhler	0	1,138	0	1,138

The current members of the Supervisory Board do not hold any shares in the Company. No stock options are in place and no holding agreements or sales restrictions have been agreed.

Notifications of securities transactions

The members of the Executive Board and the Supervisory Board of Schaltbau Holding AG as well as related parties are required, in accordance with the relevant legislation, to notify the Company of any trading with Schaltbau securities. In the year under report Schaltbau Holding AG received the following notifications, which are shown in the table below.

Notifications of securities transactions 2018

Person in key position subject to the notification obligation	Function	Date of transaction in 2018	Type of transaction	Aggregate price	Aggregate volume	Registered office
Dr Albrecht Köhler	Spokesman of the Executive Board	08.11	Purchase of 1,077 shares	EUR 23.00	EUR 24,771.00	Xetra
Dr Albrecht Köhler	Spokesman of the Executive Board	09:11	Purchase of 19 shares	EUR 23.00	EUR 437.00	Xetra
Dr Albrecht Köhler	Spokesman of the Executive Board	12.11	Purchase of 42 shares	EUR 23.00	EUR 966.00	Xetra

(33) CORPORATE GOVERNANCE

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code was issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 20 December 2017 at http://schaltbau.com/de/investor-relations/corporate-governance/entsprechenserklaerung.

(34) EVENTS AFTER THE END OF THE REPORTING PERIOD

Merger of Pintsch Tiefenbach GmbH into Pintsch Bamag GmbH

In accordance with a merger agreement dated 14 February 2019, Pintsch Tiefenbach GmbH was merged with Pintsch Bamag GmbH. In addition, Pintsch Bamag GmbH changed its name to Pintsch Deutschland GmbH.

Alte Technologies S.L.U. put up for sale

In February 2019, the Executive Board of Schaltbau Holding AG decided to put the Spanish subsidiary Alte Technologies S.L.U. up for sale. In future, Alte will therefore be accounted for as a "disposal group" in accordance with IFRS 5. This classification results in the application of different measurement methods.

(35) FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for the external auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (hereafter PwC GmbH) in the year under report comprises the following:

In kEUR	**31.12.2018**	**31.12.2017**
Audit of separate and consolidated financial statements	555	622
Tax advisory services	93	46
Other attestation services	29	928
Other services	0	80
Total	**678**	**1,676**

The tax advisory services relate to project support in conjunction with the introduction of the "Tax Compliance Management System". Other attestation services include work performed in connection with the share capital increase executed in 2018. In the previous year, other attestation services included kEUR 908 in connection with the share capital increase executed in 2018.

(36) DISCLOSURES RELATING TO NOTIFICATIONS OF CHANGES IN VOTING RIGHTS

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

Veröffentlichung vom 06.03.2019

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Name:	Schaltbau Holding AG
Straße, Hausnr.:	Hollerithstraße 5
PLZ:	81829
Ort:	München Deutschland
Legal Entity Identifier (LEI):	52990099LIMD4VYT3175

2. Grund der Mitteilung

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

3. Angaben zum Mitteilungspflichtigen

Juristische Person: Teslin Capital Management BV
Registrierter Sitz, Staat: Maarsbergen, Niederlande

4. Namen der Aktionäre
mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

Midlin NV

5. Datum der Schwellenberührung:

01.03.2019

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1.+ 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl der Stimmrechte nach § 41 WpHG
neu	5,18 %	0,00 %	5,18 %	8852190
letzte Mitteilung	3,26 %	0,00 %	3,26 %	/

7. Einzelheiten zu den Stimmrechtsbeständen
a. Stimmrechte (§§ 33, 34 WpHG)

ISIN	absolut		in %	
	direkt (§ 33 WpHG)	zugerechnet (§ 34 WpHG)	direkt (§ 33 WpHG)	zugerechnet (§ 34 WpHG)
DE000A2NBTL2		458977	%	5,18 %
Summe	458977		5,18 %	

b.1. Instrumente i.S.d. § 38 Abs. 1 Nr. 1 WpHG

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

b.2. Instrumente i.S.d. § 38 Abs. 1 Nr. 2 WpHG

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

8. Informationen in Bezug auf den Mitteilungspflichtigen

X	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen, die Stimmrechte des Emittenten (1.) halten oder denen Stimmrechte des Emittenten zugerechnet werden.
	Vollständige Kette der Tochterunternehmen, beginnend mit der obersten beherrschenden Person oder dem obersten beherrschenden Unternehmen:

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

9. Bei Vollmacht gemäß § 34 Abs. 3 WpHG
(nur möglich bei einer Zurechnung nach § 34 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:
Gesamtstimmrechtsanteile (6.) nach der Hauptversammlung:

Anteil Stimmrechte	Anteil Instrumente	Summe Anteile
%	%	%

10. Sonstige Informationen:

Veröffentlichung vom 08.02.2019

Stimmrechtsmitteilung

1. Angaben zum Emittenten

Name:	Schaltbau Holding AG
Straße, Hausnr.:	Hollerithstraße 5
PLZ:	81829
Ort:	München Deutschland
Legal Entity Identifier (LEI):	52990099LIMD4VYT3175

2. Grund der Mitteilung

	Erwerb bzw. Veräußerung von Aktien mit Stimmrechten
	Erwerb bzw. Veräußerung von Instrumenten
	Änderung der Gesamtzahl der Stimmrechte
X	Sonstiger Grund: Freiwillige Konzernmitteilung mit Schwellenberührung auf Ebene eines Tochterunternehmens

3. Angaben zum Mitteilungspflichtigen

Juristische Person: Stichting Administratiekantoor Monolith Registrierter Sitz, Staat: Amsterdam, Niederlande

4. Namen der Aktionäre
mit 3% oder mehr Stimmrechten, wenn abweichend von 3.

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

5. Datum der Schwellenberührung:

02.02.2019

6. Gesamtstimmrechtsanteile

	Anteil Stimmrechte (Summe 7.a.)	Anteil Instrumente (Summe 7.b.1.+ 7.b.2.)	Summe Anteile (Summe 7.a. + 7.b.)	Gesamtzahl der Stimmrechte nach § 41 WpHG
neu	29,38 %	0 %	29,38 %	8852190
letzte Mitteilung	28,90 %	0 %	28,90 %	/

7. Einzelheiten zu den Stimmrechtsbeständen
a. Stimmrechte (§§ 33, 34 WpHG)

ISIN	absolut		in %	
	direkt (§ 33 WpHG)	zugerechnet (§ 34 WpHG)	direkt (§ 33 WpHG)	zugerechnet (§ 34 WpHG)
DE000A2NBTL2		2600976	%	29,38 %
Summe	2600976		29,38 %	

b.1. Instrumente i.S.d. § 38 Abs. 1 Nr. 1 WpHG

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

b.2. Instrumente i.S.d. § 38 Abs. 1 Nr. 2 WpHG

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

8. Informationen in Bezug auf den Mitteilungspflichtigen

	Mitteilungspflichtiger (3.) wird weder beherrscht noch beherrscht Mitteilungspflichtiger andere Unternehmen, die Stimmrechte des Emittenten (1.) halten oder denen Stimmrechte des Emittenten zugerechnet werden.
X	Vollständige Kette der Tochterunternehmen, beginnend mit der obersten beherrschenden Person oder dem obersten beherrschenden Unternehmen:

Unternehmen	Stimmrechte in %, wenn 3% oder höher	Instrumente in %, wenn 5% oder höher	Summe in %, wenn 5% oder höher
Stichting Administratiekantoor Monolith	%	%	%
Monolith N.V.	7,20 %	%	7,20 %

9. Bei Vollmacht gemäß § 34 Abs. 3 WpHG
(nur möglich bei einer Zurechnung nach § 34 Abs. 1 Satz 1 Nr. 6 WpHG)

Datum der Hauptversammlung:
Gesamtstimmrechtsanteile (6.) nach der Hauptversammlung:

Anteil Stimmrechte	Anteil Instrumente	Summe Anteile
%	%	%

10. Sonstige Informationen:

Die Stimmrechtsmitteilung ist durch eine innerkonzernliche Verschmelzung begründet. Der Aktionär hat sein Stimmverhalten mit anderen Aktionären abgesprochen (siehe die am 7. November 2017 veröffentlichte Mitteilung).

Notification dated 19.02.2018

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

Kreissparkasse Biberach

5. Date on which threshold was crossed or reached

15.02.2018

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	4.90 %	0.00 %	4.90 %	8852190
Previous notification	5.02 %	0.00 %	5.02 %	/

7. Details of voting rights held
a. Voting rights (§§ 33, 34 WpHG)

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

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

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

b.2. Instruments according to § 38 (1) no. 2 WpHG

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

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

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

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

9. In case of proxy voting according to § 34 Abs. 3 WpHG
(only possible in case of indirect holding pursuant to § 34 (1) sentence 1 No. 6 WpHG)

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

10. Other explanatory notes

Notification dated 28.12.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

5. Date on which threshold was crossed or reached

20.12.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	0.27 %	0 %	0.27 %	6609770
Previous notification	9.97 %	0 %	9.97 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

5. Date on which threshold was crossed or reached

20.12.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	0.08 %	0 %	0.08 %	6609770
Previous notification	9.97 %	0 %	9.97 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification dated 07.11.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

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

5. Date on which threshold was crossed or reached

03.11.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	28.90 %	0.00 %	28.90 %	6609770
Previous notification	7.77 %	0.00 %	7.77 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

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

5. Date on which threshold was crossed or reached

03.11.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	28.90 %	0.00 %	28.90 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

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

5. Date on which threshold was crossed or reached

03.11.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	28.90 %	0.00 %	28.90 %	6609770
Previous notification	6.83 %	0.00 %	6.83 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

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

5. Date on which threshold was crossed or reached

03.11.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	28.90 %	0.00 %	28.90 %	6609770
Previous notification	5.37 %	0.00 %	5.37 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

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

5. Date on which threshold was crossed or reached

03.11.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	28.90 %	0.00 %	28.90 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification dated 17.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

Active Ownership Fund SICAV-FIS SCS; SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

11.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	9.97 %	0.00 %	9.97 %	6609770
Previous notification	11.21 %	0.00 %	11.21 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

Active Ownership Fund SICAV-FIS SCS; SATORA Beteiligungs GmbH

5. Date on which threshold was crossed or reached

11.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	9.97 %	0.00 %	9.97 %	6609770
Previous notification	11.21 %	0.00 %	11.21 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

SATORA Beteiligungs GmbH, Active Ownership Fund SICAV FIS-SCS

5. Date on which threshold was crossed or reached

11.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	9.97 %	0 %	9.97 %	6609770
Previous notification	14.92 %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification dated 16.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

SATORA Beteiligungs GmbH, Active Ownership Fund SICAV FIS-SCS

5. Date on which threshold was crossed or reached

11.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	9.97 %	0 %	9.97 %	6609770
Previous notification	11.21 %	0 %	11.21 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	30528	628359	0.46 %	9.51 %
Total	658887		9.97 %	

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification dated 06.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

5. Date on which threshold was crossed or reached

01.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	0.06 %	0.00 %	0.06 %	6.609.770
Previous notification	5.17 %	0.00 %	5.17 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	0	4.290	0.00 %	0.06%
Total	4.290		0.06 %	

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification dated 04.10.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

5. Date on which threshold was crossed or reached

01.10.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	8.98 %	0.00 %	8.98 %	6609770
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

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

Notification dated 10.07.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

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

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

5. Date on which threshold was crossed or reached

05.07.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	5.14 %	0 %	5.14 %	6609770
Previous notification	3.02 %	0 %	3.02 %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

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

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification dated 12.05.2017

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Midlin NV	Maarsbergen, Netherlands

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

5. Date on which threshold was crossed or reached

11.05.2017

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.26 %	0 %	3.26 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	200469		3.26 %	%
Total	200469		3.26 %	

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification of holdings

1. **Details of issuer**

Schaltbau Holding AG Hollerithstraße 5 81829 München Deutschland

2. **Reason for notification**

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

3. **Details of person subject to the notification obligation**

Name:	City and country of registered office:
Teslin Capital Management BV	Maarsbergen, Netherlands

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

Midlin NV

5. **Date on which threshold was crossed or reached**

11.05.2017

6. **Total positions**

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.26 %	0 %	3.26 %	6152190
Previous notification	n/a %	n/a %	n/a %	/

7. **Details of voting rights held**
a. **Voting rights** (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		200469	%	3.26 %
Total	200469		3.26 %	

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

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

b.2. **Instruments according to § 25 Abs. 1 no. 2 WpHG**

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

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

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

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

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

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

10. **Other explanatory notes**

Notification dated 26.09.2016

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Massimo Malvestio	

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

Hermes Linder Fund SICAV PLC

5. Date on which threshold was crossed or reached

19.09.2016

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.04 %	0 %	3.04 %	6.152.190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300		186753	%	3.04 %
Total	186753		3.04 %	

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

Name	% of voting rights (if at least 3% or more held)	% of voting rights through instruments (if at least 5% or more held)	Total of both (if at least held 5% or more)
Massimo Malvestio	%	%	%
Finpartes Ltd	%	%	%
Veniero Investments Ltd	%	%	%
Praude Asset Management Ltd	3.04 %	%	%

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

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

10. Other explanatory notes

Notification of holdings

1. Details of issuer

Schaltbau Holding AG
Hollerithstraße 5
81829 München
Deutschland

2. Reason for notification

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

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Hermes Linder Fund SICAV PLC	Birkirkara, Malta

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

5. Date on which threshold was crossed or reached

19.09.2016

6. Total positions

	% of voting rights attached to shares (Total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % 7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.04 %	0 %	3.04 %	6,152,190
Previous notification	n/a %	n/a %	n/a %	/

7. Details of voting rights held
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0007170300	186753		3.04 %	%
Total	186753		3.04 %	

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

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

b.2. Instruments according to § 25 Abs. 1 no. 2 WpHG

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

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

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

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

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

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

10. Other explanatory notes

Notification dated 10.01.2011

On 4 January 2011,Deutsche Bank AG advised us the following:

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

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

(37) **GOING CONCERN**

The Schaltbau Group has improved its overall risk situation through the financial stabilisation and restructuring measures implemented in both 2017 and early 2018. The bridge financing of EUR 25 million plus deferred repayments due at the end of February 2018 were repaid in full and on schedule, utilising the proceeds from the share capital increase successfully implemented in February 2018 and the sale of the Pintsch Bubenzer Group in March 2018 as well as further measures taken to strengthen liquidity and equity.

Nevertheless, despite these measures, the Schaltbau Group is exposed to risks that could have an adverse impact on its future development. At 31 December 2018, including bank guarantees, the Schaltbau Group was utilising EUR 45 million out of the total of EUR 100 million of funds available under the Syndicated Credit Agreement which falls due on 31 December 2019. Furthermore, the creditors of the two promissory notes with a total volume of EUR 70 million have been granted an extraordinary right to terminate the notes by giving six months' notice no later than 30 June 2019. So far, the extraordinary termination right has been exercised by one promissory note creditor for a nominal amount of EUR 5.0 million.

Despite the fact that the remaining term of the Syndicated Credit Agreement is less than one year at the time of the issue of the independent auditor's report, the Executive Board of Schaltbau Holding AG expects the Group to be able to continue its operations beyond 31 December 2019. The Executive Board considers it highly probable that Schaltbau Holding AG will be able to meet its financial obligations beyond 2019 at all times. To sum up, there are no risks that endanger the Company's continued existence. There are, however, risks that could impair its future development.

As a result of the successful share capital increase and the sale of the Pintsch Bubenzer Group, as well as the steady improvement in business performance throughout the year, the Schaltbau Group was able to significantly reduce its net liabilities by EUR 58.0 million in 2018, from EUR 158.4 million at 31 December 2017 to EUR 100.4 million at 31 December 2018.

Various debt financing options are currently being explored to cover the amount of liquidity required:

- An element of the planned refinancing is the conclusion of a receivables securitisation transaction in which the Schaltbau Group's receivables are sold to a special-purpose entity on an ongoing basis. A corresponding mandate agreement has already been concluded with Commerzbank as arranger and signed by all parties involved.
- Due to the increased profitability, the improved performance indicators, continued compliance with the restructuring plan and the now contained (and therefore reduced level of) risks pertaining to the Spain-based Group entities Alte and the Sepsa Group, the lending banks have shown their willingness to renew the Syndicated Credit Agreement with new contractual terms and conditions. Other banks are also showing an interest in participating in a syndicated financing arrangement and have joined the financing process. The prerequisite for implementing the financing arrangement is that the restructuring of the Schaltbau Group can be completed as planned in the fiscal year 2019.
- Furthermore, the procurement of liquidity via loans on a bilateral level, such as in the form of private placements, is a conceivable alternative. Initial enquiries regarding a financing platform indicate that there is plenty of interest on the part of investors.
- The issuing of a so-called Nordic bond, a special form of bond, is also a conceivable option. Based on the information provided by a financial institution specialising in issuing bonds of this type, this form of debt financing can also be implemented with a high degree of probability, given the creditworthiness of the Schaltbau Group.
- Based on preliminary negotiations, the Schaltbau Group assumes that some of the promissory note creditors do not intend to exercise their extraordinary termination right.

- Funds could also possibly be raised by issuing convertible bonds out of existing conditional capital. However, a further share capital increase would require a corresponding resolution by the Annual General Meeting.

In accordance with customary contractual agreements, the lenders have an extraordinary termination right if certain agreed conditions are not met. 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, the Schaltbau Group may be restricted in making otherwise sensible investments, thereby impairing its operations and competitiveness.

The Schaltbau Group continues to depend on the successful implementation of the restructuring plan in the fiscal year 2019. The corresponding operational measures required to cut costs and improve processes entail significant risks, including delays in implementing necessary measures, the loss of key staff, and production restrictions. Moreover, the implementation of the restructuring plan or the sale of further Group companies may result in impairment losses, which, together with annual or event-triggered impairment tests, may have a material impact on earnings.

Munich, 29 March 2019

Schaltbau Holding AG
The Executive Board

Dr Albrecht Köhler
(Spokesman)

Thomas Dippold

Volker Kregelin

Dr Martin Kleinschmitt

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the operating and financial review includes a fair review of the development and performance and position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

Munich, 29 March 2019

Schaltbau Holding AG
The Executive Board

Dr Albrecht Köhler (Spokesman)	Thomas Dippold
Volker Kregelin	Dr Martin Kleinschmitt

INDEPENDENT AUDITOR'S REPORT TO SCHALTBAU HOLDING AG, MÜNCHEN

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Schaltbau Holding AG,München, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Schaltbau Holding AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of intangible assets
2. Provisions for expected losses and measurement of work in progress for long-term projects
3. IFRS 5 classification of the Schaltbau Sepsa Group

Our presentation of these key audit matters has been structured in each case as follows:

I. Matter and issue
II. Audit approach and findings
III. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of intangible assets

I. In Schaltbau Holding AG's consolidated financial statements as at 31 December 2018, intangible assets amounting to EUR 51.1 million (13% of total assets) are reported Intangible assets include EUR 35.6 million in goodwill as well as internally generated intangible assets from the capitalization of development costs amounting to EUR 9.3 million, among others. During the financial year, goodwill impairments amounting to EUR 10.4 million and an impairment of internally generated intangible assets amounting to EUR 3.0 million were recognized. While goodwill must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for intangible assets with definite useful lives if there are indications of impairment ("triggering events"). The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for goodwill or intangible assets with definite useful lives. Goodwill and internally generated intangible assets are tested for impairment at the level of the group of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the respective cash-generating units, including the corresponding goodwill and internally generated intangible assets, is compared with the recoverable amount in the context of the impairment test. The present value of the future cash flows from the respective group of cash-generating units or the respective intangible assets normally serves as the basis of valuation. Present value is calculated using discounted cash flow models. The starting point is the Group's planning, which is extrapolated using long-term rates of growth. An impairment is recognized if the recoverable amount is lower than the respective carrying amount of the cash-generating units or the intangible asset. The discount rate used is the weighted cost of capital for the respective cash-generating unit, group of cash-generating units or intangible assets. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows, the discount rates used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

II. As part of our audit, we evaluated whether any triggering event had occurred, as well as the methodological procedure adopted by Schaltbau Holding AG for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. In particular, we assessed whether the recoverable amounts had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We evaluated whether the underlying future cash inflows and the costs of capital used form, as a whole, an appropriate basis. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as the executive directors' detailed explanations regarding key planning value drivers. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or long-term rates of growth can in some cases have a material impact on the values in use of groups of cash-generating units and other intangible assets calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We examined whether the necessary disclosures were made in the notes relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

III. The Company's disclosures in the notes to the consolidated financial statements relating to the recoverability of goodwill and other intangible assets are contained in the section entitled "ACCOUNTING POLICIES" and "(11) Intangible assets".

2. Provisions for expected losses and measurement of work in progress for long-term projects

I. In Schaltbau Holding AG's consolidated financial statements provisions, primarily for expected losses for construction projects, amounting to EUR 4.1 million (previous year: EUR 11.7 million) are reported under the balance sheet items "other non-current provisions" and "other current provisions". The underlying risk assessment and the estimation as to whether and in what amount it is necessary to recognize or reverse a provision for expected losses is based on estimates and assumptions made by the executive directors. In the present case, these provisions for expected losses relate to stationary and mobile traffic technology projects for which the costs of performing the contractually agreed service exceed the agreed consideration. In addition, work in progress primarily related to the projects was written down. From our point of view, these matters were of particular significance, as recognition and measurement of these material items are to a large extent based on the Company's executive directors' estimates and assumptions.

II. As part of our audit, we assessed the process established by the Group, including the relevant controls for capturing expected losses. We addressed the audit risk inherent in this audit area by performing standardized audit procedures throughout the Group. To that end, we assessed the planned costs as well as the actual costs incurred in the context of the material construction projects. In the knowledge that estimated values bear an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on consolidated profit, we assessed the recognition and appropriateness of the carrying amounts for provisions for expected losses, including by taking past experience into consideration and by evaluating the consistent application of the calculation methodology. We examined the calculation of the expected obligations by means of discussions with project managers, the central Controlling department and the executive directors, and by way of inspection of the project documentation. We were able to satisfy ourselves that the systems and processes in place are appropriate overall and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that the provisions for expected losses were appropriately recognized and measured, and that the related work in progress was appropriately measured.

III. The Company's disclosures in the notes to the consolidated financial statements relating to the measurement of inventories and on the accounting treatment used for provisions for expected losses are contained in sections "(22) Other provisions" and "(13) Inventories".

3. IFRS 5 classification of the Schaltbau Sepsa Group

I. The Schaltbau Sepsa Group has been accounted for and presented in the consolidated financial statements as a disposal group in accordance with IFRS 5 since November 2017 because the Executive Board has been implementing a disposal plan since that time and has been negotiating with prospective investors. Due to differences in approaches to valuation, the negotiations with an interested party, which were ongoing since November 2017 and at an advanced stage, were not concluded. Therefore, the disposal process has been pushed forward, and negotiations have been held with further potential investors. However, it was not possible to complete the disposal within twelve months of November 2017, due in particular to the fact that negotiations concerning a major order were at an advanced stage but could not be concluded by November 2018 due to pricing issues. Given that this delay was caused by events and circumstances outside the control of the company and that sufficient substantial indications that the company continues to plan to sell the disposal group, it is still classified as a disposal group. The unchanged disposal plan was substantiated by the activities of the executive directors (entry into confidentiality agreements with potential investors, provision of information). As of the balance sheet date, the Executive Board continues to assume that, despite the Schaltbau Sepsa Group's current losses, it will still be possible to dispose of it for EUR 1 due to the major order becoming concrete. Based on its EUR 1 fair value, the disposal group's assets and liabilities are recognized in identical amounts, with any further losses incurred and increases in liabilities resulting in increases in the value recognized for assets, which will be recognized as other operating income. In our view, this matter was of particular significance, as recognition and measurement of these material items are to a large extent based on the Company's executive directors' estimates and assumptions.

II. As part of our audit, we assessed, with the assistance of the specialists from our technical department, the requirements for classification under IFRS 5 in connection with the Schaltbau Sepsa Group, in particular after the expiry of 12 months after November 2017. Among other things, we have reviewed and assessed the documents submitted by the Executive Board to demonstrate the intention to sell up to the balance sheet date. Moreover, in order to evaluate the executive directors' assessment that the sale of the disposal group is highly probable, we conducted interviews with responsible persons involved in the transaction and reviewed and assessed the activities of the executive directors on the basis of the underlying documentation, among others. In addition, we examined the recognition of the reversal of the impairment loss on fair value in the income statement as well as the derivation of the fair value. In our view, the estimates and assumptions of the executive directors on which the accounting treatment of the Schaltbau Sepsa Group is based are sufficiently documented and justified and result in an appropriate presentation of the Schaltbau Sepsa Group in the consolidated financial statements.

III. The Company's disclosures in the notes to the consolidated financial statements regarding the accounting treatment of the Schaltbau Sepsa Group are contained in the section "Significant events" and note "(16) Assets / liabilities available for sale".

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "MANAGEMENT AND CONTROL" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 7 June 2018. We were engaged by the supervisory board on 24 September 2018. We have been the group auditor of Schaltbau Holding AG, Munich, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, 29 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	Michael Popp
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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SCHALTBAU ON THE INTERNET

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INVESTOR RELATIONS & CORPORATE COMMUNICATIONS

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