//ON TRACK FOR GROWTH

ANNUAL REPORT 2015

SCHALTBAU

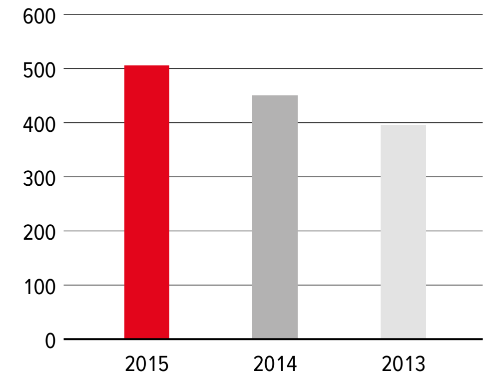
SCHALTBAU GROUP
5-YEAR SUMMARY

Order situation		2015	2014	2013	2012	2011
Order intake	€ m.	508.4	449.4	390.7	372.3	342.8
Order book	€ m.	325.3	281.9	228.1	229.8	197.4
Income statement						
Sales	€ m.	496.7	429.6	390.7	362.8	318.4
Total output	€ m.	501.2	440.3	389.9	367.9	324.4
EBITDA	€ m.	49.5	38.3	45.1	37.0	34.7
EBIT	€ m.	36.6	27.3	36.0	29.5	27.5
EBIT margin	%	7.4	6.4	9.2	8.1	8.6
Group net profit	€ m.	23.5	29.1	24.7	22.2	21.7
Profit attributable to the shareholders of Schaltbau Holding AG	€ m.	17.4	24.8	21.4	19.0	18.7
Return on capital employed	%	11.0	10.6	18.2	15.8	18.9
Balance sheet						
Fixed assets	€ m.	185.7	134.1	92.4	80.7	74.0
Capital expenditure	€ m.	14.8	15.4	13.1	9.3	8.6
Amortisation and depreciation	€ m.	8.4	7.4	6.7	7.5	7.2
Working capital	€ m.	147.6	122.6	105.9	105.6	71.8
Capital employed	€ m.	333.3	256.7	198.3	186.3	145.8
Group equity	€ m.	129.5	112.5	89.4	71.1	57.8
Net financial liabilities	€ m.	128.7	79.7	48.9	55.7	38.2
Balance sheet total	€ m.	454.2	361.2	267.4	258.2	214.3
Cash flow statement						
Cash flows from operating activities	€ m.	31.1	26.5	36.5	7.0	25.6
Cash flows from investing activities	€ m.	-51.1	-38.4	-20.1	-12.6	-13.4
Cash flows from financing activities	€ m.	24.1	24.1	-10.8	1.0	-11.7
Change in cash funds	€ m.	4.8	13.0	5.5	-4.6	0.7
Personnel						
Employees at 31 December	Number	2,973	2,651	2,044	1,972	1,738
Average number of employees	Number	2,635	2,270	1,839	1,742	1,535
Personnel expense	€ m.	157.4	138.2	119.4	112.1	95.4
Personnel expense per employee	€ 000	59.7	60.9	64.9	64.3	62.1
Total output per employee	€ 000	190.2	194.0	212.0	211.1	211.3
Key fin. figures for Schaltbau Holding AG			2014	2013	2012	2011
Subscribed capital	€ 000	7,506	7,506	7,506	7,506	7,506
Equity of the AG	€ m.	58.0	67.2	72.9	79.9	76.9
Equity ratio of the AG	%	28.1	40.0	52.1	60.1	66.2
Stock market price at 31 December *	€	51.0	42.1	46.0	31.1	23.5
Market capitalisation at 31 December	€ m.	307.0	256.4	282.3	190.6	144.4
Earnings per share (undiluted) *	€	2.90	4.04	3.48	3.09	3.13
Earnings per share (diluted) *	€	2.90	4.04	3.48	3.09	3.13
Dividend per share *	€	1.00	1.00	0.96	0.77	0.60

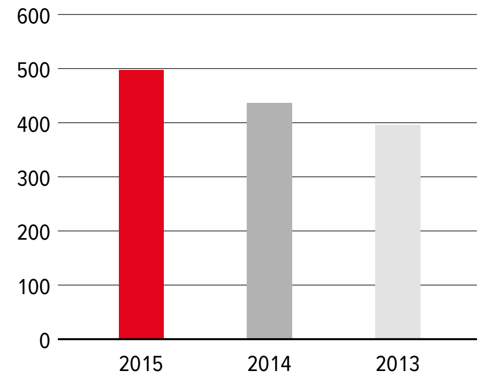
* Adjusted in line with the share split implemented on 20 August 2012

SCHALTBAU GROUP
AT A GLANCE

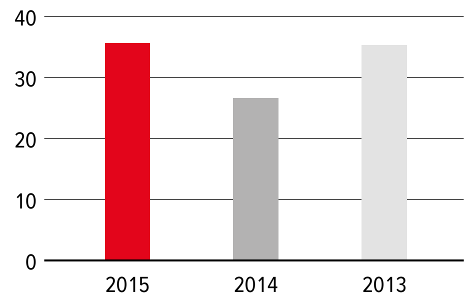
Order intake



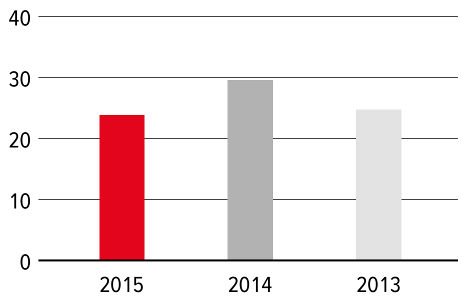
Sales



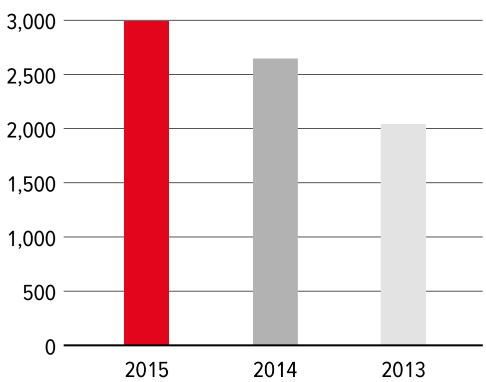
EBIT



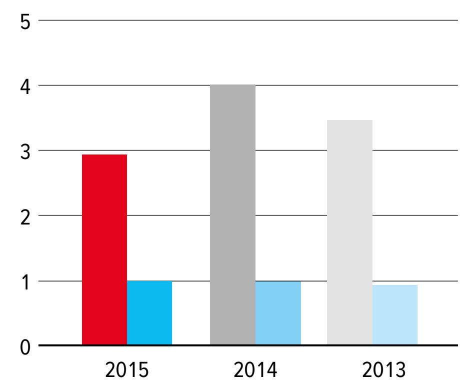
Group net profit



Employees



EPS / Dividend



The Schaltbau Group develops and supplies systems and components for transportation technology and industrial applications worldwide. Global megatrends such as increasing urbanisation, the growth in world trade and rising environmental awareness are driving our sustainable, profit-oriented expansion. The Schaltbau Group's companies are making a firm contribution towards safe, low-emission mobility, the smooth transportation of goods and the widespread use of renewable energy.

With their specialised knowledge and a high degree of product innovation, the companies in our Group have worked hard to win the confidence of their customers and strive continually to strengthen their current market position through well-targeted research and development activities. Organic growth is the result of innovative products and solutions, the concentration on new target groups and greater market penetration. Moreover, the Schaltbau Group is growing through strategic acquisitions in its core markets, thus creating additional potential.

Sustainable growth not only benefits customers and employees, both in Germany and abroad, but also the Group's shareholders.

MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

Dr. Jürgen Cammann
Spokesman of the Executive Board

Elisabeth Prigge
Member of the Executive Board

Ralf Klädtke
Member of the Executive Board (from 01.08.2015)

Dirk Christian Löchner
Member of the Executive Board (to 18.05.2015)

SUPERVISORY BOARD

Hans Jakob Zimmermann
Chairman
Supervisory Board

Peter Jahrmarkt
Deputy Chairman
Officer with general authority (Generalbevollmächtigter) of heristo holding GmbH, Bad Rothenfelde

Thomas Farnschläder *
Employee

Marianne Reindl *
Secretary

Dr. Stefan Schmittmann
Member of the Management Board of Commerzbank AG, Frankfurt am Main

Friedrich Smaxwil
President CEN, President Committee for Standardization, Brussels

* Employee representatives

DEAR SHAREHOLDERS

The Schaltbau Group has just experienced a further year of growth. With 16 per cent sales growth bringing the total figure very close to the € 500-million mark as well as a remarkable 34 per cent jump in EBIT to € 36.5 million, we have certainly achieved the targets we set out to reach. With an outstanding performance in the fields of Door Systems and Brake Systems as well as internationally with Components, we have been more than able to compensate for negative factors in the Stationary Transportation Technology segment and from growth projects. Adjusted for one-off items, earnings per share of € 2.90 surpassed the previous year's figure. We wish to provide dividend continuity to our shareholders and will again propose the payment of € 1.00 per share, as in the previous year. Based on our forecast, we will be able to replenish the revenue reserves drawn on to pay the dividend in the course of the current fiscal year.

We see a promising level of growth and earnings potential for our Group over the next few years. This optimism is based on strategic and operational improvements accomplished in the course of 2015. The acquisition of a majority interest in SPII has further strengthened our position as systems partner to major rolling stock manufacturers. As suppliers of complete subsystems based on SPII's in-house developed driver's desks, we have become world market leaders for master controllers and grown our market share in Italy at the same time.

Looking at our Spanish companies, we have also reached a number of major milestones. Increasing our shareholding in Albatros from 40 per cent to around 92 per cent has enabled us to broaden our range of products and services to include passenger safety and information systems and offer complete solutions for controlling and monitoring trains. And when it comes to the communication of rolling stock with stationary safety and control technology – both on the rails and within stations – the Schaltbau Group has carved out a key technological position for itself. As a result of the Albatros Group's good positioning on the Spanish and North American markets, it is now feasible for us to carefully grow our market share in these regions.

At Alte, our specialist for railway sanitary systems, we have introduced a raft of restructuring measures that are already beginning to bear fruit. Furthermore, the acquisition of the remaining shares in that entity has enabled us to put clear management structures in place. The orders we have received from several major train manufacturers in recent months are ample proof that we have been able to win back customer confidence, which, in turn, will bring about much improved capacity utilisation going forward. Orders such as these also serve to raise customers' awareness of the Schaltbau Group as a comprehensive supplier of products and solutions for pleasant, convenient passenger transportation and safe, reliable control technology.

At the same time, Albatros, ALTE and SPII are fine examples of how companies can realise their full potential through integration in the Schaltbau Group. Here they have far better access to the relevant customers, while also benefiting from the financial resources that are essential to promote growth and innovation as well as from their integration in a globally coordinated sales network. None of this happens on its own, of course, and certainly comes at an additional cost during the initial phase. Excluding the negative contributions of ALTE and Albatros and the negative impact of purchase price allocations at the level of SPII, earnings per share would have been significantly higher.

The digital interconnectedness of components, subsystems and systems will continue to drive developments in the business fields in which the Schaltbau Group operates in the years to come and will have ramifications that we must do our best to exploit. With this in mind, we will continue to do everything required to maintain the balance between growth on the one hand and dependable results on the other. There is no alternative to making pro-active use of all the financially viable expansion opportunities currently available to us. We only need to look at the takeover of Faiveley by Wabtec or the formation of CRRC in China to see that the rate of consolidation accelerated to another level in 2015. We believe that there will be far fewer, but significantly larger suppliers left on the market within a few years. In view of the growing requirements in terms of standardisation, digitalisation and globalisation alongside the necessity to meet the growing calls for local content, small-scale competitors will not be able to maintain the pace, or at most only as highly specialised niche providers. Moreover, these market mechanisms do not only apply to our direct customers: transportation companies such as German Railways are increasingly purchasing on a global basis and focusing more and more on suppliers with international capabilities.

The Schaltbau Group sees these all-embracing changes as an opportunity and has decided to invest in shaping the next growth phase. The great appreciation of our customers clearly shows that we are on the right track with our systems approach to finding solutions.

Despite the growth-related expenditure that will remain unavoidable going forward, in 2016 we aim to increase our operating profit by almost 14 per cent to € 41.5 million and achieve a good 10 per cent rise in sales to around € 550 million. Partly by improving the result from investments, it is our plan to raise earnings per share to at least € 3.50. Order intake figures for the first three months of the year give us reason for optimism. Due to a number of factors, first-quarter earnings are below those recorded one year earlier. Although we had a strong first six-month period in the previous year, by the end of the third quarter of the current year we expect to have achieved the level of earnings seen in 2015, in line with our forecast.

Kind regards

Dr. Jürgen Cammann
Spokesman of the Executive Board

//DIGITALLY INTERCONNECTED

Digitalisation has long since entered the world of trains, locomotives and trams, with the twin aim of maximising passenger convenience and comfort and reducing overall costs for operators. The efficient interconnectedness of trains and rail infrastructure in today's fast-moving world calls for integrated mobility concepts that incorporate intelligent communications with monitoring and information systems right from the very beginning. Railway systems suppliers are tasked with developing these interconnected systems and ensuring their reliable functionality throughout their entire life cycles. With its fully integrated driver's desks, the Schaltbau subsidiary SPII, based in Italy, is among the most inventive, ingenious manufacturers in this field.

The comprehensive, integrated use of "big data" information has the potential to fundamentally change the way we go about designing mobility in metropolitan areas: driverless vehicles that communicate with one another make for higher train frequency and help keep delays to a minimum. Permanent real-time diagnosis and requirements-based maintenance derived from the available data can greatly reduce the number of technical breakdowns. The real-time monitoring of trains means that both passengers and train personnel are continually and accurately informed of travelling times, available capacities and connections. The interconnectedness of all modes of transport, the use of mobile communications and the integration of automatic ticketing systems all help create a pleasant, stress-free travel experience. Moreover, the seamless synchronisation of rolling stock with stationary infrastructure makes rail travel safer than ever before.

In technical terms, these benefits are already available today and have, in some cases, become a daily reality. However, the mammoth task of integrating the various monitoring and information systems and intelligently interconnecting them needs to be tackled by rail systems manufacturers and suppliers alike in a united effort. Major projects such as the new metro and bus system currently being developed for the Saudi Arabian capital of Riyadh already show that a task of this nature can be accomplished: rolling stock manufacturers no longer simply develop trains, but complete mobility concepts in which all of their subsystems seamlessly cooperate and simultaneously communicate with the world around them. This is where major suppliers such as Schaltbau take on a key role, as they actively promote and develop interconnectedness at component and subsystem levels. Schaltbau's aim is to supply increasingly intelligent products that can be ever more simply and efficiently embedded in larger structures.

With its integrated driver's desk concepts, SPII, the Schaltbau subsidiary based to the north of Milan, is among the pioneers in this field. Instead of lots of single components that need painstakingly piecing together by the railway vehicle manufacturer, SPII supplies customised driver's desks in close cooperation with the systems supplier and delivers them straight to the assembly lines on a just-in-sequence basis. From the customer's point of view, this not only means far fewer cables and connectors to deal with, but also a considerable reduction in development, production and testing costs, greatly reducing the risks involved in system integration. With this strategy, SPII plays a key role in improving both quality and product availability. Each driver's desk can be either tailor-made to precisely match customer specifications or configured from predefined modules. SPII deploys a wide range of predefined software solutions and standardised bus protocols in order to quickly and reliably cater for customers' varying requirements.

The unbroken trend towards system integration is one of the main factors driving consolidation in the rail sector. Suppliers capable of offering customers the majority of subsystems from one single source on a worldwide basis are well positioned to implement major projects. As analogue product characteristics such as longevity and functional design increasingly need to be interlinked with digital features, innovation processes are becoming more and more complex and call for strategic partnerships on a global basis.

The integration of SPII in the international corporate network of the Schaltbau Group not only makes it simpler to handle the constantly growing localisation requirements in what are mostly publicly financed rail projects, it also opens up an array of opportunities to collaborate in the field of research and development. Here in particular, the system components developed and produced by the Schaltbau Group can be ideally interlinked and coordinated with the system solutions designed for the driver's desks manufactured by SPII. The broad range of products and systems produced by the Schaltbau Group, such as communication and monitoring systems, door systems, sanitary systems, interior fittings with built-in sensors, electricity converters and air conditioning systems, to name but a few, can all be seamlessly integrated in the SPII driver's desks via bus systems.

SPII AT A GLANCE

SPII develops and manufactures master controllers, driver's desks and driver's cab equipment as well as disconnectors and earthing switches for rolling stock.

Locations: Saronno (Italy) and Xi'an (China)

Employees: 110

Sales: € 28.5 million (2015)

COMBINED COMPANY AND GROUP MANAGEMENT REPORT OF SCHALTBAU HOLDING AG, MUNICH, FOR THE FISCAL YEAR 2015

PROFILE OF THE SCHALTBAU GROUP

STRUCTURE AND BUSINESS MODEL

The Schaltbau Group is one of the world's leading suppliers of system solutions for the transportation of both people and goods. Partnering renowned customers in the rail infrastructure, mobility and logistics markets, Schaltbau Group companies supply a wide range of products, including:

- Door and boarding systems for trains, stations, buses and commercial vehicles
- Interior fittings, information, control and communications systems, master controllers, driver's desk and cab equipment, sanitary systems for rolling stock
- High- and low-voltage components for rolling stock and other applications
- Complete level crossing systems, train formation and signal technology
- Industrial brakes for container cranes and wind turbines

See Significant investments in other entities on page 20

During the year under report, the Schaltbau Group continued to expand its range of products and services in the field of rolling stock. Schaltbau acquired 65 per cent of SPII S.p.A., which is based in Saronno, Italy, and specialises in railway and automation components. Schaltbau also increased its shareholding in Albatros S.L. from 40 to 92 per cent. Albatros manufactures passenger safety and information systems as well as inverters. In May 2015, Schaltbau increased its shareholding in the UK-based Rail Door Solutions Ltd. (RDS) from 50 to 65 per cent. RDS is a service partner that manufactures, modernises, repairs and maintains door systems (see "Business performance").

ORGANISATIONAL STRUCTURE

The operating activities of the Schaltbau Group are divided into three segments: the Mobile Transportation Technology segment (Bode Group, ALTE Technologies and Albatros), the Stationary Transportation Technology segment (PINTSCH Group), which is sub-divided into the two business fields Rail Infrastructure and Brake Systems, and the Components segment (Schaltbau GmbH Group). The segments work together closely with the aim of supplying customers comprehensively from one single source and leveraging synergies.

Schaltbau Holding AG is based in Munich and, as parent company of the Schaltbau Group, is responsible for functions that concern the entire Group, such as strategy and sales coordination, the provision of IT systems, the appointing of staff to management positions in the Group's subsidiaries, public relations and investor relations. Schaltbau Holding AG is also responsible for the Group's financial accounting, controlling, compliance, cash management and risk management, including internal auditing.

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

At the end of 2015, some 68 per cent of its shares were in free float.

MANAGEMENT AND CONTROL

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

As Spokesman of the Executive Board, Dr Jürgen H. Cammann is responsible for Group strategy, the Stationary Transportation Technology segment, the Components segment, and investor relations.

See Compensation report on page 46

Elisabeth Prigge is responsible for finance, controlling, personnel, IT and compliance.

With effect from 1 August 2015, Ralf Klädtke was appointed responsible for the Mobile Transportation Technology segment.

Dirk Löchner, who had been responsible for Corporate Development, resigned from his Executive Board post with effect from 18 May 2015.

The Supervisory Board consists of six members and cooperates closely with the Executive Board. It monitors and advises the Executive Board on a regular basis on all key questions concerning Group management.

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

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

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

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

BUSINESS MODEL, MARKETS AND INFLUENCING FACTORS

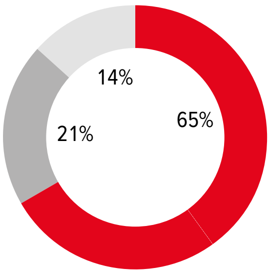
As a supplier of technologically complex subsystems and components with a limited number of competitors, Schaltbau is positioned among the leading companies worldwide in its primary fields of business.

The Schaltbau Group's sales during the year under report were spread as follows: 65 per cent were generated in the railway industry, 14 per cent in the automotive industry and 21 per cent in the capital goods sector, including items such as port cranes and industrial trucks, which are mainly used in materials handling and logistics. As a supplier of technologically complex subsystems and components with a limited number of competitors, Schaltbau is positioned among the leading companies worldwide in its primary fields of business. The Group continues to generate the majority of its sales in Germany (2015: 34 per cent) and the rest of Europe (2015: 43 per cent).

See Research and development on page 33

The Schaltbau Group features a high degree of added-value depth and generates the majority of its output with its own in-house resources, whether research and development, production or sales. Long-term product life cycles and high standards of quality and safety as well ready availability require a high level of development activity. Expenditure in this field accounted for 6.0 per cent of total output during the year under report. The great majority of our systems and components are developed and produced at our German plants, but also in-

Sales by market



creasingly worldwide in decentralised units that are capable of reacting swiftly and flexibly to changing market requirements. They also contribute towards the generally growing demand for local content. Schaltbau Group companies operate 35 (2014: 29) sales and production locations in 17 countries worldwide (2014: 14). Group companies operate their own sales offices in regions of strategic importance. Moreover, external sales partners ensure optimal coverage in selected markets.

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

The Schaltbau Group's markets are hardly affected by seasonal or cyclical fluctuations and mostly subject to the long-term investment decisions.

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

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

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

THE MOBILE TRANSPORTATION TECHNOLOGY SEGMENT

The Mobile Transportation Technology segment consists of the Bode Group, including its subsidiaries RAWAG and Rail Door Solutions (RDS) as well as the Spain-based subsidiaries ALTE Technologies and Albatros. At 31 December 2015, the majority-owned Albatros was consolidated using the equity method.

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

The Bode Group is a leading supplier of door and boarding systems for buses, trains and commercial vehicles as well as interior fittings for rolling stock.

The Door Systems for Railway Vehicles product group comprises complete systems equipped with innovative safety technology and boarding aids for underground trains, metros, trams, regional trains and railcars as well as high-speed trains. Its range of products makes the Bode Group one of the leading manufacturers in its field in Europe and a key partner for train manufacturers and railway systems suppliers worldwide. The most important innovation and cornerstone of its international success is the Bode Innovative Door System (BIDS) for regional trains, which can be quickly adapted to suit a broad range of international requirements due to its high degree of standardisation.

With its door systems for buses, coaches and commercial vehicles, the Bode Group is market leader in Europe and integrated in many of the platforms of major manufacturers. The product group covers a broad range of complete door systems, including outswinging and inswinging plug doors, swinging-sliding, folding and revolving doors with electronic controls and boarding aids, which can be variously combined to suit customer requirements. The Compact All-round Drive System (CADS) embodies electric door drive technology of strategic relevance as it considerably reduces both maintenance times and operating costs.

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

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 and China as well as sales activities in South Korea guarantee direct market access in each of these regions. Particularly noteworthy is RAWAG in Poland, which works in close partnership with the Kassel-based Bode Group, selling door systems for railway vehicles and buses on the Central and Eastern European market. Moreover, RAWAG's manufacturing range includes products such as windows for railway vehicles, a broad array of interior fittings and aluminium parts for passenger coaches. The UK-based entity Rail Door Solutions Ltd. supplements the Group's range of services to include refurbishment, regular servicing and maintenance.

A global network of sales and service partners optimally supports customers in their operations worldwide. Representative offices ensure the required proximity to important sales markets such as Hong Kong, Malaysia and Singapore. The Russian market is handled by an experienced partner company.

ALTE Technologies and Albatros supplement the Schaltbau Group's product portfolio with sanitary systems, air conditioning units, on-board information and communication systems and inverters.

ALTE Technologies primarily manufactures complete sanitary systems (both standard and barrier-free toilet modules, shower cabins, vacuum systems and tanks) as well as air conditioning units for rolling stock. Most of its products are manufactured at its site in Lliça de Vall, Barcelona (Spain). Albatros, which is based in Pinto, Madrid (Spain), supplements the portfolio of the Mobile Transportation Technology segment with on-board information and communications systems as well as inverters. The Albatros Group also has subsidiaries in the USA, Brazil and the UK.

THE STATIONARY TRANSPORTATION TECHNOLOGY SEGMENT

The Stationary Transportation Technology segment is divided into two business fields: Rail Infrastructure and Brake Systems.

In the Rail Infrastructure business field, PINTSCH BAMAG specialises in control and safety systems and is a key supplier not only to Deutsche Bahn AG (German Railways) but also to various foreign rail infrastructure providers, which include numerous private, company and port railway systems. The computer-controlled RBUET and RBUEP railway crossing safety technologies are key operating components and widely used in all fields of control and safety technology, both in Germany and abroad. Further product groups cover a range of vehicle equipment components, including lighting systems for rolling stock and Platform Screen Doors (PSD). The Warning Systems product group, which manufactures acoustic and visual systems such as strip lighting equipment for vehicle roofs, warning systems and electronic sirens, was sold on 1 April 2016. For this reason, the related assets and liabilities have been accounted for in the Group balance sheet in accordance with IFRS 5.

PINTSCH BAMAG is a key supplier of control and safety technology.

PINTSCH TIEFENBACH completes the infrastructure portfolio with railway signalling equipment, train formation facilities and sensor technology for industry and mining in both domestic and foreign markets. PINTSCH ABEN supplies rail point heating systems and tunnel safety illumination equipment.

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

PINTSCH BUBENZER is world market leader in brakes for cranes in the maritime sector.

MOBILE TRANSPORTATION TECHNOLOGY	STATIONARY TRANSPORTATION TECHNOLOGY	COMPONENTS
Bode Group	**Pintsch Group**	**Schaltbau GmbH Group**
Door systems for trains, buses and commercial vehicles	Business Field Rail Infrastructure	Connectors
Interiors	Level crossing systems	Snap-action switches
Large aluminium structures	Signal technology	Contactors
Service for rolling stock	Shunting equipment	Master controller
ALTE Technologies	Rail point heating systems	Driver desk components
Sanitary systems	Platform screen doors	Electrics for rolling stock
HVAC systems	**Pintsch Bubenzer Group**	
Albatros	Business Field Brake Systems	
Converters	Crane braking systems	
Train Communication Network	Industrial braking systems	
Surveillance Systems	Wind energy braking systems	
Passenger Information Systems		

Its outstanding technological expertise has made PINTSCH BUBENZER world market leader in brakes designed and produced for cranes in the maritime sector. The company is internationally esteemed as a development partner and systems supplier. In fiscal year 2015, PINTSCH BUBENZER successfully began marketing its newly developed ventilator units.

PINTSCH BUBENZER operates its own service centres in the strategically important markets of China, Singapore, Malaysia, the Gulf States and the USA.

THE COMPONENTS SEGMENT

Schaltbau GmbH and its subsidiaries as well as SPII S.p.A, which was acquired in 2015, represent the Components segment, which develops, produces and distributes connectors, snap-action switches, contactors and master controllers for a wide variety of railway market and industrial applications.

Snap-action switches are key components particularly in the door systems of railway vehicles, a field in which Schaltbau is world market leader.

Connectors, for example, are vital in the fields of communications and railway transportation technology as well as for industrial trucks and mechanical engineering applications in general. Snap-action switches are key components particularly in the door systems of railway vehicles, a field in which Schaltbau is world market leader. Contactors are required wherever high-voltage applications need to be switched. They are installed, for example, in battery-driven industrial trucks, emergency power systems for telecommunications equipment and data centres, in the traction units of locomotives and electric trains and also in a wide range of applications in the renewable energy sector. Master controllers and driver's desk equipment are essential for the safe, convenient operation of rolling stock.

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

STRATEGY

STRATEGIC AIMS

The backbone of the Schaltbau Group's strategy is sustainable, profitable growth. With specialised knowledge and a high level of investment in the products they manufacture, the Group's companies have worked hard to gain the trust and confidence of their customers and constantly strive to enhance their current market positions with selective research and development activities, by expanding international business and by continually improving their business model. The Group's ultimate aim is to play a key role in shaping the mobility of tomorrow as an equal partner producing system solutions that provide safety and convenience in transporting people and goods across the world's key growth markets.

With this aim in mind, Schaltbau is focusing particularly on rolling stock. The Schaltbau Group intends to significantly expand the range of products and services it offers to rail system suppliers through the coordinated interaction of its various product groups. This strategy includes the increased use of sensor-based solutions in door and boarding systems and the broadening of the Group's product range for interior fittings, lighting technology, on-board electrics and electronic systems for rolling stock as well as the integration of software and interfaces to various bus systems. At the same time, it is intended that product solutions will be successively expanded to include servicing and maintenance. New "smart products" and "smart solutions" in particular will help manufacturers cut costs and generate added value for operators.

New „smart products“ and „smart solutions“ will help manufacturers cut costs and generate added value for operators.

Furthermore, in the field of rail infrastructure, Schaltbau will continue to offer railway systems suppliers a diverse range of products that meet even the most exacting demands in terms of safety, availability and energy efficiency. Apart from its anchor customer DB Netz AG, Schaltbau is looking to leverage its profound knowledge of project-related regulatory requirements to gain a greater number of control and safety technology projects on foreign markets. In this context, Schaltbau is also looking to build up its business with platform screen door systems, which ensure greater safety on railway platforms.

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

Sustainable corporate growth benefits not only customers and employees, both in Germany and abroad, but also the Group's shareholders.

STRATEGIC MEASURES

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

- Growing globally: Going forward, the companies of the Schaltbau Group will continue to expand their regional production and development units in order to react swiftly to market changes, enter new markets, benefit specifically from the advantages of certain countries or procurement markets and meet the ever-growing need for local content.
- Improving competitiveness: The Schaltbau Group seeks to safeguard its technological edge with a high rate of investment based on product market plans (PMPs). Based on these PMPs, the Schaltbau experts conduct intensive research and development work, adapt existing products and create new ones, for which the Group spends a higher percentage of earnings than the majority of its competitors. In particular, adding smart products and solutions to the Group's range gives rise to innovative, unique product characteristics that help improve competitiveness.
- Operating excellence: The Schaltbau Group continually strives to boost the efficiency of every link in the value-added chain with the aim of providing its customers with the best possible quality – on time and on budget. With this goal in mind, the Group has adopted a lean approach in the course of expanding key production capacities, both in Germany and abroad. Efficiency can be further improved by bundling production and development activities.
- Business diversification: The solutions the Schaltbau Group develops for specific modes of transportation or logistics applications are systematically tested for suitability in other fields. For example, the Group's intelligent boarding and door systems, which were originally developed for rolling stock, are meanwhile also installed in buses, commercial vehicles and passenger cars.

Organic growth results from developing innovative products and solutions, targeting new customer groups and greater market penetration. It is ensured primarily through internally funded investments. Moreover, the Schaltbau Group continues to grow through strategic acquisitions in its core markets, thereby completing its portfolio of products and services and creating additional potential. The products and services gained through strategic acquisition should not overlap too greatly with Schaltbau's existing portfolio and, as a rule, offer the prospect of a return on investment (ROI) within a five-year period. Schaltbau is particularly interested in companies capable of sustainably improving the Group's technology position with respect to system solutions for customers, or help it to enter new markets more easily.

Through strategic acquisitions in its core markets, the Schaltbau Group completes its portfolio of products and services and creates additional potential.

KEY PERFORMANCE INDICATORS

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

- Order intake as an early indicator of performance
- Sales
- Profit before financial result and taxes (EBIT)
- At Group level, earnings per share after deduction of minority interests

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

REPORT ON ECONOMIC POSITION

GENERAL ECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

GENERAL ECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), the world economy grew by 3.1 per cent in 2015 and therefore at a slower rate than the 3.3 per cent recorded one year earlier, primarily due to lower growth rates in China and other emerging markets as well as the recession in Russia and Brazil.

Economic growth in the eurozone (+1.5 per cent) was supported by low oil prices and a weak euro. The pace of growth accelerated, particularly in Southern Europe, whereas the German economy continued to grow at around the previous year's level of 1.5 per cent, driven primarily by consumer spending and a sharp upturn in investments in equipment. Export volumes were also significantly higher.

Benefiting from the continued availability of funds to finance business operations and positive developments on the job market, the US economy grew at a solid rate of 2.5 per cent.

The euro was weak against the foreign currencies relevant for the Schaltbau Group. The average exchange rate of the euro to the US dollar, Chinese renminbi and British pound was down by 16.4 per cent, 15.3 per cent and 9.9 per cent respectively compared to 2014. Overall, the resulting exchange rate movements had a positive impact on the Schaltbau Group's earnings.

SECTOR-SPECIFIC ENVIRONMENT

Sales markets

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

The resulting exchange rate movements had a positive impact on the Schaltbau Group's earnings.

The market for rolling stock was characterised by increased downward pressure on selling prices, reflecting the low level of investment in new equipment and the accompanying decrease in capacity utilisation on the part of customers. Although European investment grants had helped matters somewhat in Eastern Europe, the related programmes expired in 2015.

One of the reactions of European systems suppliers has been to expand the scope of their services business, a trend also additionally driven by new tendering models adopted by end customers. An additional factor is the increasing relocation of production facilities to sites outside China or the EU, particularly to satisfy calls for greater local content, with development activities generally remaining based at central locations.

The market for rolling stock was characterised by increased downward pressure on selling prices, reflecting the low level of investment in new equipment.

Railway business remained on an even keel in China, due to the strategic importance of the rail sector and the accompanying government investments. However, the government's strategic promotion of Chinese manufacturers was an increasing cause for concern among foreign-based systems suppliers. In Russia, sanctions imposed by the EU in connection with the Ukraine crisis led to a greater number of contracts being awarded to Chinese companies and therefore to lower demand for the products of European suppliers. In addition, the economic situation in Russia has greatly deteriorated, due in part to the drop in the prices of raw materials, causing state investments in transport infrastructure to be significantly curtailed.

Customer requirements in general became even more stringent during the year under report, putting pressure on margins for new business. The call for greater local content quotas also caused a significant increase in costs for certifying products and the required documentation.

The rail infrastructure sector in Germany continued to be negatively impacted by delays in the awarding of orders for control and safety technology by German Railways and only towards the end of the year did there seem to be a gradual reduction in the investment backlog. Demand for branch line equipment remained stable.

The rail infrastructure sector continued to be negatively impacted by delays in the awarding of orders for control and safety technology by German Railways.

The German automotive industry reported greatly increased sales volumes for both passenger cars and commercial vehicles. The number of new bus registrations remained generally stable with a slight upward trend. However, the downward pressure on prices, exacerbated by mounting demands on suppliers, shows no sign of ending. Despite the moderate slowdown in China, the worldwide market for industrial trucks continued to grow, although somewhat more slowly than the previous year.

The German automotive industry significantly increased its sales volume figures. The number of new bus registrations was generally stable.

General market conditions for industrial customers from the raw materials sector have greatly deteriorated as a result of the slump in selling prices. Steelworks projects and the opening of new mines have practically come to a standstill. The European market for photovoltaics and wind power did not generally see the much-awaited recovery during the year under report. On a worldwide basis, however, capacities for wind power and solar power systems continue to go from strength to strength.

The high level of demand for port infrastructure-related products reflects the ongoing trend towards automation, leading in turn to a growing number of major projects.

Procurement markets

Procurement markets were primarily characterised by falling prices in 2015. The annual average price of copper (based on upper DEL quotations) was 3.8 per cent down on the previous year. Prices for rolled steel, stainless steel and cast iron remained similar to the previous year. The average price of aluminium dropped by 11 per cent (in US dollars).

Procurement markets were primarily characterised by falling prices.

The prices of precious metals that Schaltbau mainly utilises to manufacture the contacts of switches and contactors also fell. The price of nickel dropped by an average of 30.2 per cent, silver fell by 17.7 per cent and gold by 8.4 per cent (in US dollars). Prices for printed circuit boards remained similar to last year's levels in most cases. Some prices did rise slightly, however, caused by the weak rate of the euro to the US dollar and partly due to supplier consolidation. The Bode Group had to deal with some minor price increases in primary products resulting from unfavourable exchange rates for the Swiss franc and the renminbi.

Contrary to expectations, oil prices in US dollars continued to fall in the course of the year and were quoted around 28.0 per cent down on the previous year on average. However, plastics prices remained stable.

With the aim of keeping purchasing prices stable, the Schaltbau Group enters into multi-year agreements with many of its suppliers. Subsidiaries work together to reduce the cost of materials, particularly for printed circuit boards and castings. Schaltbau purchases components and raw materials from a total of 2,737 different suppliers (2014: 2,579), but intends to systematically counter this trend going forward.

Competitive environment

The ongoing consolidation witnessed on the global market for railway transportation technology continued throughout the year under report.

The ongoing consolidation witnessed on the global market for railway transportation technology continued throughout the year under report. Not only customers, i.e. the systems suppliers, but also in Schaltbau's immediate competitive environment, there were a number of significant mergers and takeovers, resulting in an even larger part of the relevant market being dominated by a few players. Within the scope of its financial possibilities, the Schaltbau Group is also playing an active role in the market consolidation process and thus making the best of any opportunities for non-organic growth.

REGULATORY CONDITIONS

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

Schaltbau products are certified in accordance with the CEN/CENELEC and ETSI European standards stipulated in EU regulations and directives and therefore fully EU-compliant.

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

BUSINESS PERFORMANCE

In line with corporate strategy, Schaltbau Group entities continued to expand their international presence and broaden their range of products for rolling stock during the year under report. The Schaltbau Group is now capable of providing key subsystems for rolling stock from one single source and developing efficient solutions for the transportation of both passengers and goods in collaboration with systems manufacturers.

By increasing its shareholding in Albatros and RDS and acquiring a majority in SPII, Schaltbau has continued to expand its international presence and broadened its range of products in the field of rolling stock.

Significant investments in other entities

On 22 December 2015, Schaltbau Holding AG acquired a majority in the Spanish company Albatros S.L., increasing its shareholding from 40.0 per cent to around 92 per cent. Moreover, Schaltbau Holding AG has an option to purchase further shares that would enable it to take complete control of Albatros during the next five years. The long-time principal shareholder completely withdrew as a result of the takeover. Albatros supplements the Schaltbau product portfolio with its passenger safety and information systems as well as its inverters for rolling stock. The integration of Albatros will enable the Schaltbau Group to supply rail systems manufacturers with solutions for the controlling and monitoring of trains as well as their communication with stationary safety and signal system technologies. Part of the purchase price was settled with Schaltbau Holding AG shares acquired under the Group's share buy-back programme. The entity was consolidated in the Group reporting entity at the end of 2015 using the equity method, as existing rules in the Articles of Incorporation and agreements that still need to be finalised did not permit control within the meaning of IFRS 10 at 31 December 2015. Following acquisition of control, Albatros will be fully consolidated in the course of 2016 and integrated in the Mobile Transportation Technology segment.

With effect from 15 October 2015, Schaltbau Holding AG acquired the remaining 10 per cent of shares in ALTE Technologies from company management and is now the sole shareholder.

On 15 July 2015, the Schaltbau Group acquired 65 per cent of the Italian company SPII S.p.A. with the aim of strengthening the Components segment. SPII was fully consolidated with retrospective effect from 1 July 2015. SPII develops, manufactures and markets a range of innovative systems and components for rolling stock, including master controllers, driver's cab equipment, disconnectors and earthing switches. The acquisition enables the Schaltbau Group to expand its activities in the field of rolling stock and bolsters the Electrics for Rolling Stock product group with its integrated driver's desks. SPII strengthens the Group's regional presence, particularly in Italy and Switzerland. Schaltbau GmbH holds a call option to purchase the remaining shares in SPII, which can, however, only be exercised in mid-2019. Conversely, minority shareholders can exercise a put option at the same time. The obligation of approximately € 9.0 million relating to the put option was recognised in the consolidated balance sheet as a liability in accordance with IAS 32.23 and offset against revenue reserves without income statement impact.

On 15 May 2015, the Group's shareholding in Rail Door Solutions Ltd. (RDS), Milton Keynes, United Kingdom, held indirectly via Gebr. Bode GmbH & Co. KG, was increased from 50 per cent to 65 per cent. RDS is a recognised service partner in the manufacturing, modernisation, repair and maintenance of door systems for rolling stock, primarily serving customers in both the UK and Ireland. RDS, which was previously accounted for using the equity method, was therefore fully consolidated with effect from 1 May 2015 and assigned to the Mobile Transportation Technology segment.

Significant investments in property, plant and equipment

The Schaltbau Group invested € 14.8 million in property, plant and equipment during the year under report (2014: € 15.4 million).

The high figure from the previous year was attributable to expenditure for several major projects, including the technology centre in Kassel and production expansion in Velden and Aldersbach. Investments in these projects had only a minor impact in 2015.

The majority of investments related to additional machinery, replacements, and minor conversion and expansion projects, including a new building at the Kirchen plant.

Investments in intangible assets related primarily to capitalised development work and the procurement of software for administration, production and development purposes.

Significant changes to the financing structure

Schaltbau Holding AG successfully placed a promissory note with a volume of € 70 million on the capital market.

At the end of June, Schaltbau Holding AG successfully placed a promissory note with a volume of € 70 million and maturities of 7 and 10 years on the capital market. In August, Schaltbau renegotiated the Syndicated Credit Agreement with a volume of € 100 million and a term of five years with two extension options and options to increase the financing volume by € 40 million.

BUSINESS AND EARNINGS POSITION

OVERALL ASSESSMENT OF FINANCIAL CONDITION

In the fiscal year 2015, the Schaltbau Group increased sales by 16 per cent to € 496.7 million, therefore cementing its position as a key supplier of systems and components for transportation technology and industry worldwide. Almost half of the € 67.1 million increase (46 per cent) was based on organic growth. The Mobile Transportation Technology segment recorded 18 per cent sales growth and improved on the previous year's performance, even after adjustment for consolidation effects. Within the Stationary Transportation Technology segment, the ongoing lack of growth in the Rail Infrastructure business field was more than compensated by the high demand for brake systems (+4 per cent). The Components segment grew by 27 per cent, primarily in China and the USA, where growth from operations was helped by tailwind from favourable exchange rate factors. Moreover, the consolidation of SPII and RDS and the first-time full-year consolidation of RAWAG and ALTE had a positive impact.

Schaltbau easily surpassed the sales forecast upwardly adjusted after the acquisition of SPII. With an EBIT of €36.6 million, it also came very close to achieving the targeted figure of € 37 million. However, due to acquisition costs and other expenses, the non-organic growth achieved did not generate a perceptible impact on earnings. In fact, negative factors arising from purchase price allocations relating to entities acquired during the year, a repeated loss reported by the Spanish entity ALTE and negative factors affecting Platform Screen Doors and Transportation Technology business prevented a more pronounced improvement in earnings. Positive contributions came from earnings growth in the product groups Boarding Systems, Interiors, Brake Systems and Components as well as from favourable cost developments across the Group.

At € 2.90, earnings per share were in line with expectations and, after adjustment for exceptional items, exceeded the previous year's figure.

Order intake for the Schaltbau Group climbed by 13 per cent, surpassing the € 500 million mark for the first time in the Group's history. Adjusted for the contributions of first-time consolidated entities and the "full-year" effects of RAWAG and ALTE, Schaltbau achieved an increase in the single-digit per cent range (7.6 per cent), in line with the forecast made in the Management Report 2014. At 31 December 2015, the order book totalled around € 325 million, some 15 per cent up on the previous year, or 8.4 per cent after adjustment for the above-mentioned factors.

Actual/budget comparison for fiscal year 2015

In € million	Outlook reported 22.11.2014	Outlook reported 16.07.2015	Actual 2015
Sales	464	485	496.7
EBIT	37	37	36.6
Earnings per share	2.91	2.91	2.90

BUSINESS AND EARNINGS POSITION OF THE SCHALTBAU GROUP

Key performance figures for the Schaltbau Group

In € million	2015	2014	Δ%
Order intake	508.4	449.4	13.1
Sales	496.7	429.6	15.6
EBIT	36.6	27.3	34.1

Order intake and order book

Order intake for the Schaltbau Group surpassing the € 500 million mark for the first time in the Group's history.

The 13.1 per cent increase in the Schaltbau Group's order intake for fiscal year 2015 to € 508.4 million (2014: € 449.4 million) mainly reflected strong performance in the Brake Systems business field (within the Stationary Transportation Technology segment) as well as higher order volumes in the Components segment and for the Door Systems product group (within the Mobile Transportation Technology segment). Moreover, the consolidation of entities acquired in the course of the year and the full-year consolidation of RAWAG and ALTE contributed around € 25 million.

The higher order book figure of € 325.3 million at 31 December 2015 (end of 2014: € 281.9 million) resulted firstly from the first-time consolidation of SPII in the Components segment and secondly, in the Stationary Transportation Technology segment, the two business fields Brake Systems and Rail Infrastructure reported significant year-on-year growth. Together with the above-mentioned consolidation effects, these led to an overall increase of € 19.7 million or 8.4 per cent.

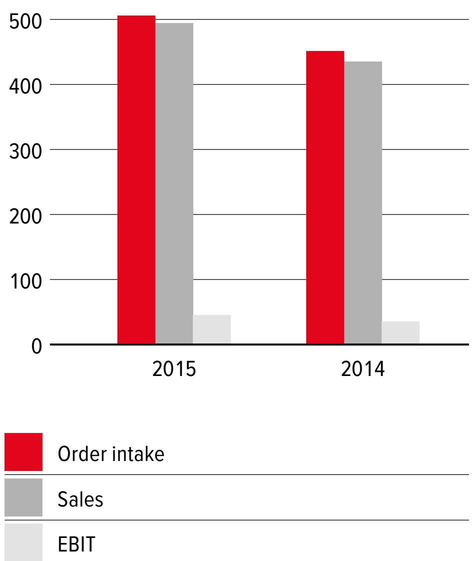
Sales

Sales rose by 15.6 per cent, some 46 per cent of which was attributable to organic growth.

Sales increased by 15.6 per cent to € 496.7 million (2014: € 429.6 million). Some 46 per cent reflected organic growth achieved with Door Systems and Brake Systems as well as overseas business with components. Moreover, sales for SPII and RDS for part of the year and for RAWAG and ALTE for the full year helped grow sales by € 30.6 million or 8.5 per cent.

33.5 per cent (2014: 38.9 per cent) of sales were generated in Germany, 43.3 per cent (2014: 40.2 per cent) were attributable to other countries in Europe and 23.2 per cent (2014: 20.9 per cent) to the rest of the world. These figures reflect the increasingly international nature of the Schaltbau Group's business activities. At € 166.6 million, in absolute figures, sales generated within Germany remained at practically the same level as the previous year (2014: € 167.3 million).

Business and earnings position



The railway industry accounted for 65 per cent of total sales, the automotive industry for 14 per cent and the capital goods industry for 21 per cent.

Group earnings performance

Group EBIT rose by 34.2 per cent to € 36.6 million (2014: € 27.3 million). The EBIT margin improved from 6.4 per cent to 7.4 per cent year-on-year.

The EBIT margin improved from 6.4 per cent to 7.4 per cent year-on-year.

The improvement in profitability was largely attributable to the fact that the cost of materials rose at a less pronounced rate (+11.2 per cent) than sales. Expressed as a percentage of total output (i.e. including changes in inventories and own work capitalised), the cost of materials ratio stood at 49.4 per cent (31 December 2014: 50.5 per cent). The figure reflects not only the favourable development of raw materials prices and value analysis, but also an improved product mix.

Personnel expenses rose by 13.9 per cent to € 157.4 million, mainly due to the consolidation of new entities and recruitment in production and sales. Adjustments to collectively bargained wage and salary tariffs as well as exchange rate factors also drove up personnel expenses. At 31.4 per cent, the personnel expense ratio (expressed as a percentage of total output) was similar to the previous year. Total output per employee (productivity) dropped slightly to € 190,200 (2014: € 194,000).

The rise in other operating expenses was mostly attributable to the consolidation of the entities acquired during the year, higher business volumes and an acquisition-related increase in legal and advisory costs.

The Schaltbau Group spent € 30.1 million on research and development during the year under report, equivalent to 6.0 per cent of total output (2014: 6.5 per cent).

Despite the higher EBIT, at € 31.2 million, profit from ordinary activities (EBT) was below the figure of € 35.2 million reported one year earlier, which had been positively impacted by revaluation gains of € 12.4 million due to the acquisition of a majority shareholding in RAWAG. During the year under report, the revaluation of the existing shareholding in RDS gave rise to a positive effect of € 2.5 million, which meant that gains on investments in affiliated companies were € 11.3 million lower than one year earlier. Moreover, the result from entities accounted for using the equity method deteriorated to a negative amount of € 66,000. The previous year's positive figure of € 0.7 million still included the Group's share of RAWAG's earnings from the first three months of 2014. The valuation adjustments recognised on other subsidiaries totalling € 1.4 million (2014: € 1.1 million) were attributable to an impairment loss relating to the Platform Screen Doors project.

The negative financial result deteriorated from € 4.3 million in 2014 to € 6.5 million in 2015, mainly reflecting the higher volume of financial liabilities. The negative sundry other financial result of € 1.3 million included in this figure was also attributable to impairment losses relating to the Platform Screen Doors project. In the previous year, this line item was near to break-even.

Group net profit for the year was as expacted down on the previous year´s.

At € 23.5 million, Group net profit for the year was down on the previous year's € 29.1 million. Profit attributable to the shareholders of Schaltbau Holding AG totalled € 17.4 million (2014: € 24.8 million), equivalent to € 2.90 per share, diluted and undiluted (2014: € 4.04).

Proposed appropriation of profit

The Executive Board and the Supervisory Board will propose to the Annual General Meeting, to be held in Munich on 14 June 2016, the payment of a dividend of € 1.00 per share (2014: € 1.00 per share). Schaltbau Holding AG reports a net profit of approximately € 0.2 million for 2015, affected in particular by the transfer of losses under the profit and loss transfer agreement in place with Pintsch Bamag. For this reason, some of Schaltbau Holding's revenue reserves will be used to pay the dividend for the fiscal year 2015 and subsequently replenished in 2016.

BUSINESS AND EARNINGS PERFORMANCE OF THE SEGMENTS

The Mobile Transportation Technology segment

Key performance figures for the Mobile Transportation Technology segment

In € million	2015	2014	Δ%
Order intake	221.4	195.7	13.1
Sales	219.5	185.6	18.2
EBIT	17.9	12.7	40.9

Order intake for the Mobile Transportation Technology segment (Bode Group and ALTE) went up by 13.1 per cent to € 221.4 million (2014: € 195.7 million).

The Door Systems for Railway Vehicles project business benefited from the Bode Group's excellent market position and well-established international network.

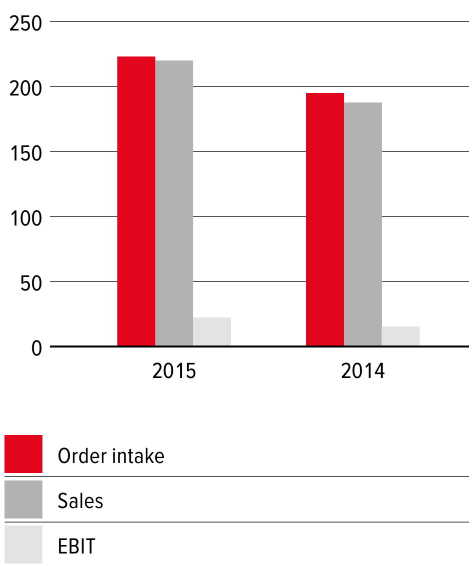
The Door Systems for Railway Vehicles project business benefited from the Bode Group's excellent market position and well-established international network – including in particular the Polish subsidiary RAWAG, which performed very strongly in 2015, and the UK-based RDS, which was consolidated in the second half of the year. Cooperation with RAWAG has become more intensive than ever – not only in sales, but also in production, development and project management. Bode and RAWAG also work together closely on tenders for new contracts.

Due to the continued weak demand for city and intercity buses, order volumes in the Door Systems for Buses product group were slightly down on the previous year.

The Automotive product group registered a slight increase in order volume, which resulted from steady demand coming from the commercial vehicles sector and new orders for both sliding door fittings and the linear door system. Among other factors, two major framework contracts were finalised, which will contribute to order intake and sales in the years to come. Further large-scale tenders are due to be decided upon during the first six months of 2016.

Segment sales rose by 18.2 per cent to € 219.5 million (2014: € 185.6 million). The propor-

Key performance figures for the
Mobile Transportation Technology segment



tion attributable to railway vehicle doors rose to 68 per cent. The BIDS standardised door drive system continued to be the strongest product group. Sales in the fields of Buses and Automotive were slightly lower than one year earlier. Overall, around 58 per cent of segment sales were generated on foreign markets, primarily Poland and Switzerland.

At € 17.9 million, EBIT was well up on the previous year's € 12.7 million. ALTE continued to contribute a negative EBIT figure. The EBIT margin improved from 6.8 per cent to 8.2 per cent year-on-year.

EBIT improved significantly, despite the negative EBIT still contributed by ALTE.

The Stationary Transportation Technology segment

Key performance figures for the Stationary Transportation Technology segment

In € million	2015	2014	Δ%
Order intake	155.5	138.9	11.9
Sales	144.0	139.0	3.6
EBIT	2.5	2.5	0.0

At € 155.5 million, order intake for the Stationary Transportation Technology segment was 11.9 per cent up on the previous year's figure of € 138.9 million.

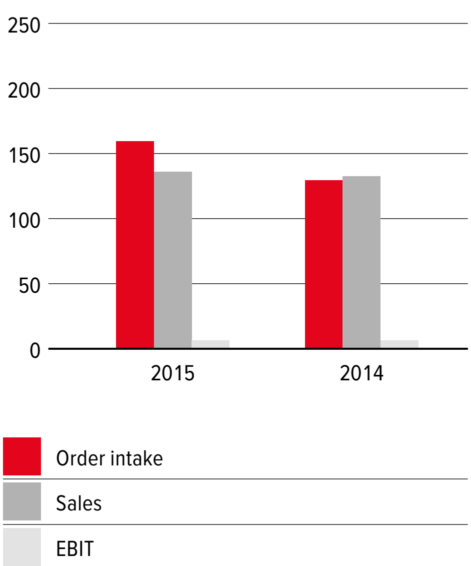
The sharp increase was primarily attributable to the Brake Systems business field, which profited from a combination of the growing level of automation in container terminals, resulting in greater demand for intelligent brake systems. Furthermore, business in the Middle East grew strongly, similar to the wind power sector.

The Brake Systems business field profited from the increasing automation of container terminals.

Order intake in the Rail Infrastructure business field was down on the previous year's level. Excluding the first order for Platform Screen Doors (PSD), which was received the previous year but cannot yet be recognised in sales, order volume rose moderately in 2015. Order intake for level crossing systems remained at an unsatisfactory level. Despite the higher number of orders placed by Deutsche Bahn (German Railways), order volumes remained low overall, partly due to project delays. Some foreign projects were also delayed, although they are scheduled to continue in 2016.

Order volumes for railway crossing systems remained low, partly due to project delays.

Key performance figures for the
Stationary Transportation Technology segment



Incoming orders for axle counter systems and other products related to railway signal technology were similar in volume to the previous year. Particularly the widespread expansion of public transport in the main cities of China has turned the country into a stable sales market for axle counter systems. The economic recovery in the USA has also driven up demand for components and axle counter systems, whereas business in Germany continues to be held down by the investment backlog in the rail infrastructure of German Railways.

Major orders for lighting as well as warning systems led to an increase in order volume. Although business with rail point heating systems was good within Germany, export figures were well down on the previous year.

Segment sales rose by 3.6 per cent to € 144.0 million (2014: € 139.0 million). Good performance in the Brake Systems business field more than compensated for lower sales in the Rail Infrastructure business field, in particular for warning systems. Business with Platform Screen Doors again made practically no contribution to segment sales.

Negative factors from the PSD project and the weak order situation in the Rail Infrastructure business field held down segment EBIT at the previous year's level of € 2.5 million. The EBIT margin came in at 1.7 per cent (2014: 1.8 per cent).

The Components segment

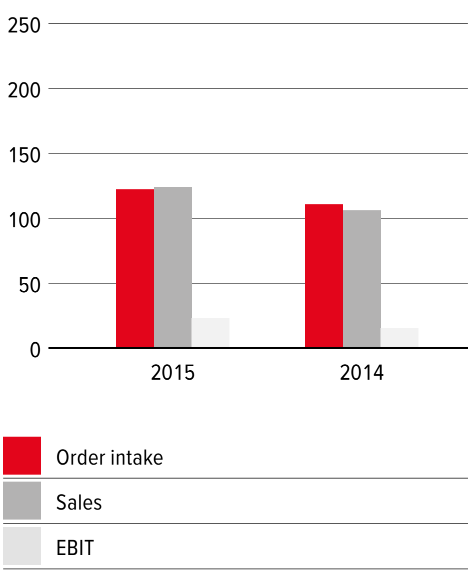
Key performance figures for the Components segment

In € million	2015	2014	Δ%
Order intake	131.5	114.7	14.7
Sales	133.1	104.9	26.9
EBIT	23.4	18.9	23.8

At € 131.5 million, order intake for the Components segment surpassed the previous year's figure of € 114.7 million by 14.7 per cent, helped by favourable currency factors and the consolidation of SPII as from the third quarter.

Whereas Schaltbau reported strong growth on the German market, order intake in the remainder of Europe was down year-on-year, mainly due to the economic crisis in Russia and the unfavourable market situation in France. In China, demand for components grew on the back of a stable order situation in the rail sector, helped by favourable currency factors. Large-scale orders were also received from South Africa. In the USA, the segment managed to broaden its industrial customer base and expand its engagement in the rail sector. Order intake, however, was still slightly below the figure recorded in the previous year, in which a major project had been received.

Key performance figures for the
Components segment



Segment sales rose by 26.9 per cent year-on-year, from € 104.9 million to € 133.1 million. The first-time consolidation of SPII added € 11.3 million to sales. Adjusted for consolidation factors, sales grew by 15.7 per cent.

All of the segment's product groups contributed to this good sales performance. Demand was strongest in the field of Electrics for Rolling Stock, which profited not only from growth in China and the USA, but also from the integration of SPII. Business with connectors and switches flourished particularly well in Germany and the rest of Europe. Although sales of contactors were negatively impacted by market contraction in Russia, they were more than compensated by growth in other regions and favourable currency factors.

In the Components segment, the consolidation of SPII and exchange rate factors were jointly responsible for a significant increase of almost 27 per cent in sales.

EBIT for the Components segment jumped to € 23.4 million (2014: € 18.9 million), resulting in a very good EBIT margin of 17.6 per cent (2014: 18.0 per cent).

FINANCIAL AND NET ASSETS POSITION

Principles of financial management

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

In order to limit external financing, the Schaltbau Group uses internal sources of financing to the greatest extent possible. Cash flow surpluses of individual entities are used, whenever it makes sense, to cover liquidity requirements at the level of other subsidiaries and participations. In this context, working capital management is subject to regular monitoring throughout the Group. All major units, with the exception of Xi'an Schaltbau Electric, are covered by these financing arrangements.

Group financing is based primarily on a Syndicated Credit Agreement with a volume of € 100 million that runs until August 2020 and options to increase the volume by up to € 40 million. Secondly, at the end of June 2015, the Schaltbau Group placed a promissory note with a volume of € 70 million and maturities of 7 and 10 years. No collateral has been given. The credit agreements are subject to various assurances, guaranties and conditions as well as various defined financial performance indicators (covenants), all of which were fully complied with during the year under report.

The issuing of the promissory note with a volume of € 70 million has significantly enlarged financial headroom for the Schaltbau Group.

Furthermore, the Group has financing available to it for which land charges with a volume of € 32.5 million have been given as collateral. An equity ratio between 30 and 35 per cent has been set as the target for the Schaltbau Group.

Derivative financial instruments are employed to hedge interest rate and foreign currency risks and also to hedge against commodity price risks in isolated cases. It is not permitted to use such instruments for speculative purposes. At 31 December 2015, interest rate hedges totalled € 15.1 million (nominal). Further information is provided in the "Risk management and hedging activities" section of the notes to the consolidated financial statements.

Further information is provided in the "Risk management and hedging activities" section on page 72 of the notes to the consolidated financial statements.

Capital measures undertaken during the year under report

In June, Schaltbau Holding AG successfully placed a promissory note with a volume of € 70 million and maturities of 7 and 10 years on the capital market. Due to the more than six-fold oversubscription, the order book was closed early, only one day after the announcement, and the originally scheduled volume of € 50 million was increased by another € 20 million. The issuing of the promissory note has significantly enlarged financial headroom for the Schaltbau Group.

The issuing of the promissory note enabled the partial repayment of non-current liabilities to banks.

In the period between 24 November 2014 and 8 June 2015, the Schaltbau Group bought back a total of 150,284 of Schaltbau Holding AG shares (treasury shares), 107,172 of which during the year under report, thereby raising the total number of treasury shares held to 163,728. On 22 December 2015, 31,083 of these shares were used in partial settlement of the purchase price to acquire a majority shareholding in Albatros S.L., thus bringing the number of treasury shares held at 31 December 2015 to 132,645 or 2.16 per cent. These shares can be used for all of the purposes stipulated in the authorisation resolved at the Annual General Meeting. They may be offered as consideration in conjunction with equity participations and/or business acquisitions or used to strengthen the existing shareholder structure.

Analysis of capital structure

At € 208.5 million, non-current liabilities were significantly higher than at 31 December 2014 (€ 145.5 million), mainly due to the placement of a promissory note at the end of June, which is included in other financial liabilities totalling € 70.4 million (31 December 2014: € 1.1 million). Non-current liabilities to banks decreased as a result of the capital market financing. Despite the primarily debt-financed acquisition of SPII and the purchasing of additional shares in Albatros, they finished the year at € 73.7 million, well down on the figure of € 91.9 million reported at the end of 2014. Overall, non-current financial liabilities rose to € 144.2 million (31 December 2014: € 93.0 million). Pension provisions decreased by € 1.7 million to € 37.4 million, mainly due to the higher interest rate applied.

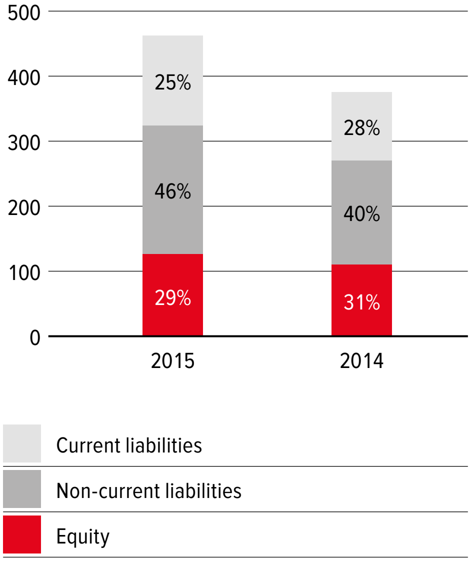
Current liabilities increased to € 116.1 million (31 December 2014: € 103.2 million), reflecting an increase in trade accounts payable resulting from the higher volume of business on the one hand and a rise in other liabilities for payroll taxes, value-added tax and obligations to employees on the other.

Net liabilities to banks (current and non-current bank liabilities plus other financial liabilities less cash and cash equivalents) amounted to € 128.7 million at 31 December 2015 (31 December 2014: € 79.7 million). The debt ratio (based on annualised EBITDA) was 2.6, compared with 2.1 at 31 December 2014.

In addition to the Syndicated Credit Agreement and the promissory note, the Group had access to credit lines amounting to € 157.1 million at 31 December 2015 (31 December 2014: € 149.2 million), of which € 39.1 million were drawn down as loans (31 December 2014: € 62.1 million).

Balance sheet structure

Equity and liabilities



Current account and fixed-term credit lines available at the end of the reporting period amounted to € 118.1 million (31 December 2014: € 87.1 million), of which € 100.0 million is currently available until August 2020. At 31 December 2015, € 68.0 million (31 December 2014: € 50.6 million) of these (including guarantee lines) were being utilised.

Equity increased from € 112.5 million at the end of 2014 to € 129.5 million at 31 December 2015, positively impacted on the one hand by the Group net profit for the year and negatively affected on the other by the reduction in revenue reserves due to the accounting treatment of treasury shares and the put option granted to minority shareholders of SPII. The equity ratio of 28.5 per cent (31 December 2014: 31.2 per cent) was slightly below the target range.

Liquidity analysis

Cash flow from operating activities increased to € 31.0 million, compared to € 26.5 million one year earlier, with the significantly improved EBIT contrasting with higher tax payments as a result of increased earnings of entities not belonging to consolidated income tax filing arrangements on the one hand and the utilisation of tax provisions on the other. As in the previous year, further cash outflows were also attributable to higher working capital requirements in light of organic and acqusition-driven growth.

Cash outflows for investing activities totalling € 51.1 million (2014: cash outflows of € 38.4 million) include higher payments for investments, most notably the increased shareholding in Albatros and non-current loans receivable from Albatros. In terms of fully consolidated entities, the main outflows arose in conjunction with the acquisition of SPII and the increased shareholding in RDS. The previous year's figure includes purchase price payments for the operations of ALTE Technologies, the investment in Albatros and the acquisition of additional shares in RAWAG. Adjusted for the latest business acquisitions, capital expenditure on property, plant and equipment was slightly below the previous year's high figure, with higher investments in operational and office equipment contrasting with lower capitalised development costs and a reduced volume of construction and modernisation measures.

The higher cash outflows for investments related to the increase in the shareholding and the non-current loan receivable from Albatros, the acquisition of SPII and the purchase of additional shares in RDS.

Cash inflows from financing activities totalling € 24.1 million (2014: € 24.1 million) includes proceeds of € 69.6 million from the issue of the promissory note, which were partly used to reduce other financial liabilities by € 20.3 million. Cash and cash equivalents were reduced by the repayment of loans, the payment of the dividend totalling approximately € 6.0 million resolved by the Annual General Meeting and the acquisition of treasury shares.

Overall, cash and cash equivalents increased during the period under report to € 31.0 million (31 December 2014: € 26.2 million).

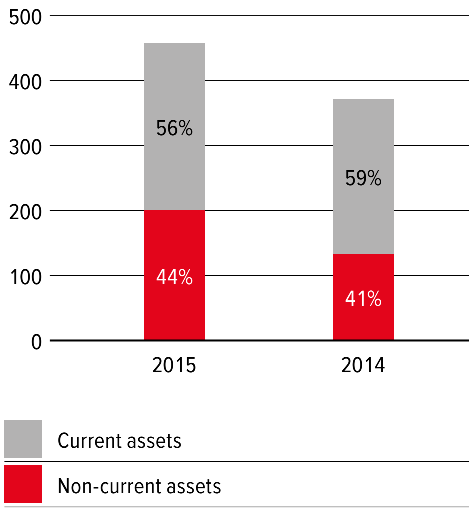
Net assets

Non-current assets rose to € 200.4 million (31 December 2014: € 149.1 million). The purchase of SPII and RDS led to the recognition of goodwill, which is included in intangible assets. At the end of the reporting period, goodwill totalled € 52.2 million (31 December 2014: € 31.8 million).

At € 75.7 million, property, plant and equipment were € 7.0 million higher than one year earlier. Additions of € 14.8 million compared with depreciation of € 8.4 million. Changes to the Group reporting entity gave rise to net additions within property, plant and equipment amounting to € 0.5 million.

Balance sheet structure

Assets



Current and non-current assets increased, primarily due to first-time consolidation of new entities.

Non-current financial investments rose to € 27.1 million (31 December 2014: € 13.0 million), mainly reflecting the increased shareholding in Albatros, as a result of which interests in associated companies went up from € 6.0 million to € 11.5 million. In addition, a loan amounting to € 9.5 million was granted to Albatros, which is recognised in financial investments.

Current assets increased to € 253.8 million (31 December 2014: € 212.1 million), primarily due to higher inventories and receivables levels in conjunction with the first-time inclusion of new operations.

Working capital jumped by 20.4 per cent to € 147.6 million (31 December 2014: € 122.6 million). The increase in inventories and receivables was partially offset by higher advance payments received and trade accounts payable.

The average receivables period increased to 79.3 days, compared to 67.3 days at the end of the previous year, principally due to the growth in foreign business.

The return on capital employed (ROCE) rose from 10.6 to 11.0 per cent year-on-year.

Capital employed went up by 29 per cent to € 333.3 million (2014: € 256.7 million) owing to the higher level of working capital and additions to non-current assets. The return on capital employed (ROCE) rose from 10.6 to 11.0 per cent year-on-year.

Deferred tax assets amounting to € 14.7 million at the end of the reporting period (2014: € 15.0 million) comprised deferred tax assets of € 12.0 million recognised on timing differences (2014: € 11.4 million) and deferred tax assets of € 2.7 million (2014: € 3.6 million) recognised on tax losses available for carryforward. Deferred tax liabilities on timing differences amounted to € 12.1 million (2014: € 8.8 million).

EARNINGS, FINANCIAL AND NET ASSETS POSITION OF SCHALTBAU HOLDING AG

As in the previous year, the Company Financial Statements of Schaltbau Holding AG for the fiscal year 2015 were drawn up in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

Schaltbau Holding AG provides services on behalf of 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. Profit and loss transfer agreements are in place between Schaltbau Holding AG and both Schaltbau GmbH and PINTSCH BAMAG GmbH. In turn, PINTSCH BAMAG GmbH has profit and loss transfer agreements in place with PINTSCH ABEN geotherm GmbH and PINTSCH TIEFENBACH GmbH.

Schaltbau Holding AG and its German operating subsidiaries are primarily financed by means of the Syndicated Credit Agreement that runs until 2020 and the promissory note placed at the end of June 2015 with durations of 7 and 10 years.

Sales revenue of € 3.5 million (2014: € 2.9 million) resulted from the provision of services, in particular relating to recharging the cost of centralised IT systems to subsidiaries.

The result from investments rose to € 6.0 million (2014: € 4.0 million), mainly reflecting the outstanding performance of Gebr. Bode GmbH & Co. KG in the fiscal year 2014.

At € 10.6 million, income resulting from profit and loss transfers remained practically unchanged from the previous year (2014: € 10.8 million). Stable earnings at the level of Schaltbau GmbH contrasted with the loss transfer of € 7.9 million (2014: € 7.3 million) from PINTSCH BAMAG, largely attributable to expenses stemming from the PSD project.

Personnel expenses rose by € 0.5 million year-on-year, primarily resulting from allocations to the pension provision.

The rise in other operating expenses of € 2.4 million mostly reflects costs incurred in conjunction with restructuring Group financing, higher legal and advisory expenses connected with acquisitions, higher IT service expenses and the establishing of a centralised sales coordination system. The net interest result deteriorated by € 0.6 million year-on-year. The main factors involved were the increased utilisation of credit lines and the promissory note issued in July with an average term of 8.8 years.

The Company reports a loss from ordinary activities of € 0.2 million (2014: profit of € 2.4 million). The reversal of provisions resulted in tax income of € 438,000 (2014: tax expense of € 549,000). Net profit amounted to € 220,000, compared to € 1.9 million one year earlier.

Schaltbau Holding AG's balance sheet grew on both sides by € 38.2 million to € 206.4 million in the year under report. The main reason for the increase on the assets side was the higher level of receivables from affiliated companies, causing current assets to rise from € 75.5 million to € 94.3 million.

Secondly, non-current assets rose to € 111.3 million (2014: € 92.3 million). The increase in investments of € 2.1 million to € 9.3 million reflects the purchase of additional shares in Albatros S.L., Madrid. Furthermore, loans receivable from Albatros of € 9.5 million are recognised in the balance sheet. During the year under report, the cost of investment in Schaltbau GmbH rose by € 2.5 million as a result of a transfer to capital reserves. In addition, the remaining 10 per cent of shares of ALTE Technologies S.L. were purchased during the year under report.

Payables increased from € 90.2 million in 2014 to € 138.7 million in 2015, mainly in connection with the financing of share acquisitions and the higher level of working capital, and include the promissory note issued in July with a volume of € 70 million. Liabilities to banks decreased from € 69.0 million to € 46.8 million. The covenants contained in the Syndicated Credit Agreement were complied with in 2015.

Schaltbau Holding AG's equity fell from € 67.2 million to € 58.0 million, due to the lower unappropriated profit and the accounting treatment of treasury shares. The equity ratio therefore decreased from 40 per cent to 28.1 per cent.

For the fiscal year 2016, the Executive Board forecasts that Schaltbau Holding AG's result from ordinary activities will show a great improvement on 2015, enabling the revenue reserves used to pay the dividend for 2015 to be replenished.

RESEARCH AND DEVELOPMENT

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

The Schaltbau Group spent the equivalent of 6.0 per cent of total output on research and development. Overall, 14 per cent of the workforce is therefore engaged in continually developing the Schaltbau Group's technological base.

The Schaltbau Group regards expenditure on research and development activities as a percentage of total output as a performance indicator. During the year under report, the Schaltbau Group spent the equivalent of 6.0 per cent of total output on research and development (2014: 6.5 per cent) and was therefore within the targeted range. 16.1 per cent of total expenditure was recognised as assets (2014: 22.3 per cent). Scheduled amortisation amounting to € 869,000 (2014: € 706,000) was recorded on capitalised development costs. A total of 391 employees were engaged in the various R&D departments at the end of the fiscal year 2015 (2014: 339 employees). Overall, 14 per cent of the workforce is therefore engaged in continually developing the Schaltbau Group's technological base.

The Mobile Transportation Technology segment developed a new generation of the standardised BIDS door drive system for rolling stock during the year under report. The system is more compact than its predecessors, weighs less and has also been optimised in terms of the manufacturing process.

In the Automotive business field, the segment successfully tested the BIDS-AM door drive system adapted from the rolling stock field for commercial vehicles and minibuses on a series vehicle for the first time.

In the Automotive business field, the segment successfully tested the BIDS-AM door drive system adapted from the rolling stock field for commercial vehicles and minibuses on a series vehicle for the first time. The step-by-step introduction of a model-based software development will minimise development times for project-specific adaptations going forward. Moreover, semi-automatic code generation will reduce the time and cost involved for obtaining approval for safety-related software components.

The Bode Group holds a total of 96 patents, 16 of which were newly registered during the year under report. These relate to the Boarding Management Unit, the BIDS-AM, sliding steps and the new door control concept.

In the Rail Infrastructure business field of the Stationary Transportation Technology segment, the focus was on final developments for the RBUEP switching system (computer-controlled railway crossing technology) for a project in Denmark. In lighting technology, a new platform was defined for signals in the field of control and safety systems.

Development work was performed for a generic platform for Platform Screen Doors (PSD), based on the metro project in Sao Paulo.

The Rail Infrastructure business field registered eight new patents.

In the Brake Systems business field, the focus was on the series launching of a new type of disc brake, ventilators and a twinset brake. Moreover, work was done on the development of a mechanical brake without hydraulic ventilation for a "go-green" series. One particularly important in-house development is a family of ventilators for brake systems that ideally substitutes and complements the current product family. The business field registered one new patent and two patents were approved during the year under report. Pintsch Bubenzer therefore owns a total of 18 patent families.

Development activities in the Components segment focused principally on optimising existing series of snap-action switches and supplementing the range with additional versions. In addition, several lines of contactors were either developed or adapted for use in energy storage systems, railway vehicles and industrial applications. Moreover, a newly developed, remotely resettable emergency brake switch was used for the first time, which is particularly suitable for use in driverless underground and suburban trains.

The segment owns 41 patent families. In the course of 2015, ten new patents were approved and two registered.

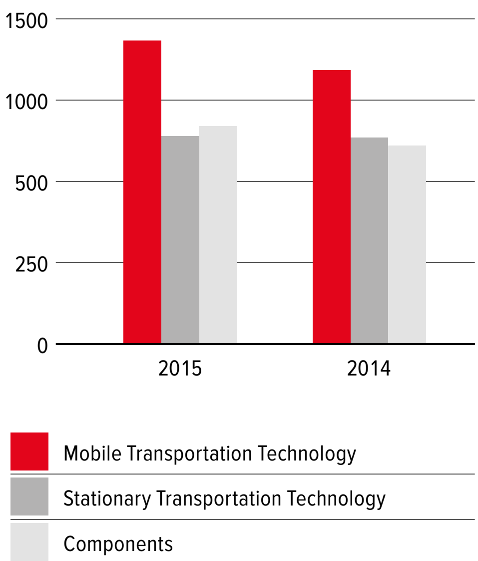
EMPLOYEES

The Schaltbau Group's workforce increased to 2,973 employees as at 31 December 2015 (2014: 2,651 employees).

A total of 166 people have joined the Group through the consolidation of SPII and RDS.

The number of employees working in the Mobile Transportation Technology segment rose from 1,168 to 1,320 during the period under report. A total of 51 people joined the Group through the consolidation of RDS. Additional employees were also recruited for the production department at RAWAG. Staff numbers in the Stationary Transportation Technology segment went up from 753 to 776, mainly due to the recruitment of production and sales staff in the Brake Systems business field. Within the segment, around 50 employees switched from Pintsch Bamag's drive technology department to Pintsch Bubenzer. The number of employees in the Components segment increased from 706 to 853, 115 of which joined through the consolidation of SPII.

Development of employee figures



Schaltbau views the additional qualification of its employees as an important investment in the future. The Schaltbau Group therefore again invested considerably in 2015 to the tune of € 1.2 million (2014: € 863,000) on both in-house and external basic and further training measures. Apart from the need to improve language skills, the main focus was on product training, additional courses in quality management, customs processing, and various types of technical training.

Needs-based training plays a crucial role in ensuring that qualified staff members are capable of meeting the market challenges of the future. At 31 December 2015, a total of 93 young people were undergoing training in various Schaltbau Group companies (31 December 2014: 94), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician. The Mobile Transportation Technology segment employed 28, Stationary Transportation Technology 36 and Components 29 trainees.

At the end of the reporting year, within the Schaltbau Group, 29 people (2014: 34) were in pre-retirement part-time working arrangements, 17 of which had already entered the non-working phase. Pre-retirement part-time working arrangements are offered by three German Schaltbau Group companies and one foreign subsidiary.

Due to the greater number of employees and collectively agreed pay rises, personnel expenditure increased to € 157.4 million (2014: € 138.2 million). A further performance indicator within the Schaltbau Group is total output per employee. Including trainees and management, the figure for 2015 stood at € 190,200 (2014: € 194,000). On an annual average, the Group employed 2,636 people on a full-time basis, compared with 2,270 in 2014.

CUSTOMERS

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

Schaltbau Group companies presented their goods and services at a total of 24 trade fairs worldwide as well as at various in-house events.

The Mobile Transportation Technology segment presented the "Rail" business field at the Eurasia Rail (Turkey), the UITP World Congress (Italy), the RailLog Korea, the Mass Trans Innovation Japan, the International Railway Equipment Exhibition (India) and the Trako (Poland). The "Road" business field was represented at the Kotrijk Busworld (Belgium). Moreover, Schaltbau formed a separate sales group during the year under report, with the aim of systematically opening up and expanding its after-sales business.

The Rail Infrastructure business field (Stationary Transportation Technology) organised technology exhibitions in Dinslaken, Schwerin and Karlsruhe, where more than 120 customers and planners gathered information on the technical options and innovations offered by the PINTSCH Group. There was also a meeting especially for international customers and representatives at the company headquarters in Dinslaken. The business field was also present at the Railway Systems Suppliers (RSSI) Exhibition in the USA, the UITP World Congress in Italy, at three regional trade fairs for warning technology and at the Nordic Rail in Sweden.

The Brake Systems business field additionally bolstered its presence by forming service companies in Singapore and Dubai and opening new sales offices in China.

The Brake Systems business field (Stationary Transportation Technology) participated in a total of three international trade fairs for port engineering and two for wind power technology. Moreover, its products were presented at two in-house fairs held at customers' premises. The business field additionally bolstered its presence by forming service companies in Singapore and Dubai and opening new sales offices in China.

The Components segment presented its products to the rail sector at the MIT in Japan, the Railtex in England and the Expo 2015 in Russia. It also addressed the energy sector at the Solar Power International in the USA. The ProMat trade show, also in the USA, was the ideal place to meet customers in the materials handling sector. In Germany, Schaltbau showcased its goods and services at the HMI (Hannover-Messe-Industrie).

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of particular significance have taken place since 31 December 2015.

REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

RISK REPORT

RISK MANAGEMENT

Risk strategy and organisation of risk management

The business activities of the Schaltbau Group inevitably entail risks. 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 of risks in all of the Group's companies and operating functions, identify risks at an early stage, limit commercial losses with suitable measures and avoid risks that could jeopardise the going-concern status of the Group's entities. The risk management system therefore makes a vital contribution towards achieving the strategic, operating and financial targets of the Schaltbau Group and promoting sustainable growth in the value of the business as a whole.

The risk management system, with its organised structures and workflows, is described and defined in a policy which applies throughout the entire Group. It includes an appropriately comprehensive system of documentation and reporting. The risks existing in each company in which Schaltbau holds a majority shareholding are recorded and evaluated by the Group's various lead companies and subsequently, in a second stage, consolidated and assessed at Holding level. All potential causes of damage are recorded according to their probability of occurrence and possible consequences. The risk management officers at Group Holding level and in the various lead companies of the operating segments are responsible for this task. Irrespective of their probability of occurrence, any risks capable of causing at least a medium level of damage require notification. If they exceed certain entity-specific thresholds, these risks must be notified by means of in-house ad hoc reports without delay. Risks are categorised as jeopardising the going-concern status of an entity if they have a significant impact on the net assets, financial and earnings positions of that entity. Risk concentrations and possible consequences (secondary risks) must also be appropriately considered.

Appropriate corrective and monitoring processes are initiated for identifiable risks. 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. Losses can occur, however, that are either not sufficiently covered by insurance policies or exceed the amount of provision recognised. The extent to which provision for risks is recognised in the balance sheet – in the form of provisions, specific and general allowances/write-downs – is described separately in the section on risk reporting.

The management teams of the various subsidiaries, the risk management team at Group Holding level and the Executive Board of Schaltbau Holding AG are responsible for updating the risk management system on a quarterly, rolling basis. In this context, any necessary organisational measures taken must be documented as part of the quarterly reporting process.

Risk reporting

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

The Executive Board also obtains additional information regarding the Schaltbau Group's risk situation on the basis of the monthly reports submitted by the Group's subsidiaries. These reports show sales performance, earnings, personnel developments, continuous liquidity forecasts and information on quality issues and other operating costs. Furthermore, review meetings take place regularly, in which all risk- and opportunity-related topics as well as the current economic situation are discussed and compared with the budget, the previous year's actual figures and the rolling forecast. Market and competition trends as well as development projects are also thoroughly considered and analysed. The sum of these measures ensures that risks are detected at an early stage, potential opportunities identified for each of the segments and subsidiaries, and that any measures necessary are promptly taken.

The following description of the risk situation shows risks on a net basis, i.e. taking risk-mitigating measures into account. As a general rule, the risk reporting entity is identical to the Group reporting entity in the Consolidated Financial Statements. Apart from the risks described below, no further significant risks have been identified. The period for which risks are considered corresponds to the period covered by the outlook. The risk situation is described as at 31 December 2015.

Compliance

A Compliance Officer is employed at the level of Schaltbau Holding AG who reports directly to the Executive Board. Schaltbau Holding AG has begun to establish compliance functions in the Group's lead companies (Schaltbau GmbH, Gebr. Bode GmbH & Co. KG and PINTSCH BAMAG Antriebs- und Verkehrstechnik GmbH). These functions report both to their management teams and to the Compliance Officer at the holding company.

A set of rules and policies in conjunction with basic and further training activities is designed to instil and raise awareness regarding all compliance-related matters. Audits are also aimed at ensuring compliance with both statutory and company in-house guidelines in both national and international entities of the Schaltbau Group.

RIKS CATEGORIES

Macroeconomic risks

Macroeconomic risks can have a wide range of causes. Economic risks arise from unfavourable developments on global or regional markets. Ever-shorter economic cycles and greater market volatility have the effect of reducing planning certainty.

Economic risks are mitigated by the presence in a variety of markets and regions.

Economic risks are mitigated by the presence of the Schaltbau Group in a variety of markets and regions. Moreover, the majority of the Group's order volume is less dependent on economic cycles than on the awarding of contracts by public authorities, which can be frequently anti-cyclical.

Further macroeconomic risks can arise from price increases for required raw materials and supplies – particularly precious metals, steel and energy (price risks). The prices of raw materials are permanently monitored. The effects of price rises can be partially offset by the signing of long-term supply agreements, the group-wide centralisation of materials purchasing requirements, or by passing on the increases to customers. Furthermore, price risks can be individually hedged by means of forward commodity contracts. However, it is not always possible to compensate for such price increases in full or without a delay.

Currency exchange rates can also change for the worse (currency risks). The devaluation of other currencies against the euro can also have a negative impact on competitiveness in certain sales regions and lead to profit margin losses in existing projects or the insolvency of business partners. Particularly in Russia, a further devaluation of the rouble could have a negative effect on margins.

The Schaltbau Group counters currency exchange rate risks by means of geographical diversification and the simultaneous interconnecting of activities worldwide in order to remain competitive, irrespective of currency developments. In this context, the Group uses a system of “natural hedging” by selectively managing the volume of goods sold and purchased in the same currency. In recent years, however, the impact of exchange risks on earnings has been limited, as the dependency on individual foreign currency regions is low when compared with the total sales generated by the Schaltbau Group. Exchange rate effects are minimised by means of hedging contracts, to the extent considered appropriate.

Moreover, political unrest and economic sanctions can negatively affect product sales (political risks). The occurrence of such risks can have a seriously negative impact on the sales performance of the Schaltbau Group and result in underutilisation of capacities, with a corresponding negative effect on the Group’s earnings and liquidity situation. In Russia, political risks exist due to the sanctions imposed by the EU and the repression of Western suppliers by the Russian government. In Brazil and China, there are risks of an increasing recession. Furthermore, in China, risks are posed by the territorial claims of the state together with an increasingly expansionary policy. From today’s perspective, however, the impact of geographical diversification on the Schaltbau Group is controllable.

Sector-specific risks

Changes in the sector-specific environment can also have a negative impact on the Group’s earnings, financial and net assets position. For example, increased competition caused by the entry of a new provider to the market can increase pressure on selling prices and margins in certain segments and have a negative impact on earnings. Further risks can arise from a concentration among customers, which can cause the market volume to drop and the buying power of certain customers to increase.

Governmental investment decisions in the rail sector are of particular significance for the Schaltbau Group. Due to the large number of public-sector customers, spending cuts can greatly influence the respective business fields of the Schaltbau Group. The Rail Infrastructure business field is both directly and indirectly dependent on the readiness of rail infrastructure suppliers such as Deutsche Bahn AG to invest and also on public spending behaviour in general. Any postponement of orders from public-sector customers, for example due to restructuring or savings measures, can have a direct (e.g. in the field of signal technology) or indirect impact on the order situation via the railway industry. The performance of the

Door Systems for Buses product group in the Mobile Transportation Technology segment is directly reliant on the business performance of bus manufacturers and demand patterns, which in turn depend to a large extent on the economic situation of the various communal transport authorities.

In addition, an oligopolistic demand structure characterises both the rail and the bus industries. The number of potential customers is therefore limited and has continued to decrease as a result of the growing trend towards consolidation in recent years. These structures lead to a high degree of market transparency, which can result in exacerbated price competition and downward pressure on selling prices.

One factor continually gaining significance in international business is the political call for local production or so-called "local content". An increasing number of orders are being awarded subject to fulfilment of this condition, which means lucrative projects can be lost.

The integration of system solutions in customers platforms creates reliable, long-term customer relationships that are intensively maintained.

Firstly, the Schaltbau Group counters competition risks by continually developing and improving its products to meet customer requirements. The integration of system solutions in customers' platforms creates reliable, long-term customer relationships that are intensively maintained. Secondly, international activities are additionally promoted and the industrial sector expanded in order to reduce dependency on orders from the public sector. These policies serve to broaden the customer base and promote entry to new fields of application.

As it has expanded the scope of its international activities, the Schaltbau Group has simultaneously reacted to the constantly growing demand for local content. Partly due to its limited resources, the Schaltbau group makes its decisions selectively, weighing up the opportunities and risks.

Particularly in these cases, risks can also arise from politically motivated demands to limit the awarding of contracts to companies that are majority-owned by domestic individuals or companies. When controlling interests in fully consolidated companies change, it can have a considerable impact on the earnings, financial and net assets position.

HR risks

Risks can arise due to increasing internationalisation and the accompanying demands made on management in various fields of business. Schaltbau mitigates these risks by permanently searching for qualified, internationally experienced executives capable of taking on international positions.

Risks along the value-added chain

On the one hand, **purchasing risks** can result from the limited availability of raw materials and supplies. Crisis-induced reductions in capacities at the level of raw materials manufacturers and suppliers at times when demand is on the increase can lead to delays and breakdowns in the supply chain. Suppliers of certain materials, components or pre-assembled units can also fail to deliver, due to economic difficulties or for other reasons. Both of these scenarios could result in production delays and impair the ability of the Schaltbau Group to deliver the required volumes, which could in turn lead to sales losses and possible long-term damage to the Group's reputation as well as contractual penalties imposed by customers.

As part of its supplier management strategy, the Schaltbau Group counters purchasing risks by signing long-term supply agreements, through the intensive qualification of suppliers and by finding additional sources of supply.

Long-term supply agreements reduce procurement risks.

Development and design risks can arise for a number of reasons, such as insufficient specifications for newly developed products that fail to take account of differing regional customer requirements or overruns of scheduled development times (time-to-market). Furthermore, products developed by competitors can limit the potential of one's own innovations, particularly in markets such as photovoltaics, which are subject to short innovation cycles. These cases could result in an incorrect allocation of funds, which could in turn lead to write-downs.

Generally, the further development of products and systems is done in close cooperation with core customers or even performed on their behalf. The development process itself is efficiently designed and continually improved by means of selective investment.

Generally, the further development of products and systems is done in close cooperation with core customers.

Product piracy poses an additional risk, which is particularly pronounced on Asian markets. Conducting business in these markets, including cooperating with local partners, also increases the risk of selective know-how drift. Explicit restrictions in the transfer of technical knowledge and the development of highly comprehensive protective shields help to preserve the Group's technical edge.

Production risks arise from the danger of business interruptions, quality problems or risks posed by industrial safety and/or environmental risks in the Group's entities. Production breakdowns or interruptions can put pressure on the cost situation and additionally lead to delayed deliveries, while quality problems can result in customer complaints and accordingly lead to warranty risks. The above-mentioned risks can also arise as a result of a relocation and amalgamation of production sites. 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. Warranty risks are countered by various measures, including the recognition of warranty provisions.

IT risks arise from the intensive use of the IT systems that support the Group's business processes. Any failure of these systems can have a serious effect on workflows.

Schaltbau Group companies counter IT risks related to the availability, confidentiality and reliability of IT systems by taking the appropriate technical and organisational precautions and by ensuring that their IT infrastructure is continuously modernised, such as with state-of-the-art firewalls and regular external reviews.

In addition to the macroeconomic risks previously described, **sales volume and sales risks** can result in particular from the insolvency of individual customers and the corresponding bad debt losses, which can also have an adverse effect on the Group's earnings, financial, net assets and liquidity position.

Due to the customer structure, the risk of large-scale bad debt losses is considered as low.

Given its large percentage of public sector and major industrial customers, Schaltbau estimates the risk of large-scale bad debt losses for the coming year as low.

Legal risks

Legal risks can arise principally from customer complaints, guarantee claims, legal disputes, patent law infringements and/or claims for damages. Appropriate levels of provision have been recognised to cover identifiable legal risks.

Financial risks

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

Increased working capital levels caused by long payment periods in a number of foreign markets can lead to respective funding requirements and underutilised potential. Our Chinese subsidiaries in particular require a high degree of working capital, which is a widespread phenomenon in China. The situation in this region is closely monitored on a regular basis. However, in view of the great strategic potential of the Chinese market, the risk is currently considered to be at an acceptable level.

In order to safeguard its ability to grow, both organically and by means of acquisition, Schaltbau Holding AG makes use of a Syndicated Credit Agreement and funds from a promissory note issued in 2015. The terms of the credit agreement are linked to a number of assurances, guarantees and conditions that must be complied with. The agreement also requires compliance with certain covenants, which give the banks an extraordinary right of termination if they are not fulfilled. Any such termination could curtail the growth of the Schaltbau Group and impair the financing of operating activities. From today's perspective, the risk continues to be assessed as low. Compliance with the relevant covenants is continually monitored and reported on a monthly basis.

The Group counters the risk of rising interest rates by utilising various interest-rate hedging instruments.

The increase in interest rates for financing would lead to an increase in interest expense in the long term. The Group has countered the risk of rising interest rates by concluding various interest-rate hedging instruments with a total nominal value of € 15.1 million. Interest swaps for a nominal amount of € 15.1 million are being used to hedge a variable-interest credit volume of € 46.8 million within the cash pool (as at 31 December 2015). The market value of the interest swaps fluctuates, depending on changes in relevant interest rates.

The hedging transactions entered into are regularly monitored by management.

Currency risks are managed solely by means of marketable instruments used to hedge underlying transactions. All transactions denominated in foreign currencies are hedged. The residual net risk is classified as low.

Tax risks are mitigated by seeking advice from external advisers at an early stage. Potential risks relating to open assessment periods and tax field audits are closely monitored. If the need arises, tax advisors are called in to assess the situation and represent the interests of the Schaltbau Group to the greatest extent possible.

OVERALL RISK SITUATION

The overall risk situation of the Schaltbau Group has not changed significantly compared to the previous year. At the present time, no risks have been identified that pose a threat to the going-concern status of the Group.

OPPORTUNITIES

OPPORTUNITIES MANAGEMENT

The management of opportunities is also an essential component in managing the business. Opportunities are identified in the course of the strategy process and recorded at subsidiary level in a similar way to risks. When assessing opportunities, Schaltbau does not utilise a management system similar to that used for risk management purposes. However, the integration of the risk management system in operating processes helps to identify and make the most of any opportunities that present themselves. Opportunities are reported on as part of the monthly reporting process and in quarterly risk reports, and are also the subject of regular review procedures and one-on-one oral reports to the Executive Board.

An element of risk is always involved when the Group endeavours to exploit opportunities. One good example is the increase in working capital needed to engage in the lucrative Chinese market. The decision to accept risks in order to benefit from opportunities is taken by the Executive Board of Schaltbau Holding AG on the basis of thorough analysis. The methods it uses enable the Schaltbau Group to take prompt advantage of opportunities and minimise any related risks.

OPPORTUNITIES SITUATION

The Schaltbau Group sees opportunities as positive deviations from the basic scenario portrayed in the outlook report. These deviations can arise from market developments, but also from strategic and operational measures.

Macroeconomic opportunities can arise in particular from more favourable economic developments on global or regional markets, reductions in the prices of key raw materials, or advantageous exchange rate factors. However, due to long-term supply agreements and partial currency hedging, the potentially positive effects referred to above would only be of a limited nature and only materialise with a time delay.

Sector-specific opportunities can also arise, for example, from the trend towards standardisation, modularisation and digitalisation in the rail sector, which is leading to the emergence of new market segments in which the Schaltbau Group intends to play a major role. Cross-segment development approaches for rolling stock relate not only to door systems, but also to passenger convenience and on-board electronics as well as digital information and safety systems. The Group's improved position in relation to rail systems suppliers due to its ability to provide smart products and solutions may also lead to higher order volumes than forecast. Further sector-specific opportunities can also arise from the ongoing market consolidation. The Schaltbau Group will continue to exploit this situation to generate external growth through acquisition. The deciding factor, however, is that any new business can be quickly and efficiently integrated within existing structures. The basic forecast (outlook report) does not include the potentially positive impact of any growth through acquisition.

The Group's improved position in relation to rail systems suppliers due to its ability to provide smart roducts and solutions may also lead to higher order volumes than forecast.

Further opportunities arise from the continual research and development work being conducted within the various Schaltbau Group subsidiaries. The market success achieved through new solutions can exceed expectations in terms of additional order volume and help to access new customer groups. Furthermore, there is a chance that certain development

The integration of digital data communication systems enables the expansion of functionalities and the provision of safety-relevant information.

projects are completed ahead of schedule, enabling sales potential to be exploited sooner than expected. The functional integration of digital data communication and internet protocols will enable Schaltbau to increasingly concentrate on developments that include extended functionality, for instance through sensor technology, and also the required digital data communication going into the future. Schaltbau is therefore increasingly looking to develop solutions that provide safety-relevant digital information. The development of the required modular hardware concepts will create additional business potential for the companies of the Schaltbau Group. Technological trends too, such as towards the miniaturisation of components, could open up additional fields of application.

A favourable outcome in terms of legal disputes or warranties could result in reversals of provisions recognised for these purposes, with a corresponding positive impact on the Schaltbau Group's earnings. Financial opportunities primarily exist in the lowering of interest rates for financing. However, any positive effects that could be achieved in this field are limited by the market-compatible rates already provided.

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

OUTLOOK REPORT

FORWARD-LOOKING STATEMENTS

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

EXPECTED CONDITIONS

Expected macroeconomic environment

In its January outlook, the International Monetary Fund (IMF) predicted a slight increase in the pace of world economic growth in 2016, both for the developed economies (2.1 per cent) and for the emerging markets (4.3 per cent).

The IMF forecasts a slight increase in the pace of growth.

Overall, the IMF forecasts a global growth rate of 3.4 per cent in 2016 and an improvement to 1.7 per cent for the eurozone. Germany is predicted to grow at a slightly faster rate of 1.7 per cent, with the economies of France and Italy also expected to gain momentum.

The most significant risks to growth are a greater slowdown than expected in China, unfavourable impacts from the restrictive monetary policies adopted in the USA, increased volatility and an aversion to risk on financial markets, and ongoing geopolitical tensions.

Prices of oil and industrial metals are forecast to remain low, moving sideways during the first half of the year and rising slightly during the second. Key early indicators in this respect are economic performance in China and the underlying prices of iron ore and coal. The market for electronic assemblies and components is predicted to remain generally stable.

The euro is likely to remain weak in view of the expansive monetary policy adopted by the European Central Bank and the interest rate hikes in the USA.

Expected sector-related environment

The rail sector is likely to gather some pace in Germany and Europe in the course of 2016.

The rail sector is likely to gather some pace in Germany and Europe in the course of 2016. The implementation of the new service and financing agreement (LuFV II) covering the modernisation of rail infrastructure entered into between the Republic of Germany and German Railways at the end of 2014 is likely to take up the whole of 2016. The Rail Infrastructure business field can therefore expect only a slight improvement in 2016 followed by a strong increase in demand in 2017. In the field of rolling stock, however, the government is not planning to raise its level of investment in railway projects. Nonetheless, the market for modernisation and refurbishment is set to grow as a result of the high volume of equipment already installed.

The market for modernisation and refurbishment is set to grow as a result of the high volume of equipment already installed.

Despite a market slowdown in China, investments in railways are expected to continue developing steadily. In Russia, however, the market situation is unlikely to improve. In France, market investments in railway infrastructure are set to continue declining.

In 2016, industrial business is likely to be negatively impacted by the market slowdown in China and falling prices on raw materials markets. In the USA, however, the overall positive economic situation is expected to generate moderate market growth. The unbroken trend towards renewables and energy storage systems could well be a source of positive momentum.

Demand on the bus market is likely to continue shrinking, particularly for city buses, while the automotive market is expected to remain stable.

EXPECTED BUSINESS AND EARNINGS POSITION

Schaltbau expects sales and EBIT to increase by 10 per cent in 2016.

In the fiscal year 2016, Schaltbau expects order intake to grow significantly by well over 10 per cent to approach the € 590-million mark and sales to increase by around 10 per cent to € 550 million, primarily due to the full-year consolidation of SPII and the expected contributions from the subsidiary Albatros, which is scheduled to be fully consolidated in the course of 2016. Secondly, sales are expected to grow organically. Total output per employee is predicted to be slightly above that of 2015.

Profit before financial result and taxes (EBIT) is also expected to grow by around 10 per cent to € 41.5 million, as a result of which the EBIT margin should remain stable, despite further negative factors coming from the Platform Screen Doors project and purchase price allocations.

Group net profit is therefore predicted to come in at a minimum of € 27.3 million, equivalent to earnings per share of at least € 3.50.

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

Growth is to be achieved primarily in the Mobile Transportation Technology segment.

Sales in the rail section of the Mobile Transportation Technology segment are expected to grow, partially due to the integration of Albatros and an increased focus on smart products and services. Demand is predicted to decline slightly in the bus section and remain stable in the automotive section.

Overall, order intake for the Stationary Transportation Technology segment is forecast to come in at a similar level to the previous year. The new service and financing agreement (LuFV II) is expected to provide moderate tailwind for the Rail Infrastructure business field. The Brake Systems business field expects a drop in both order intake and sales when compared with the exceptionally high figures achieved one year earlier.

The Components segment expects year-on-year increases in order intake and sales, partly due to the full-year consolidation of SPII. Increased demand is set to drive markets in the USA and China. In Russia and France, however, volumes are more likely to shrink.

For 2016, Schaltbau Holding AG forecasts a significant year-on-year increase in net profit.

EXPECTED FINANCIAL SITUATION

Without taking acquisitions into account, the Schaltbau Group does not expect any major changes to its overall financial situation in 2016 in comparison to 31 December 2015. The financing of Schaltbau Holding AG and its subsidiaries is also guaranteed for 2016.

OTHER DISCLOSURES

COMPENSATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD (COMPENSATION REPORT)

The compensation system at Schaltbau Holding AG is based on the principles of performance and earnings and represents a corporate culture of reward for services provided. The total compensation of the Executive Board comprises both fixed and performance-related components. The fixed components consist of a basic salary and benefits in kind. The performance-related part of the compensation comprises annually recurring components that depend on the development of Group net profit. A pension plan is not in place.

Criteria for the appropriateness of compensation include the particular tasks performed by each of the Executive Board members, their personal performance, the performance of the Executive Board as a whole, the economic situation, the success and the future prospects of the business taking the market environment into due consideration, the customary amount of compensation and the compensation structure compared with the wage and salary structure, both within the enterprise itself and in other companies of comparable size and industry. The compensation structure is oriented on the basis of sustainable corporate development. The variable 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 9 June 2011, the compensation of individual members of the Executive Board is not disclosed.

Compensation for the active members of the Executive Board totalled € 2,027,000 for the fiscal year 2015. 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.

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

The total compensation received by former members of the Executive Board and their surviving dependents amounted to € 81,700 in 2015. Pension provisions for this category of people totalling € 587,000 (IFRS) have been recognised.

Loans were not granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2015.

The basic compensation for a Supervisory Board member totals € 15,000 per annum. The Chairman of the Supervisory Board receives twice this amount and the Deputy Chairman receives one-and-a-half times this amount, resulting in basic compensation totalling € 112,500 in 2015.

The Supervisory Board receives additional compensation if the dividend distributed to shareholders exceeds four per cent of share capital. The dividend paid in 2015 was above this threshold and therefore a total of € 199,000 was paid out.

Membership of committees is not separately compensated.

In accordance with the Articles of Incorporation, one member of the Supervisory Board received € 55,400 for additional work performed in 2015.

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

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

DISCLOSURES PURSUANT TO SECTION 289 SUBSECTION 4 AND SECTION 315 SUBSECTION 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE EXECUTIVE BOARD

1. The subscribed capital comprises the following: The Company's share capital totals € 7,505,671.80. It is divided into 6,152,190 bearer shares (shares without nominal value).
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.
3. The only major shareholder owning either a direct or an indirect share of capital exceeding 10 from 100 share voting rights is the Cammann family, which owned 11.62 per cent of the total number of Group shares as at 31 December 2015.
4. There are no shareholders with special controlling rights.
5. There are no voting right controls relating to shares held by employees.
6. Article 6 of the Articles of Incorporation of Schaltbau Holding AG sets out rules governing the composition, appointment and dismissal of the Executive Board. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as Chairman of the Executive Board, to appoint deputy members to the Executive Board and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. The Annual General Meeting decides on any changes to the Articles of Incorporation. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Incorporation.
7. The Company's subscribed capital (share capital) is divided into 6,152,190 non-par value shares. From this total, 132,645 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 9 June 2010, with the agreement of the Supervisory Board, the Executive Board is authorised up to 8 June 2015 to buy back a maximum of 10 per cent of the share capital in place at the date of the resolution for purposes other than trading. 107,172 Schaltbau shares were bought back during the fiscal year 2015.

Based on the resolution taken at the Extraordinary Shareholders Meeting on 19 December 2003, a conditional capital of € 234.24 was still in place on 31 December 2015 (2014: € 234.24). The Company's share capital may therefore be increased by up to € 234.24 by the issuing of up to 192 new ordinary bearer shares (Conditional Capital I). The conditional capital increase was resolved to enable the servicing of option rights issued by the Company on 15 March 2004 in conjunction with participation rights. The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements as at 31 December 2003 and, like the participation rights themselves, have a maturity term of 10 years. The conditional capital increase should only be implemented to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been accordingly increased by € 1,829,765.76. No options were exercised in 2015.

Based on a resolution of the Annual General Meeting taken on 9 June 2011, a (new) Conditional Capital II was in place at 31 December 2015 totalling € 3,294,000, based on the issuing of up to 2,700,000 bearer shares. Subject to the approval of the Supervisory Board, up to 8 June 2016 the Executive Board is authorised to issue convertible and option bearer bonds as well as participation rights with either conversion or option rights.

Based on a resolution of the Annual General Meeting passed on 6 June 2013, authorised capital of € 3,294,000 was in place at 31 December 2015. Subject to the approval of the Supervisory Board, the Executive Board is authorised to implement a share capital increase up to 5 June 2018 by issuing new shares in return for either cash deposits or investments in kind, which may not exceed a total of € 3,294,000. With the approval of the Supervisory Board, the Executive Board may decide to exclude subscription rights.

8. Schaltbau Holding AG's main loan agreements include change-of-ownership clauses, which grant creditors an extraordinary right of termination.

9. The Company has not entered into any compensation agreements, either with members of the Executive Board or with employees, regarding termination of employment in the event of a takeover offer.

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

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

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

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

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

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

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

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

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

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

Munich, 6 April 2016

The Executive Board

THE SCHALTBAU SHARE

SHARE PRICE DEVELOPMENTS

After a great deal of fluctuation, the Schaltbau share finished 2015 at € 51.00 and therefore 21.2 per cent up for the 12-month period. Starting at € 42.20 on 2 January and reaching its low for the year at € 41.59 on 7 January, the value of the share then rose significantly during the first four months of the year. In the months that followed, however, performing similarly to the DAX, the Schaltbau share lost much of the ground it had gained, reaching its high for the year at € 54.45 on 5 August. After dropping slightly in August and September, the share price regained some of its previous vitality towards the end of the year.

After the Annual General Meeting, which was held on 11 June 2015, Schaltbau paid shareholders a dividend of € 1.00 per share. Including the dividend, the total shareholder return was 23.6 per cent (2014: -6.5 per cent). With this total shareholder return, Schaltbau outperformed the DAX Industrial Performance Index (14.3 per cent) and came very close to matching the performance of the SDAX (26.6 per cent).

TRADING VOLUME

The share capital of Schaltbau Holding AG remained unchanged at € 7,505,671.80 at 31 December 2015. The number of shares has totalled 6,152,190 since the share split on 20 August 2012.

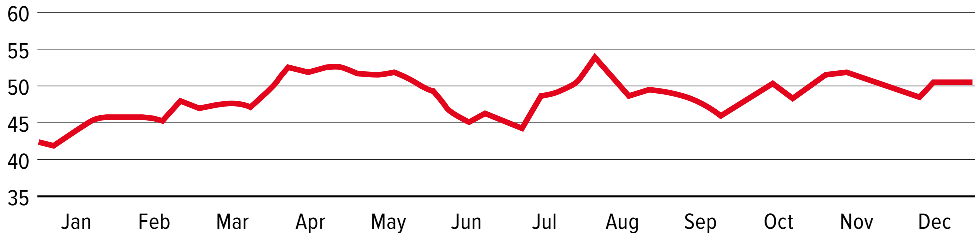
In the period from 24 November 2014 to 8 June 2015, Schaltbau Holding AG bought back a total of 150,284 of its own shares, 107,172 of which during 2015, thereby raising the total number of treasury shares held to 163,728. On 22 December 2015, 31,083 shares were transferred in connection with the acquisition of Albatros S.L. Hence the number of treasury shares currently held is 132,645 or 2.16 per cent.

The volume of Schaltbau shares traded dropped significantly during the year under report. A total of 2.5 million Schaltbau shares were traded across all German stock exchanges, 40 per cent fewer than in the previous year. Trading in Schaltbau shares was therefore less dynamic than the market as a whole. The volume of shares traded on spot markets of the German stock exchange rose by 10.2 per cent.

Measured in terms of the SDAX criterion "trading volumes", at the end of 2015 the Schaltbau share occupied rank 101 (end of 2014: rank 83) and rank 102 in terms of market capitalisation (end of 2014: rank 97). On 21 March 2016, the Schaltbau share dropped out of the SDAX.

Xetra, closing prices

		2015	2014	2013
High	€	54.45	56.14	46.96
Low	€	41.59	38.50	30.71
End-of-year price	€	51.00	42.07	46.01
Earnings per share (undiluted)	€	2.90	4.04	3.48
Earnings per share (diluted)	€	2.90	4.04	3.48
Number of shares		6,152,190	6,152,190	6,152,190
Share capital	€ m.	7.51	7.51	7.51
Market capitalisation as at 31 December	€ m.	307.0	256.4	282.3
Trading volume on all exchanges	€ m.	122.0	192.0	128.4
Shares traded		2,511,938	4,202,055	3,452,007



SHAREHOLDER STRUCTURE

The shareholder structure continues to be dominated by family shareholdings. At 31 December 2015, the Cammann family, i.e. SATORA Beteiligungs GmbH, held a total of 11.62 per cent of Schaltbau Holding AG shares. The Zimmermann family increased its shareholding slightly from 11.00 per cent to 11.21 per cent. The Amsterdam-based Monolith Duitsland B.V. increased its shareholding from 6.70 per cent to 6.90 per cent, whilst BNY Mellon Service Kapitalanlage-Gesellschaft mbH reduced its 5 per cent holding to 4.88 per cent, according to a voting rights notification dated 19 August 2015. The savings bank "Kreissparkasse Biberach" initially increased its investment to 5.02 per cent (voting rights notification from 10 July 2015). However, with effect from 26 November 2015 (voting rights notification from 14 January 2016), no voting rights are attributable to it.

The “free float”, a primary criterion for calculating market capitalisation and therefore the index ranking, stood at 67.89 per cent on 31 December 2015, according to the calculations of the German stock exchange.

INVESTOR RELATIONS

Both the Executive Board and the Schaltbau Group’s investor relations team again maintained an active dialogue with investors and analysts throughout 2015. The German Equity Forum in Frankfurt was just one of numerous opportunities utilised to present Schaltbau’s business performance and answer questions, including a number of one-on-one meetings. Furthermore, Schaltbau participated in the Berenberg and Goldman Sachs German Corporate Conference in Munich. In addition, the Schaltbau team regularly arranges road shows, conference calls and numerous personal talks with investors and analysts. The Schaltbau share is currently assessed by three different research institutes.

Around 180 shareholders attended the Annual General Meeting, which was held in Munich in June 2015. Schaltbau also uses the internet as an additional platform for distributing information. All relevant documents are promptly published on www.schaltbau.de, where detailed information is presented on the Schaltbau Group and its subsidiaries as well as the latest figures on the share, the shareholder structure, directors’ dealings and key financial dates. Moreover, annual and interim reports, analysts’ recommendations, ad hoc announcements and press releases, weekly updates on the share buy-back programme, important information regarding the Annual General Meeting, the Corporate Governance Statement and other important documents are available to download from the website in both German and English.

Shareholder structure

Cammann family	11.62%
Zimmermann family	11.21%
Monolith Duitsland B.V.	6.90%
Treasury shares	2.16%
Other shareholders	68.11%

CONSOLIDATED INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2015

In € 000		Notes	**2015**	2014
1.	Sales	(1)	496,702	429,610
2.	Change in inventories of finished goods and work in progress	(2)	-1,301	3,768
3.	Own work capitalised	(2)	5,792	6,965
4.	**Total output**		**501,193**	**440,343**
5.	Other operating income	(3)	7,791	5,902
6.	Cost of materials	(4)	247,392	222,391
7.	Personnel expense	(5)	157,372	138,221
8.	Amortisation and depreciation		12,830	10,960
9.	Other operating expenses	(6)	54,751	47,376
	Profit before financial result and taxes (EBIT)		**36,639**	**27,297**
	a) Result from at-equity accounted investments		-66	659
	b) Sundry other result from investments		1,044	11,603
10.	Results from investments	(7)	978	12,262
	a) Interest income		475	169
	b) Interest expense		5,654	4,480
	c) Other financial result		-1,275	0
11.	Financial result	(8)	-6,454	-4,311
12.	**Profit before tax**		**31,163**	**35,248**
13.	Income taxes	(9)	7,686	6,120
14.	**Group net profit for the year**		**23,477**	**29,128**
	Analysis of Group net profit for the year			
	attributable to minority shareholders		6,034	4,348
	attributable to the shareholders of Schaltbau Holding AG		17,443	24,780
	Group net profit for the year		**23,477**	**29,128**
	Earnings per share - undiluted	(10)	**€ 2.90**	**€ 4.04**
	Earnings per share - diluted		**€ 2.90**	**€ 4.04**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF SCHALTBAU HOLDING AG, MUNICH
1 JANUARY - 31 DECEMBER 2015

	2015			2014		
In € 000	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Group net profit for the year			**23,477**			**29,128**
Items which will not subsequently be reclassified to profit or loss						
Actuarial gains / losses relating to pensions	2,535	-761	1,774	-6,676	1,994	-4,682
Acquisition of minority interests			245			0
Items which may subsequently be reclassified to profit or loss						
Unrealised gains/losses arising on currency translation						
- from fully consolidated companies			2,463			3,025
- from at-equity accounted companies			-197			69
Derivative financial instruments						
- Change in unrealised gains (+) / losses (-)	-619	186	-433	-753	226	-527
- Realised gains (-) / losses (+)	1,094	-328	766	470	-141	329
	475	-142	2,599	-283	85	2,896
Other comprehensive income			**4,618**			**-1,786**
Group comprehensive income			**28,095**			**27,342**
attributable to minority shareholders			6,950			5,548
attributable to the shareholders of Schaltbau Holding AG			21,145			21,794

CONSOLIDATED CASH FLOW STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
1 JANUARY – 31 DECEMBER 2015

In € 000	Notes	2015	2014
Profit before financial result and taxes (EBIT)		**36,639**	**27,297**
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment		12,763	10,956
Gains/losses on the disposal of intangible assets and property, plant and equipment		101	395
Change in current assets		-12,645	-13,352
Change in provisions		-2,931	-1,068
Change in current liabilities		2,958	5,464
Dividends received		0	1,512
Income taxes paid		-8,614	-4,710
Other non-cash income / expenses		2,842	-20
Cash flows from operating activities	a)	**31,113**	**26,474**
Payments for investments in:			
- Intangible assets and property, plant and equipment		-21,939	-23,522
- Financial investments		-15,858	-5,519
- Acquisitions of fully consolidated entities less cash acquired		-13,326	-9,799
Proceeds from disposal of:			
- Property, plant and equipment		60	50
- Investments		0	399
Cash flows from investing activities	b)	**-51,063**	**-38,391**
Share buy-backs		-5,086	-1,761
Shares sold in conjunction with share purchase programme		0	87
Dividend payment by Schaltbau Holding AG		-5,988	-5,892
Distribution to minority interests		-3,329	-2,560
Repayment of participation rights capital		0	-7,255
Promissory note issued		69,619	0
Repayments in conjunction with restructuring of financing		-47,032	0
New debt in conjunction with restructuring of financing		47,032	0
Loan repayments		-7,087	-5,623
New loans raised		0	8,500
Interest paid		-3,924	-4,183
Interest received		196	169
Change in current financial liabilities		-20,270	42,571
Cash flows from financing activities	c)	**24,131**	**24,053**
Change in cash funds due to exchange rate fluctuations		579	911
Change in liquid funds due to changes in the group reporting entity		0	0
Change in cash funds	d)	**4,760**	**13,047**
Cash funds at the end of the year		30,964	26,204
Cash funds at the beginning of the year		26,204	13,157
		4,760	**13,047**

CONSOLIDATED BALANCE SHEET OF SCHALTBAU HOLDING AG, MUNICH
AS AT 31 DECEMBER 2015

ASSETS

In € 000		Notes	**31.12.2015**	31.12.2014
A.	**NON-CURRENT ASSETS**			
I.	Intangible assets	(11)	82,911	52,452
II.	Property, plant and equipment	(11)	75,654	68,659
III.	At-equity accounted investments	(11)	11,468	5,979
IV.	Other investments	(11)	15,660	7,003
V.	Deferred tax assets	(9)	14,684	15,006
			200,377	**149,099**
B.	**CURRENT ASSETS**			
I.	Inventories	(12)	88,629	85,657
II.	Trade accounts receivable	(13)	109,412	80,265
III.	Income tax receivables	(13)	533	522
IV.	Other receivables and assets	(13)	21,569	20,051
V.	Cash and cash equivalents	(14)	30,735	25,654
VI.	Assets held for sale	(15)	2,944	0
			253,822	**212,149**
			454,199	**361,248**

EQUITY AND LIABILITIES

In € 000		Notes	**31.12.2015**	31.12.2014
A.	**EQUITY**	(16)		
I.	Subscribed capital	(17)	7,506	7,506
II.	Capital reserves	(18)	16,126	15,872
III.	Statutory reserves	(18)	231	231
IV.	Revenue reserves	(18)	48,502	40,688
V.	Reserve for income/expenses recognised directly in equity	(18)	2,803	1,208
VI.	Revaluation reserve	(18)	3,041	3,041
VII.	Group net profit attributable to shareholders of Schaltbau Holding AG		17,443	24,780
VIII.	Equity attributable to shareholders of Schaltbau Holding AG		95,652	93,326
IX.	Minority interests	(19)	33,881	19,213
			129,533	**112,539**
B.	**NON-CURRENT LIABILITIES**			
I.	Pension provisions	(20)	37,351	39,072
II.	Personnel - related accruals	(21)	4,040	3,924
III.	Other provisions	(21)	439	535
IV.	Financial liabilities	(22)	144,154	92,989
V.	Other liabilities	(22)	10,430	160
VI.	Deferred tax liabilities	(9)	12,094	8,823
			208,508	**145,503**
C.	**CURRENT LIABILITIES**			
I.	Personnel - related accruals	(21)	7,501	7,708
II.	Other provisions	(21)	18,179	22,325
III.	Income taxes payable	(22)	1,748	965
IV.	Financial liabilities	(22)	15,322	12,366
V.	Trade accounts payable	(22)	38,190	31,508
VI.	Advance payments received	(22)	12,252	11,827
VII.	Other liabilities	(22)	22,456	16,507
VIII.	Liabilities relating to assets held for sale		510	0
			116,158	**103,206**
			454,199	**361,248**

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

In € 000	Attributable to shareholders of Schaltbau Holding AG					
Note: Rounding differences may arise due to the use of electronic rounding aids.	Subscribed capital	Capital reserves	Statutory reserves	Revenue reserves		Revaluation reserve
				Other	Derivative financial instruments	
Balance at 01.01.2014	**7,506**	**15,805**	**231**	**32,944**	**-1,111**	**3,041**
Profit brought forward	0	0	0	21,371	0	0
Dividends	0	0	0	-5,892	0	0
Other changes	0	67	0	-1,744	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	-4,682	-198	0
Group comprehensive income	0	0	0	-4,682	-198	0
Balance at 31.12.2014	**7,506**	**15,872**	**231**	**41,997**	**-1,309**	**3,041**
Balance at 01.01.2015	**7,506**	**15,872**	**231**	**41,997**	**-1,309**	**3,041**
Profit brought forward	0	0	0	24,780	0	0
Dividends	0	0	0	-5,988	0	0
Change in group reporting entity	0	0	0	0	0	0
Other changes	0	254	0	-13,085	0	0
Group net profit for the year	0	0	0	0	0	0
Other comprehensive income	0	0	0	1,774	333	0
Group comprehensive income	0	0	0	1,774	333	0
Balance at 31.12.2015	**7,506**	**16,126**	**231**	**49,478**	**-976**	**3,041**

				Minority interests			Group equity
Reserve for income/expenses recognised directly in equity		Net profit for the year	Total	in capital and reserves	in net profit for the year	Total	
relating to fully consolidated entities	relating to at-equity accounted entities						
-103	**-583**	**21,371**	**79,101**	**6,940**	**3,377**	**10,317**	**89,418**
0	0	-21,371	0	3,377	-3,377	0	0
0	0	0	-5,892	-1,698	0	-1,698	-7,590
0	0	0	-1,677	0	0	0	-1,677
0	0	24,780	24,780	0	4,348	4,348	29,128
1,825	69	0	-2,986	1,200	0	1,200	-1,786
1,825	69	24,780	21,794	1,200	4,348	5,548	27,342
1,722	**-514**	**24,780**	**93,326**	**14,865**	**4,348**	**19,213**	**112,539**
1,722	**-514**	**24,780**	**93,326**	**14,865**	**4,348**	**19,213**	**112,539**
0	0	-24,780	0	4,348	-4,348	0	0
0	0	0	-5,988	-2,169	0	-2,169	-8,157
0	0	0	0	10,112	0	10,112	10,112
0	0	0	-12,831	-225	0	-225	-13,056
0	0	17,443	17,443	0	6,034	6,034	23,477
1,792	-197	0	3,702	671	245	916	4,618
1,792	-197	17,443	21,145	671	6,279	6,950	28,095
3,514	**-711**	**17,443**	**95,652**	**27.602**	**6,279**	**33,881**	**129,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SCHALTBAU HOLDING AG, MUNICH FOR THE FISCAL YEAR 2015

DESCRIPTION OF BUSINESS

Schaltbau Holding AG is a stock market-listed corporation, based in Munich, Germany. The Schaltbau Group is a leading supplier of components and systems for the transportation technology and capital goods sectors. Schaltbau Group entities supply complete level crossing systems, shunting and signals technology, door systems for buses, trains and commercial vehicles, sanitary systems and interior fittings for railway vehicles, industrial braking systems for container cranes and wind power plants, as well as high- and low-voltage components for rolling stock and other applications. Its innovative and future-oriented products make Schaltbau a key business partner for industry, particularly in the transportation technology sector.

BASIS OF PREPARATION

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

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2015 were approved for publication by the Executive Board on 6 April 2016. The consolidated financial statements and group management report will be posted in the Electronic Federal Gazette.

CONSOLIDATION PRINCIPLES

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

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

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

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

Intragroup receivables, payables, income and expenses are eliminated on consolidation.

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. Goodwill arising on application of the equity method is not subjected to scheduled amortisation.

CONSOLIDATED COMPANIES

In principle, all subsidiaries and associated companies are required to be included in the consolidated financial statements. Subsidiaries are companies that are controlled by Schaltbau Holding AG and are fully consolidated if material.

In addition to **Schaltbau Holding AG,** the following 8 (2014: 8) German and 12 (2014: 10) foreign companies are included in the consolidated financial statements of **Schaltbau Holding AG:**

Company	Registered office	Shareholding
Gebr. Bode GmbH & Co. KG [1)]	Kassel	100%
Gebr. Bode & Co. Beteiligungs GmbH	Kassel	100%
Gebr. Bode & Co. Verwaltungsgesellschaft mbH	Kassel	100%
Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.	Rawicz (PL)	89%
Rail Door Solutions Ltd. [2)]	Milton Keynes (UK)	65%
ALTE Technologies S.L.	Barcelona (ES)	100%
Pintsch Bamag Antriebs- und Verkehrstechnik GmbH [1)]	Dinslaken	100%
Pintsch Aben B.V.	Maarssen (NL)	100%
Pintsch Aben geotherm GmbH [1)]	Dinslaken	100%
Pintsch Tiefenbach GmbH [1)]	Sprockhövel	100%
Pintsch Tiefenbach US Inc.	Marion (USA)	100%
Pintsch Bubenzer GmbH [1)]	Kirchen	100%
Schaltbau GmbH [1)]	Munich	100%
Schaltbau Austria GmbH	Vienna (AT)	100%
Schaltbau France S.A.S.	Argenteuil (F)	100%
Schaltbau Machine Electrics Ltd.	Cwmbran (UK)	100%
Schaltbau America Ltd. Partnership	Wilmington (USA)	100%
Schaltbau North America Inc.	Hauppauge (USA)	100%
SPII S.P.A.	Saronno (IT)	65%
Xi'an Schaltbau Electric Corporation Ltd.	Xi'an Shaanxi (P.R.CH)	50%

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

2) Accounted for as an associated company in 2014

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

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

The following associated companies are included in the consolidated financial statements at 31 December 2015 using the equity method:

Company	Registered office	Shareholding
Albatros S.L. [1]	Madrid (ES)	92%
BoDo Bode-Dogrusan A.S.	Kestel-Bursa (Turkey)	50%

1) Control pursuant to IFRS 10 does not exist due to stipulations in the company's statutes and a number of specific points still to be definitively agreed

The following subsidiaries and equity investments are not consolidated on the grounds of materiality and are reported as other financial investments. Both individually and in aggregate they are, in respect of the volume of their business, not material for the fair presentation of the Group's net assets, financial and earnings position:

Company	Registered office	Shareholding
Machine Electrics Ltd.	Cwmbran (UK)	100%
Trukaids Ltd.	Cwmbran (UK)	100%
Direct Contact Ltd.	Cwmbran (UK)	100%
Electrical Spare Parts & Accessories Ltd.	Cwmbran (UK)	100%
Fabricon Ltd.	Cwmbran (UK)	100%
Schaltbau Asia Pacific Ltd.	Hong Kong (P.R.CH.)	100%
Shenyang Schaltbau Electrical Corporation Ltd.	Shenyang (P.R.CH.)	100%
Schaltbau India Pvt. Ltd.	Thane (India)	80%
Xi'an SPII Electric Co. Ltd. [1]	Xi'an Shaanxi (P.R.CH)	32.5%
Shenyang Pintsch Bamag Transportation & Energy Equipment Co. Ltd.	Shenyang (P.R.CH.)	100%
Bubenzer Bremsen America LLC	Flemington (USA)	100%
Pintsch Bubenzer Industrial Brakes (Shenyang) Ltd.	Shenyang (P.R.CH.)	100%
Bubenzer-MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bubenzer MyPort Sdn. Bhd.	Johor (Malaysia)	100%
Pintsch Bubenzer Middle East FZE	Dubai (AE)	100%
Pintsch Bubenzer Singapore PTE. LTD.	Singapore (SG)	100%
Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA.	Sao Paulo (BR)	75%
Shenyang Bode Transportation Equipment Co. Ltd.	Shenyang (P.R.CH.)	100%
Bode Korea Co. Ltd.	Seoul (KOR)	100%
Bode North America Inc.	Spartanburg (USA)	100%
Kineco Alte Train Technologies Pvt Ltd	Bardez (India)	51%
GEZ Unterstützungsgesellschaft mbH	Munich	100%

1) not accounted for using the equity method

BUSINESS COMBINATIONS / GROUP REPORTING ENTITY

Gebr. Bode & Co. Beteiligungs GmbH acquired a further 15.0% of the shares of Rail Door Solutions Ltd. (RDS), Milton Keynes, United Kingdom, on 15 May 2015 for a purchase consideration of € 722,000, bringing Bode's investment up to 65.0%. RDS is fully consolidated since it is now controlled by Bode. For reasons of simplicity and taking materiality into consideration, RDS has been fully consolidated with effect from 1 May 2015. In accordance with IFRS accounting requirements, the previous carrying amount of the investment in RDS (accounted for at equity) was increased to the Group's share of the fair value of RDS's assets and liabilities and the gain of € 2,466,000 recorded in other results from investments. The non-controlling interest of the minority shareholders (35.0%) is valued at their proportionate fair value of the entity's net assets. RDS, which continues to operate as part of the Mobile Transportation Technology segment, is a recognised service partner in the field of construction, modernisation, repair and maintenance of door systems for railway vehicles, primarily for customers in the United Kingdom and Ireland. The shareholding increase undertaken by the Bode Group is part of the Schaltbau Group's continued expansion strategy. With the rail market operating on an increasingly global scale, the international orientation of suppliers continues to gain in significance, reflecting the fact that customers' requirements, including rapid response to service requests, can only be satisfactorily addressed by a local presence.

On 25 June 2015, Pintsch Bubenzer GmbH founded a new service company, Pintsch Bubenzer Singapore PTE. LTD, Singapore, whose operations commenced during the fourth quarter.

On 15 July 2015 Schaltbau GmbH, Munich, a wholly owned subsidiary of Schaltbau Holding AG, acquired 65% of the shares of SPII S.p.A., Saronno, Italy, which specialises in railway and automation components, for an acquisition price of € 13,650,000. The remaining 35% remain in the hands of the Foiadelli family, which founded the company and continues to be represented in the company's management. Via additionally agreed put and call options, these remaining shares may – under certain conditions and at specified dates – be acquired or required to be acquired. SPII's operations have been allocated to the Component segment. SPII designs, manufactures and sells innovative systems and components for the railway sector, including driver's desks, control panels as well as power disconnecting and earthing equipment. Its range of products also includes engineering and maintenance services for trains as well as the sale of components used in logistics and material handling systems. For over 40 years, SPII has served as a reliable and prestigious distributor and selling partner for Schaltbau GmbH in Italy. The acquisition of SPII strengthens the position of the Schaltbau Group in the fields of Components and Rolling Stock. Close collaboration between SPII and Schaltbau GmbH entities will add a number of major systems and components to the existing Railway Control Devices product group, thus reinforcing the Group's market position substantially. The purchase price includes the acquisition of a 50% shareholding in Xi'an SPII Electric Co. Ltd., based in Xi'an, China.

With effect from 15 October 2015, for a purchase price of TEUR €307,000 Schaltbau Holding AG acquired the remaining 10.0% of the shares of ALTE Technologies S.L. from that entity's management and therefore now holds 100.0% of the shares.

On 19 October 2015, Pintsch Bubenzer GmbH founded Pintsch Bubenzer Middle East FZE, Dubai, as a service company.

On 22 December 2015, Schaltbau Holding AG, Munich, acquired a majority of the shares of Albatros S.L., Madrid, increasing its shareholding from 40.0% to approximately 92%. The previous majority shareholder withdrew completely from the business, bringing many years of involvement in the company to an end. Due to stipulations in the company's statutes and a number of specific points still to be definitively agreed, the Schaltbau Group did not hold control at 31 December 2015.

The purchase price of € 7,184,000 (including ancillary costs) was partially settled in the form of shares in Schaltbau Holding AG, which had been previously acquired in conjunction with the share buy-back programme. Purchase options were also put in place at 31 December 2015 to acquire further shares, giving Schaltbau the opportunity to acquire all of the shares of the Spanish manufacturer of railway equipment within a period of five years.

As a result of the changes in the group reporting entity, the figures reported in the consolidated financial statements are not fully comparable with the previous year. The principal effects on the consolidated balance sheet at 31 December 2015 due to the acquisition of further Rail Door Solutions shares and SPII shares are disclosed in the table below. In order to achieve better comparability, the amounts shown must be deducted from (or, in the case of amounts shown with a negative sign, added to) the corresponding line items in the consolidated balance sheet as at 31 December 2015.

Balance Sheet at 31.12.2015			
In € 000			
Intangible assets and property, plant and equipment	27,844	Revenue reserves including translation differences	-41
At-equity accounted investments	-1,692	Group net profit after minority interests	2,329
Other investments	1,089	Minority interests in equity	10,257
Deferred tax assets	822	Deferred tax liabilities	2,078
Inventories	4,399	Pension provisions	1,321
Trade accounts receivable	12,301	Other provisions	1,075
Receivables from affiliated companies	0	Liabilities to banks	24,107
Receivables from associated companies	0	Other financial liabilities	334
Other assets	755	Trade accounts payable	5,279
Cash and cash equivalents	3,291	Sundry other liabilities	2,070
	48,809		**48,809**

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

Income Statement 01.01. – 31.12.2015	
In € 000	
Sales	16,555
Change in inventories	-59
Other operating income	88
Cost of materials	7,064
Personnel expense	5,633
Depreciation and amortisation	1,116
Other operating expenses	1,979
Result on investments	2,254
Net interest result	-534
Income taxes	12
Group net profit for the year	**2,500**
Attributable to minority interests	171
Attributable to Schaltbau Holding AG	2,329
Group net profit for the year	**2,500**

The following fair values were used at the relevant acquisition dates for the purposes of fully consolidating the newly acquired entities.

In € 000	Carrying amounts at acquisition date	Fair value adjustments	Fair values at acquisition date
Intangible assets	266	8,183	8,449
Property, plant and equipment	524		524
Investments	171	933	1,104
Deferred tax assets	738		738
Inventories	4,669		4,669
Trade accounts receivable	16,273		16,273
Other assets	1,147		1,147
Cash and cash equivalents	1,099		1,099
Total assets acquired	**24,887**	**9,116**	**34,003**
Deferred tax liabilities	0	2,312	2,312
Pension provisions	1,290		1,290
Other provisions	2,576		2,576
Liabilities to banks	9,738		9,738
Trade accounts payable	7,038		7,038
Sundry other liabilities	2,375		2,375
Total liabilities acquired	**23,017**		**25,329**
Net assets acquired			**8,674**
Acquisition cost	14,372		
Fair value of own shares of acquired entities	3,946		
Fair value attributable to minority interests 1)	10,129		
			28,447
Goodwill			**19,773**

1) Calculated using the discounted cash flow equity-method based on forecasts for the following three years. The discount rate is determined using the Capital Asset Pricing Model (CAPM).

As part of the process of allocating the purchase price to the assets and liabilities acquired, fair values at acquisition date were derived from carrying amounts previously used for German accounting purposes. Fair value adjustments were determined in connection with SPII's and RDS's order books and customer relationships. The corresponding expenses from rolling these items forward systematically are included in amortisation. A corresponding deferred tax benefit works in the opposite direction. The investment in Xi'an SPII Electric Co. Ltd. has been accounted for at the Group's share of the company's equity. The corresponding adjustments to carrying amounts and the related deferred tax effects are shown in the adjustment column. Overall, goodwill amounted to € 19,773,000 and is not deductible for tax purposes. The acquisition strengthens the Schaltbau Group's Railway Control Devices product group as well as its regional presence, particularly in Italy and Switzerland.

If the business acquisitions had taken place with effect from 1 January, Group sales would have been € 18,794,000 higher. Group net profit after minority interests would have been € 1,069,000 higher. The additional impact of eliminating intragroup profit cannot be quantified, since the necessary information is not available.

USE OF ESTIMATES

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

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

Goodwill is reported in the consolidated balance sheet as a result of business acquisitions. On the first consolidation of 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 on 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 relate to capitalised development costs, long-term contract production, 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. Income and expenses presented in the income statement are translated using average exchange rates for the year in question. Differences arising on translation are recognised directly in equity (see explanatory comments on the consolidated balance sheet, Note 17). Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at transaction date. In subsequent periods, foreign currency monetary items are translated at the closing rate and exchange differences recognised in the income statement.

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

	Closing rate		Average rate	
	31.12.2015	31.12.2014	**2015**	2014
Chinese renminbi yuan	7,0608	7,5358	6,9164	8,1685
US dollar	1,0887	1,2141	1,1105	1,3291
British pound	0,7339	0,7789	0,7266	0,8064
New Turkish lire	3,1765	2,8320	3,0222	2,9051
Polish zloty	4,2639	4,2732	4,1836	4,1853

ACCOUNTING PRINCIPLES AND POLICIES

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

Intangible assets with a limited useful life are measured at cost and amortised on a straight-line basis over their expected useful lives. Concessions, licences, industrial trademarks and software are amortised over a period of 3 to 10 years and capitalised development costs over a period of 5 to 10 years. Intangible assets with an indeterminable useful life and capitalised development costs are measured at cost. They are not subjected to systematic amortisation. Instead, they are tested for impairment annually and, where necessary, the carrying amount is reduced to the recoverable amount. This also applies to all intangible assets whenever there is an indication of impairment. The carrying amount of these assets is reduced if the recoverable amount (defined as the higher of an asset's fair value less costs to sell and its value in use) is lower than the carrying amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost.

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This test is carried out at the level of the cash-generating unit to which the goodwill was allocated. If the carrying amount of the cash-generating unit exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed. The recoverable amount of a cash-generating unit is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal reporting purposes. It is assumed for the purposes of the calculation that growth of one percent will be achieved after the third year. A post-tax interest rate of 5.9% (2014: 6.8%) is currently applied. The discount rate is based on a risk-free interest rate of 1.50% (2014: 1.75%) and a market risk premium of 6.75% (2014: 6.75%). In addition, a beta-factor derived for a comparable peer group of entities, a debt capital cost spread and a capital structure derived for a comparable peer group of entities are taken into account when measuring the recoverable amount of a cash-generating unit.

Research costs are recognised immediately as an expense. Development costs are capitalised if the technical feasibility of completing the intangible asset and its success on the market are assured. After market introduction of the newly developed products, capitalised development costs are amortised over their expected useful life.

Property, plant and equipment are measured at acquisition or manufacturing cost, less scheduled straight-line depreciation and impairment losses. The manufacturing cost of own manufactured assets comprises all costs directly attributable to the asset and an appropriate portion of indirect overheads. Items of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Moveable assets are generally depreciated using the straight-line method. Impairment losses are determined, in accordance with IAS 36, by comparing the carrying amount of an asset with its recoverable amount. If the reasons for previously recognised losses no longer exist, those impairment losses are reversed, at a maximum, up to the amount of the asset's amortised cost. Depreciation is based on the following useful lives: buildings 10 to 50 years, plant and machinery/other equipment, office fixtures and fittings 2 to 15 years. Investment subsidies and grants received are generally offset against the cost of the relevant asset, resulting in a subsequent lower depreciation expense. This is the case unless the overall circumstances require the subsidies and grants received to be recognised as deferred income. In general, public sector grants are not recognised until all conditions attaching to them have been complied with and there is reasonable assurance that the grants will be received. Current maintenance and repair costs are recognised as expense in the period in which they are incurred.

Investments in non-consolidated, affiliated companies and other participations (equity instruments) presented in the balance sheet as **investments** are stated at cost or, if there is no active market, at their lower fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 5.8% and 7.2% for each individual investment. Specific country risks include rates of between 11.0% and 12.7% for India, Brazil and Turkey. Interests in associated companies accounted for using the at-equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment. Impairment losses on equity instruments recognised through profit or loss are not reversed even if the reason for the impairment loss no longer exists. Non-current loans receivable are stated at their amortised cost.

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

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

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

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

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

The fair values of the put and call options to which the Group is party are calculated using the Black-Scholes formula. Fair value gains and losses are recognised in other financial result.

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

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

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

Pension provisions are measured in accordance with IAS 19 (Employees Benefits) using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on actuarial reports which take account of biometric assumptions. In accordance with IAS 19 (revised 2011), actuarial gains and losses are recognised as remeasurements directly in equity. The service cost is reported as personnel expense and the interest component of the allocation to the pension provision is reported as part of the net interest result.

The biometric tables issued by Prof. Dr. Klaus Heubeck (2005G) were used as the basis for mortality probabilities. The interest rate applied to calculate pension provisions is based on current capital market interest rates.

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

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

Liabilities are stated at amortised cost, measured using the effective interest method.

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

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

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

Contingent liabilities correspond to contingent obligations existing at the balance sheet date.

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

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

With the exception of borrowing costs recognised as a component of the cost of qualifying assets, all interest and other borrowing costs are recognised immediately as expense.

Standards, Interpretations and Amendments applied for the first time in the fiscal year 2015

IFRIC 21 - Levies: this IFRIC is an Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The principal issue covered is when a present obligation arises for levies imposed by governments and when a provision/payable should be recognized. A number of items are excluded from the scope of the Interpretation, in particular fines and other penalties, levies relating to government contracts or outflows of resources that are within the scope of other IFRS, such as IAS 12 Income Taxes. IFRIC 21 requires that a liability is recognised if the so-called "obligating event" – based on the wording of the underlying legislation – has occurred. The specific wording used can therefore be highly relevant for the accounting treatment.

The new Interpretation does not have any impact on the consolidated financial statements of Schaltbau Holding AG.

Improvements to IFRS 2011 – 2013: Four Standards were amended in conjunction with the IFRS Annual Improvement Project. The amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs. The Standards affected are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

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

Standards, Interpretations and Amendments issued but not yet applied

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

Already endorsed by the EU:

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

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

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

The amendments are mandatory for annual periods beginning on or after 1 February 2015. The amendments to IFRS 2 and IFRS 3 are required to be applied to transactions occurring on or after 1 July 2014.

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

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

The amendments are mandatory for the first time for annual period beginning on or after 1 January 2016.

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

The amendments are mandatory for the first time for annual period beginning on or after 1 January 2016.

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

The amendments are mandatory for annual periods beginning on or after 1 January 2016.

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

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

The amendments are mandatory for annual periods beginning on or after 1 January 2016.

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

The amendments are mandatory for annual periods beginning on or after 1 January 2016.

Not yet endorsed by the EU:

During 2015 or earlier, the IASB issued the following amendments to existing Standards which have not yet been endorsed by the EU:

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

In accordance with IFRS 10, a parent company is required to recognise the gain or loss arising on the sale of a subsidiary in profit or loss in full as soon as the ability to control that entity is lost. By contrast, the currently applicable IAS 28.28 requires that gains or losses on sale transactions between an investor and an entity accounted for at equity – irrespective of whether it is an associated company of a joint venture – are recognised to the extent of unrelated investors' interests in that entity.

In future, the whole of the gain or loss arising on a transaction will only be recognised, if the sold or contributed assets represent an operation within the meaning of IFRS 3. This will apply irrespective of whether the transaction is structured as a share deal or an asset deal. If the assets do not represent an operation, it is only permitted to recognise the proportionate amount of the gain or loss.

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

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

The new Standard – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018. Earlier application is permitted. It is not currently possible to comment on the impact on the consolidated financial statements of Schaltbau Holding AG, since a review of the likely impact on orders will be made in the course of 2016.

The new version of **IFRS 9** issued in July 2014 replaces the current requirements contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 sets out the requirements for the classification and measurement of financial instruments, including a new model for expected credit losses for the purposes of determining the impairment of financial assets, as well as the new general requirements for hedge accounting. It also replaces the requirements for the recognition and derecognition of financial instruments contained in IAS 39.

IFRS 9 – subject to EU endorsement – is mandatory for the first time for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 16 Leases was published by the IASB in January 2016 and will ultimately supersede IAS 17. Under IFRS 16, the distinction between operating and finance leases will no longer apply for lessees. Instead, all leases will be required to be accounted for in a similar way to finance leases in accordance with IAS 17. For lease arrangements previously classified as operating leases, the new requirements will result particularly in an increase in assets and financial liabilities reported in the balance sheet and in changes in the recognition of expenses arising in conjunction with leases. By contrast, IFRS 16 does not require the recognition of assets or liabilities for short-term leases or for leases relating to so-called “low value assets”.

The IASB has set 1 January 2019 as the mandatory effective date; earlier application is permitted if the requirements relating to revenue recognition contained in IFRS 15 are also adopted.

The **Amendment to IAS 7** – Disclosure Initiative stipulates requirements for disclosures, which are intended to enable the users of financial statements to assess changes in liabilities relating to financing activities. The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2017.

The **Amendments to IAS 12** – Recognition of Deferred Tax Assets for Unrealised Losses clarifies the accounting treatment of deferred tax assets on unrealised losses on available-for-sale financial assets. The Schaltbau Group does not expect any significant impact on the consolidated financial statements.

The amendments – subject to EU endorsement – are mandatory for the first time for annual periods beginning on or after 1 January 2017.

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

RISK MANAGEMENT AND HEDGING ACTIVITIES

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

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

Four forward currency contracts were in place with banks at 31 December 2015 (2014: nine) to hedge cash flows from foreign customers amounting to US $ 5,934,000 (2014: US $ 6,042,000). The forward currency contracts comprise entirely sales contracts (2014: eight sales contracts and one purchase contract), of which three fall due in 2016 and one on 5 January 2017. These contracts gave rise to an unrealised fair value loss of € 310,000 (2014: € 451,000) which has been recognised in the income statement.

The cross currency swap entered into in 2008 to hedge the interest rate / currency risk attached to a euro-denominated loan at the level of a foreign subsidiary expired on 30 June 2015.

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

Foreign currency risk	**USD**		**CNY**		**GBP**	
In € 000	**2015**	2014	**2015**	2014	**2015**	2014
Trade accounts receivable	-141	-128	-	-	-213	-31
Receivables from affiliated companies	-914	-268	56	-	-34	-
Other assets	-	-	-	-	-13	-
Financial liabilities	-	-	-	-	-29	-
Trade accounts payable	-5	-1	-	-4	-133	-6
Payables to affiliated companies	-525	-25	-	-1	2	-
Other liabilities	**-**	**-**	**-**	**-**	**-38**	**-**
Gross risk exposure	-525	-370	56	-5	-62	25
Currency hedging	**105**	**44**	**-**	**-**	**-**	**-**
Net risk exposure	**-420**	**-326**	**56**	**-5**	**-62**	**25**

In addition, 6 (2014: 6) interest rate swaps were in place at the end of 2015:

No.	Nominal amount in €000	Fair value in €000 31.12.2015	Fair value in €000 31.12.2014	Maturity date
1	6,000	-272	-512	30.12.2016
2	6,000	-930	-1,137	28.06.2019
3	1,400	-26	-33	31.08.2017
4	700	-16	-21	31.08.2017
5	500	-15	-18	31.08.2017
6	500	-11	-12	31.08.2017
Σ	**15,100**	**-1,270**	**-1,733**	

As a result of obligations relating to interest-rate swaps, an amount of € 390,000 (2014: € 291,000) was reclassified from revenue reserves to interest expense in the income statement.

As a result of the termination of hedging relationships (hedge accounting), € 766,000 (2014: € 329,000) of amounts previously recognised directly in OCI were reclassified to other operating expenses, interest expense and deferred taxes (see Group Statement of Comprehensive Income).

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) SALES

Sales by segment	2015	2014
In € 000		
Mobile Transportation Technology	219,460	185,619
Stationary Transportation Technology	144,016	138,971
Components	133,149	104,936
Holding	77	84
	496,702	**429,610**

Sales include an amount of € 4,522,000 (2014: € 5,394,000) recognised using the percentage-of-completion method. The corresponding expenses recognised in 2015 amounted to € 2,470,000 (2014: € 3,650,000). The income statement impact of using the percentage-of-completion method in 2015 was a profit of € 1,494,000 (2014: € 1,744,000). Advance payments received from customers at the end of the reporting period amounted to € 0 (2014: € 0).

Contract costs comprise costs that are directly and indirectly attributable to the contract as well as costs that can be charged to customers under the terms of the contract. The stage of completion of a project is determined on the basis of milestones achieved, as measured in conjunction with project controlling. Sales revenue is recognised accordingly. Positive balances on customer contracts at the end of the reporting period amounted to € 41,000 (2014: € 1,000) and negative balances to € 0 (2014: € 0).

Sales by market	2015	2014
In € 000		
Germany	166,554	167,309
Other EU countries	184,999	137,967
Other European countries	29,890	34,818
China / Hong Kong	82,306	62,362
North America	21,306	15,707
Other countries	11,647	11,447
	496,702	**429,610**

75.2% (2014: 83.0%) of sales were billed in euro, 8.7% (2014: 7.3%) in Chinese renminbi yuan, 9.7% (2014: 5.0%) in Polish zloty and 4.2% in US dollar (2014: 3.7%); other currencies accounted for 2.2% (2014: 1.0%). On the expense side, 85.8% (2014: 88.9%) of personnel, material and other non-personnel expenditure were settled in euro, 6.6% (2014: 5.1%) in Polish zloty, 3.8% (2014: 3.7%) in Chinese renminbi yuan, 1.5% in US dollar (2014: 1.5%) and 2.3% (2014: 0.8%) in other currencies. Sales generated with the five largest customers amounted to € 157,356,000 or 31.7% (2014: € 133,700,000 or 31.1%).

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

In € 000	**2015**	2014
Change in inventories	-1,301	3,768
Own work capitalised	5,792	6,965
	4,491	**10,733**

(3) OTHER OPERATING INCOME

In € 000	**2015**	2014
Reversal of allowances	484	282
Reversal of provisions	2,613	1,625
Public-sector grants	13	129
Exchange gains	2,057	1,709
Gains on derivatives	0	15
Sundry other operating income	2,624	2,142
	7,791	**5,902**

Other operating income includes income of € 3,513,000 (2014: € 2,379,000) relating to prior periods (mostly income from the reversal of provisions and from the reduction of allowances). Income from public-sector grants relates primarily to research grants.

(4) COST OF MATERIALS

In € 000	**2015**	2014
Cost of raw materials, supplies and purchased goods	210,436	188,523
Cost of purchased services	36,956	33,868
	247,392	**222,391**

Cost of materials was increased in 2015 by € 13,000 as a result of forward commodity contracts on silver.

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

(5) PERSONNEL EXPENSE / EMPLOYEES

In € 000	**2015**	2014
Wages and salaries	131,856	116,269
Social security, pension and welfare expenses	25,516	21,952
	157,372	**138,221**
Number of employees		
Development	369	317
Purchasing and logistics	251	218
Production	1,435	1,205
Sales and marketing	310	284
Administration including Executive Board members and group company directors	247	222
Trainees	24	24
	2,636	**2,270**

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

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

(6) OTHER OPERATING EXPENSES

In € 000	**2015**	2014
Operating costs	6,113	5,170
Administrative costs	19,120	16,075
Selling costs	18,778	16,638
Employee-related costs	2,219	1,852
Losses on the disposal of non-current assets	110	415
Allowances on receivables	2,121	1,287
Exchange losses	1,621	661
Losses incurred on derivative instruments	0	26
Other taxes	868	879
Sundry other expenses	3,801	4,373
	54,751	**47,376**

Expenses relating to prior periods totalled € 584,000 (2014: € 669,000). Sundry other expenses include primarily allocations to provisions for pending losses in onerous contracts and for penalty payments.

Research and development expenditure in 2015 amounted to € 30,133,000 (2014: € 28,736,000), of which € 25,288,000 (2014: € 22,316,000) was recognised as expense. Accordingly, a total of € 4,845,000 (2014: € 6,420,000) was capitalised as development costs.

The Group has various rental and leasing agreements in place – in particular for property, electronic data processing, vehicles and other office equipment – that are due to expire in the coming years. Rental and lease expense in 2015 and 2014 was € 4,667,000 and € 4,125,000 respectively. The future minimum lease payments under these agreements for the remaining lease terms are as follows: € 3,905,000 (2014: € 3,163,000) payable in up to one year; € 7,817,000 (2014: € 6,076,000) payable in up to five years and € 859,000 (2014: € 206,000) payable later than five years.

Purchases from the five largest suppliers accounted for 5.7% (2014: 7.0%) of total material and non-personnel-cost-related expenditure.

(7) RESULT FROM INVESTMENTS

In € 000	**2015**	2014
Result from at-equity accounted investments	-66	659
Other results from investments	1,044	11,603
	978	**12,262**

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

The result from at-equity accounted investments relates to the Group's share of the earnings for the year of BoDo Bode-Dogrusan (Turkey) and Albatros S.L. (Spain), as well as the time-apportioned share of earnings of Rail Door Solutions Ltd (UK). In the previous year, the time-apportioned share of earnings of RAWAG (Poland) was also included.

Other results from investments includes impairment losses of € 1,421,000 (2014: € 1,142,000) recognised on investments in one (2014: two) non-consolidated foreign subsidiary. This line item also includes a gain of € 2,466,000 arising in conjunction with first-time full consolidation of Rail Door Solutions Ltd (UK) (2014: gain of € 12,420,000 arising on the increase in the shareholding in RAWAG (Poland)).

Impairment losses were calculated using the DCF method described in the section on accounting policies (Goodwill). Impairment losses relate to non-consolidated foreign subsidiaries whose financial condition required adjustments to the carrying value of the investment or whose prospects, contrary to expectations, cannot be reliably determined.

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 € 8,000 / loss of € 114,000 (2014: profit of € 818,000 / profit of € 529,000).

(8) FINANCIAL RESULT

In € 000	**2015**	2014
Other interest and similar income	475	169
(of which from affiliated companies)	(172)	(51)
Interest and similar expenses	-5,654	-4,460
(of which to affiliated companies)	(-95)	(-12)
Other financial result	-1,275	-20
(of which to affiliated companies)	(-1,000)	(0)
	-6,454	**-4,311**

Interest expenses include the interest portion amounting to € 807,000 (2014: € 1,255,000) arising on the allocation to personnel-related provisions and an interest expense of € 160,000 (2014: € 43,000) in conjunction with writing down receivables to their net present value. The interest expense for the year was increased by € 558,000 (2014: € 405,000) as a result of the deployment of interest rate swaps. Other financial result includes a write-down on a loan receivable from a non-consolidated affiliated company (€ 1,000,000) as well as the impact of the first-time recognition of fair value gains and losses on put and call options.

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 2015 and on cash flows in the following year (assuming for cash flow purposes that there would be no other changes to balances of cash at bank/ liabilities to banks and to other financial liabilities during the period under review). The interest rates shown are weighted interest rates.

In € 000	**Balance at 31.12.2015**		**+ 100 basis points**			**- 100 basis points**		
	Fair value	Interest rate	Fair value	Income statement impact	Equity impact	Fair value	Income statement impact	Equity impact
Interest rate swaps	-1,270	3.57 %	88	57	62	-284	-57	-199
Bank interest				-357			357	
Sundry other interest				44			-44	
Total cash flow sensitivity				**-256**			**256**	

In € 000	**Balance at 31.12.2014**		**+ 100 basis points**			**- 100 basis points**		
	Fair value	Interest rate	Fair value	Income state- ment impact	Equity impact	Fair value	Income state- ment impact	Equity impact
Interest rate swaps	- 1.733	2,96%	457	-	320	-143	-	-100
Bank interest				-492			492	
Sundry other interest				-20			20	
Total cash flow sensitivity				**-512**			**512**	

(9) INCOME TAXES

In € 000	**2015**	2014
Income tax expense	6,238	5,078
Deferred tax expense	1,448	1,042
	7,686	**6,120**

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

Deferred taxes related to the following balance sheet items:

In € 000	31.12.2015			31.12.2014		
	Deferred tax assets	Deferred tax liabilities	Result	Deferred tax assets	Deferred tax liabilities	Result
Fixed assets	1,172	11,529	-947	1,198	8,618	-2,111
Inventories	3,049	113	1,033	1,740	8	829
Other current assets	1,092	322	-81	564	133	-45
Pension provision	4,724	-	-85	5,509	-	38
Other provisions	1,146	-	-484	1,568	-	850
Liabilities	814	130	35	857	64	1,190
Tax losses available for carryforward	2,687	-	-919	3,570	-	-1,794
	14,684	**12,094**	**-1,448**	**15,006**	**8,823**	**-1,043**

Deferred tax assets were recognised on all corporation tax and municipal trade tax loss carryforwards. No deferred tax assets were recognised on foreign tax loss carryforwards at the end of the reporting period amounting to € 7,815,000 (2014: € 5,776,000). These tax losses can be carried forward indefinitely. No deferred taxes are recognised on the retained earnings of subsidiaries and associated companies amounting to € 30,890,000 (2014: € 28,039,000) due to the fact that these profits have been left in the companies concerned to enable them to maintain their substance and expand business. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

Reconciliation of expected and actual expense in the income statement

In € 000	2015	2014
Profit before tax	**31,163**	**35,248**
Expected tax expense (30%)	9,349	10,574
- different computation of taxes outside Germany	-2,572	-1,706
- tax-exempt income	-664	-222
- non-deductible expenses	766	515
- associated companies and interests accounted for using the equity method	28	-3,627
- tax expense and reimbursements for prior years	-556	-455
- change in valuation allowances on deferred tax assets on tax losses available for carryforward	827	502
- foreign withholding taxes	308	135
- other differences	200	404
Income tax expense	**7,686**	**6,120**
Effective tax rate	24.7%	17.4%

The line item “Associated companies and interests accounted for using the equity method” includes the impact (expense of € 3,726,000) arising on the change in the way in which RAWAG Sp.z.o.o. is consolidated.

(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.

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

	2015	2014
Shares in circulation at beginning of year	6,152,190	6,152,190
Shares bought back at the year end	-132,645	-56,556
Calculated weighted number of shares at end of fiscal year	6,008,446	6,134,929
Further potential shares from share options (diluted)	192 (187)	192 (186)
Actual and potential shares at end of year (diluted)	6,008,633	6,135,115
Weighted shares - undiluted	**6,008,446**	**6,134,929**
Weighted shares - diluted	**6,008,633**	**6,135,115**

Earnings per share	**2015**	2014
Group net profit for year (€000)	23,477	29,128
Profit attributable to minority shareholders (€000)	6,034	4,348
Profit attributable to shareholders of Schaltbau Holding AG (€000)	17,443	24,780
Earnings per share - undiluted	**€ 2.90**	**€ 4.04**
Earnings per share - diluted	**€ 2.90**	**€ 4.04**

	2015	2014
Weighted shares - undiluted	6,008,446	6,134,929
Weighted shares - diluted	6,008,633	6,135,115
Earnings per share - undiluted	**€ 2.90**	**€ 4.04**
Earnings per share - diluted	**€ 2.90**	**€ 4.04**

Reconciliation of undiluted and diluted weighted shares	**2015**	2014
Weighted shares - undiluted	6,008,446	6,134,929
192 (2014: 192) share options not exercised by 31.12.2015; weighted	187	186
Weighted shares - diluted	**6,008,633**	**6,135,115**

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

Goodwill totalling € 52,173,000 (2014: € 31,812,000) comprises goodwill amounting to € 5,970,000 (2014: € 5,970,000) allocated to the Stationary Transportation Technology segment, € 21,061,000 (2014: € 5,635,000) allocated to the Components segments – of which € 6,248,000 (2014: € 5,635,000) relates to Schaltbau North America Inc. and € 14,813,000 to SPII – and € 25,142,000 (2014: € 20,207,000) allocated to the Mobile Transportation Technology segment – of which € 11,677,000 (2014: € 11,654,000) relates to RAWAG Sp.z.o.o. and € 8,172,000 (2014: € 8,172,000) to ALTE Technologies S.L. There was no requirement to recognise any impairment losses on goodwill during the year under report. Even after reducing forecast free cash flows by 10% for sensitivity analysis purposes, no impairment losses were necessary, with the exception of one entity, for which an impairment loss of approximately € 1.6 million would have arisen in the event of a 10% reduction in free cash flow.

Intangible assets include **capitalised development costs** with a carrying amount of € 17,580,000 (2014: € 14,473,000) and relate primarily to the Stationary Transportation Technology segment.

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

In € 000	**31.12.2015**	31.12.2014
Carrying amount including fair value adjustments	10,253	10,294
less revaluation reserve	3,041	3,041
less acquired minority interest in revaluation reserve	7	7
less deferred taxes	1,307	1,307
Carrying amount before revaluation	**5,898**	**5,939**

The debit balances arising on the consolidation of **associated companies accounted for using the equity method** represent goodwill and are included in the carrying amounts of the entities accounted for using this method. No systematic amortisation was recorded on goodwill. Instead, goodwill is tested for impairment on an annual basis. There was no requirement to recognise any impairment losses in the year under report. In the previous year, an impairment loss of € 354,000 was recognised for one investment.

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

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

In € 000	**31.12.2015**			31.12.2014		
Name	Shareholding	Carrying amount	thereof goodwill	Shareholding	Carrying amount	thereof goodwill
BODO	50.0%	3,044	-	50.0%	2,955	-
ALBA	91.7%	8,423	1,391	40.0%	1,643	1,913
		11,467	**1,391**		**5,979**	**3,156**

BODO: BoDo Bode-Dogrusan A.S.
ALBA: Albatros S.L.

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

In € 000	Acquisition/manufacturing cost						
Note: Rounding differences may arise due to the use of electronic rounding aids.	01.01.2015	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2015
I. Intangible assets							
1. Concessions and similar rights	9,924	-8	8,221	959	-28	0	19,068
2. Software	8,795	20	17	1,000	-147	372	10,057
3. Goodwill	59,966	588	19,773	0	0	0	80,327
4. Capitalised development costs	7,525	0	695	218	1	189	8,628
5. Ongoing development projects	8,271	0	0	4,691	0	-1,157	11,805
6. Payments in advance	533	0	0	285	0	-533	285
	95,014	**600**	**28,706**	**7,153**	**-174**	**-1,129**	**130,170**
II. Property, plant and equipment							
1. Land and buildings	55,907	34	284	2,426	-4	992	59,639
2. Plant and machinery	40,781	60	1,754	3,422	-3,202	720	43,535
3. Other plant and equipment	47,736	168	811	5,614	-3,816	-80	50,433
4. Leased property, plant and equipment	166	0	0	0	0	0	166
5. Assets under construction	2,653	0	0	3,324	0	-1,944	4,033
	147,243	**262**	**2,849**	**14,786**	**-7,022**	**-312**	**157,806**
III. Investments							
1. Investments in subsidiaries	9,108	0	0	964	0	0	10,072
2. At-equity accounted investments	5,432	0	-1,522	7,184	0	0	11,094
3. Participations	0	0	1,089	0	0	0	1,089
4. Non-current loans receivable from Group companies	380	0	0	10,788	0	0	11,168
5. Non-current marketable securities	51	0	0	10	0	0	61
6. Other loans	1,773	0	0	6	-1,758	-21	0
	16,744	**0**	**-433**	**18,952**	**-1,758**	**-21**	**33,484**
	259,001	**862**	**31,122**	**40,891**	**-8,954**	**-1,462**	**321,460**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.2015	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2015	31.12.2015	31.12.2014
6,407	-9	13	2,318	-5	0	8,724	10,344	3,517
6,678	17	9	1,012	-132	-56	7,528	2,529	2,117
28,154	0	0	0	0	0	28,154	52,173	31,812
1,321	0	462	869	1	0	2,653	5,975	6,204
2	0	0	200	0	-2	200	11,605	8,269
0	0	0	0	0	0	0	285	533
42,562	**8**	**484**	**4,399**	**-136**	**-58**	**47,259**	**82,911**	**52,452**
18,118	12	243	1,460	-4	157	19,986	44,007	42,143
26,235	36	1,471	2,675	-3,177	-67	27,173	16,362	14,546
38,559	132	611	4,215	-3,719	-491	39,307	11,126	9,177
26	0	0	14	0	0	40	126	140
0	0	0	0	0	0	0	4,033	2,653
82,938	**180**	**2,325**	**8,364**	**-6,900**	**-401**	**86,506**	**75,654**	**68,659**
4,309	0	0	1,421	0	0	5,730	4,342	4,799
-547	0	2,423	0	0	-2,250	-374	11,468	5,979
0	0	0	0	0	0	0	1,089	0
0	0	0	1,000	0	0	1,000	10,168	380
0	0	0	0	0	0	0	61	51
0	0	0	0	0	0	0	0	1,773
3,762	**0**	**2,423**	**2,421**	**0**	**-2,250**	**6,356**	**27,128**	**12,982**
129,262	**188**	**5,232**	**15,184**	**-7,036**	**-2,709**	**140,121**	**185,693**	**134,093**

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:	4,354	4,354

ANALYSIS OF CHANGES IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

In € 000	Acquisition/manufacturing cost						
Note: Rounding differences may arise due to the use of electronic rounding aids.	01.01.2014	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2014
I. Intangible assets							
1. Concessions and similar rights	6,385	-62	3,195	420	-14	0	9,924
2. Software	8,248	20	216	555	-284	40	8,795
3. Goodwill	39,502	357	20,107	0	0	0	59,966
4. Capitalised development costs	6,933	0	0	467	0	125	7,525
5. Ongoing development projects	2,095	0	0	6,176	0	0	8,271
6. Payments in advance	216	0	0	482	0	-165	533
	63,379	**315**	**23,518**	**8,100**	**-298**	**0**	**95,014**
II. Property, plant and equipment							
1. Land and buildings	40,696	-86	4,798	5,976	-181	4,704	55,907
2. Plant and machinery	34,431	23	2,411	3,634	-633	915	40,781
3. Other plant and equipment	45,197	164	1,632	3,753	-3,184	174	47,736
4. Leased property, plant and equipment	0	-4	170	0	0	0	166
5. Assets under construction	4,920	-41	1,757	2,058	-248	-5,793	2,653
	125,244	**56**	**10,768**	**15,421**	**-4,246**	**0**	**147,243**
III. Investments							
1. Investments in subsidiaries	7,782	0	0	1,328	0	-2	9,108
2. At-equity accounted investments	4,081	0	-791	2,142	0	0	5,432
3. Participations	0	0	0	0	0	0	0
4. Non-current loans receivable from Group companies	149	0	0	380	-149	0	380
5. Non-current marketable securities	0	0	47	4	0	0	51
6. Other loans	20	0	0	1,753	0	0	1,773
	12,032	**0**	**-744**	**5,607**	**-149**	**-2**	**16,744**
	200,655	**371**	**33,542**	**29,128**	**-4,693**	**-2**	**259,001**

Accumulated amortisation, depreciation and impairment losses							Carrying amounts	
01.01.2014	Translation differences	Change in Group reporting entity	Additions	Disposals	Reclassfications/ Reversals of impairment losses	31.12.2014	31.12.2014	31.12.2013
4,581	-15	0	1,844	-3	0	6,407	3,517	1,804
5,810	18	169	965	-284	0	6,678	2,117	2,438
28,154	0	0	0	0	0	28,154	31,812	11,348
615	0	0	706	0	0	1,321	6,204	6,318
2	0	0	0	0	0	2	8,269	2,093
0	0	0	0	0	0	0	533	216
39,162	**3**	**169**	**3,515**	**-287**	**0**	**42,562**	**52,452**	**24,217**
16,849	15	232	1,197	-175	0	18,118	42,143	28,201
23,589	25	869	2,310	-558	0	26,235	14,546	10,842
36,219	141	1,335	3,923	-3,059	0	38,559	9,177	8,978
0	-1	16	11	0	0	26	140	0
0	0	0	0	0	0	0	2,653	4,920
76,657	**180**	**2,452**	**7,441**	**-3,792**	**0**	**82,938**	**68,659**	**52,941**
3,167	0	0	1,142	0	0	4,309	4,799	4,615
-6,361	0	18,237	0	0	-12,423	-547	5,979	10,442
0	0	0	0	0	0	0	0	0
21	0	0	0	-21	0	0	380	128
0	0	0	0	0	0	0	51	0
0	0	0	0	0	0	0	1,773	20
-3,173	**0**	**18,237**	**1,142**	**-20**	**-12,423**	**3,762**	**12,982**	**15,205**
112,646	**183**	**20,858**	**12,098**	**-4,099**	**-12,423**	**129,262**	**134,093**	**92,363**

Amounts included in carrying amounts of land and buildings relating to the revaluation of land:	4,354	4,354

The following summary shows aggregated key data relating to investments accounted for using the equity method:

In € 000	**31.12.2015**		31.12.2014	
	100 %	Group's share	100 %	Group's share
Non-current assets	12,282	9,236	13,526	5,930
Current assets	33,529	28,424	37,796	15,825
Non-current liabilities	16,514	15,150	21,229	8,492
Current liabilities	22,002	18,436	24,317	10,307
Sales	45,147	19,544	35,518	20,208
Net profit/loss for the year	-365	-41	1,104	930
Other comprehensive income	121	48	0	0
Total comprehensive income	-244	7	1,104	930
Total distribution / Group's share	0	0	1,477	768

Mortgages totalling € 32,521,000 (2014: € 27,994,000) have been given as collateral for liabilities to banks. Collateral assignment and pledges over other property, plant and equipment amounted to € 0 (2014: € 1,123,000).

Other investments contain, among other items, non-current loans receivable from Albatros S.L. (€ 9,458,000) and Pintsch Bamag Brasil Tecnologia Ferroviária Ltda. amounting to € 710,000 (2014: € 380,000). The loans receivable from Albatros S.L. include an amount of € 4,458,000 that does not bear interest, the remainder bears interest at market rates.

(12) INVENTORIES

In € 000	**31.12.2015**	31.12.2014
Raw materials and supplies	43,344	38,104
Work in progress	31,723	33,870
Finished goods, goods for resale	12,441	12,969
Advance payments to suppliers	1,121	714
	88,629	**85,657**

None of the Group's inventories are pledged as collateral. Write-downs totalling € 3,292,000 (2014: € 1,020,000) were recognised on inventories in the year under report. Sell-offs and changes in customer ordering patterns resulted in reversals of write-downs on inventories amounting to € 890,000 (2014: € 458,000). Write-downs on inventories at the end of the reporting period totalled € 20,199,000 (2014: € 16,582,000), of which € 609,000 (2014: € 1,582,000) result from first-time consolidation and € 2,000,000 from the reclassification of a provision for onerous contracts, recognised in the previous year, to write-downs on inventories.

(13) TRADE ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND ASSETS

In € 000	**31.12.2015**	31.12.2014
Trade accounts receivable	109,412	80,265
Receivables from affiliated companies	11,412	10,576
Receivables from associated companies	1,119	1,291
Income tax receivables	533	522
Sundry other assets	9,037	8,184
	131,513	**100,838**

In addition to receivables relating to trading, receivables from affiliated and associated companies also include loan receivables totalling € 2,493,000 (2014: € 1,194,000).

Allowances comprised the following:

In € 000	**1.1.15**	Group reporting entity	Utilised	Reversed	Allocated	Currency/ other	**31.12.15**
Trade accounts receivable							
Specific allowances	1,744	1,454	-171	-421	617	17	3,240
Additional risk allowance	2,130	326	-57	-57	547	84	2,973
	3,874	1,780	-228	-478	1,164	101	6,213
Other allowances	4	0	-3	-1	0	0	0
Total	**3,878**	**1,780**	**-231**	**-479**	**1,164**	**101**	**6,213**

The maximum credit risk corresponds to the carrying amount of accounts receivable less the value of insured receivables totalling € 18,302,000 (2014: € 15,144,000).

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

In € 000	31.12.2015			31.12.2014		
	Gross	Allowance	Carrying amount	Gross	Allowance	Carrying amount
Overdue						
up to 30 days	15,812	-206	15,606	7,613	-104	7,509
31 to 60 days	8,174	-250	7,924	3,124	-91	3,033
61 to 90 days	2,370	-75	2,295	2,372	-99	2,273
91 to 180 days	5,041	-213	4,828	4,698	-311	4,387
181 to 365 days	4,518	-400	4,118	5,428	-749	4,679
more than one year	5,855	-4,802	1,053	2,935	-2,246	689
	41,770	**-5,946**	**35,824**	**26,170**	**-3,600**	**22,570**
Net yet due	73,855	-267	73,588	57,969	-274	57,695
	115,625	**-6,213**	**109,412**	**84,139**	**-3,874**	**80,265**

Of the trade accounts receivable total reported at 31 December 2015, 33.8% (2014: 31.9%) relate to the five largest debtors.

61.8% (2014: 65.6%) of receivables and non-current loans are denominated in Euro, 19.0% (2014: 20.5%) in CNY, 9.7% (2014: 6.6%) in PLN and 7.1% (2014: 6.4%) in USD.

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

(14) CASH AND CASH EQUIVALENTS

In € 000	31.12.2015	31.12.2014
Cheques and cash on hand	37	36
Cash at bank	30,698	25,618
	30,735	**25,654**

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

(15) ASSETS AND LIABILITIES HELD FOR SALE

The management of PINTSCH BAMAG Antriebs- und Verkehrstechnik GmbH (PIBA) has been actively contemplating a possible sale of its Warning Systems operations since mid-2015. This line of business is a division within PIBA and sells strip lighting systems for vehicles, warning lights, LED flash-lights and corresponding accessories. The sale of these operations would also involve the transfer of related non-current and current assets and liabilities. In February 2016, the sale of Warning Systems operations was discussed by Schaltbau Holding AG's Supervisory Board and a corresponding resolution taken. The pro-active search for a buyer was initiated and employees informed of the forthcoming sale. PIBA's management anticipate that the sales will take place during the financial year 2016. Based on the above, the criteria for classifying Warning Systems operations as a disposal group pursuant to IFRS 5, Appendix A. are met.

The assets and liabilities relating to discontinuing operations have been reported separately in the balance sheet at 31 December 2015 in the line items "Assets held for sale" and "Liabilities relating to assets held for sale". The non-current assets (or disposal group) are measured at the lower of their carrying amounts and fair value less costs to sell in accordance with IFRS 5.15.

The assets and liabilities that comprise the disposal group at 31 December 2015 are shown in the following table.

In € 000

ASSETS		LIABILITIES AND EQUITY	
Other intangible assets	1,070	Pension provisions	22
Property, plant and equipment	150	Other non-current provisions	42
Deferred tax assets	15	Deferred tax liabilities	322
Inventories	1,709	Other current provisions	55
		Other current non-financial liabilities	69
Assets held for sale	**2,944**	**Liabilities relating to assets held for sale**	**510**

(16) CHANGES IN GROUP EQUITY

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

(17) SUBSCRIBED CAPITAL

The Company's subscribed capital (share capital) is sub-divided into 6,152,190 (2014: 6,152,190) non-par value shares and is fully paid up.

On the basis of the resolution taken at the Extraordinary Shareholders' Meeting on 19 December 2003, a conditional capital of € 234.24 (2014: € 234.24) remained in place at 31 December 2015; the Company's share capital may therefore be increased by up to € 234.24 by the issue of up to 192 new ordinary bearer shares (**Conditional Capital I**). This conditional capital was resolved to allow shares to be issued for share options issued by the Company on 15 March 2004 in conjunction with participation rights (see also Note (8)). The option rights may be exercised at any time after the date of the Annual General Meeting that approved the annual financial statements for the year ended 31 December 2003 and, like the participation rights themselves, have a term of 10 years. The conditional capital increase may only be carried out to the extent that the holders of option rights actually exercise their option to subscribe to shares. So far, a total of 499,936 options have been exercised and the Company's share capital has been increased by € 1,829,765.76; no options were exercised in 2015.

In accordance with the resolution passed at the Annual General Meeting on 9 June 2011, a (new) **Conditional Capital II** amounting to € 3,294,000 is in place at the end of the reporting period following the conditional issue of up to 2,700,000 bearer shares. The Executive Board is authorised, with the approval of the Supervisory Board, to issue – up to 8 June 2016 – bearer convertible bonds and bonds with warrants as well as participation rights capital with conversion or option rights.

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

(18) CAPITAL / REVENUE / OTHER RESERVES

Capital reserves relate primarily to share premiums arising in conjunction with share capital increases made at the level of Schaltbau Holding AG and amount to € 13,701,000 (2014: € 13,701,000). In addition, it was necessary to make a transfer to capital reserves in conjunction with the overestimation of losses (€ 1,251,000) in connection with the capital reduction in 2003 pursuant to § 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to € 258,000 (net of deferred tax of € 172,000), the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to € 595,000 and – in conjunction with bonus agreements – the difference (€ 67,000) between the proceeds from share sales and their purchase price. In conjunction with the acquisition of shares in Albatros S.L. in 2015 in return for treasury shares, an amount of € 254,000 was transferred to capital reserve, representing the difference between the cost of the treasury shares based on their average historical cost and the market price on the date of acquisition.

Revenue reserves comprise retained earnings brought forward as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In addition, net of deferred tax, there was a positive impact of € 333,000 (2014: negative impact of € 198,000) from the fair value measurement of interest rate and currency swaps and a positive impact of € 1,774,000 (2014: negative impact of € 4,682,000) from pension provisions.

In accordance with the share buy-back programme resolved on 20 November 2014 (based on the authorisation granted by the Annual General Meeting on 9 June 2010), a total of 107,172 shares were bought back in 2015. 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. A total of 31,083 shares was used in conjunction with the purchase of shares in Albatros S.L., Spain on 22 December 2015.

The nominal amount of the treasury shares corresponds to 2.16% (2014: 0.92%) of the Company's share capital.

Treasury shares developed as follows:

	Price in Euro	Number
Balance at beginning of year		**56,556**
Purchase / sale date		
9 January 2015	42.48	7,500
16 January 2015	43.45	6,000
23 January 2015	44.48	6,900
30 January 2015	46.01	5,900
6 February 2015	46.13	2,500
13 February 2015	46.10	2,500
20 February 2015	45.91	4,900
27 February 2015	47.08	7,000
6 March 2015	47.02	10,000
13 March 2015	47.66	9,250
20 March 2015	47.62	8,300
27 March 2015	47.05	10,000
3 April 2015	47.95	6,000
17 April 2015	52.74	2,000
24 April 2015	54.23	7,500
1 May 2015	51.96	9,700
8 May 2015	51.91	22
29 May 2015	51.29	1,200
22 December 2015	50.70	- 31,083
Balance at end of year		**132,645**

Overall, treasury shares held at the end of the financial year under report gave rise to a surplus of € 3,763,000 – i.e. the amount by which the treasury shares exceed their arithmetically calculated value (including transaction costs) – which has been offset against other revenue reserves.

In addition, an amount of € 9,038,000 has been offset against revenue reserves in conjunction with the recognition of a liability for a put option to acquire the remaining shares of SPII S.P.A.

At Schaltbau Holding AG's Annual General Meeting for the financial year 2014, shareholders approved the proposal for the appropriation of profit, based upon which € 5,988,000 (€ 1.00 per share) was distributed as a dividend.

The reserve for income/expenses recognised directly in equity includes translation differences.

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

For further details, please refer to the disclosures in the Statement of Changes in Group Equity.

(19) MINORITY INTERESTS

Minority interests relate to Xi'an Schaltbau Electric Corporation Ltd., SPII S.P.A., Rail Door Solutions Ltd. and Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.

(20) PENSION PROVISIONS

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

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

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

In € 000	**31.12.2015**	31.12.2014
Claims under reinsurance policies relating to pension commitments	**90**	**97**

Group entities are also obliged to pay into defined contribution state pension insurance plans. Employer contributions to these plans for each year were as follows:

In € 000	**2015**	2014
Employer contributions to state pension insurance schemes	**10,005**	**7,554**

Pension provisions developed as follows:

In € 000	**2015**	2014
Balance at 1.1.	39,072	33,113
Service cost	714	183
Interest expense	703	1,125
Benefit payments	-1,871	-2,236
Remeasurements	-2,535	6,677
Foreign currency translation	0	-5
Change in group reporting entity	1,290	215
Other items	-22	0
Carrying amount of provision at 31.12.	**37,351**	**39,072**

The pension provision at the end of the reporting period relates to current employees (€ 10,605,000; 2014: € 10,774,000), former employees with vested entitlements (€ 3,305,000; 2014: € 3,977,000) as well as pensioners and surviving dependants (€ 23,441,000; 2014: € 24,321,000).

The main actuarial assumptions applied were as follows:

	31.12.2015	31.12.2014
Interest rate	2.2 %	1.8 %
Salary trend	2.5 %	2.5 %
Pension trend	1.7 %	1.7 %
Fluctuation rate	1.7 %	1.8 %

The discount factor was determined, as in the previous year, on the basis of the updated 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 would have been as follows:

In € 000	Change	Increase	Decrease
Discount rate	0.50 %	-2,395	2,691
Salary trend	0.27 %	281	-264
Pension trend	0.26 %	1,064	-1,019
Fluctuation trend	0.41 %	-1,118	121

As of 31 December 2015 the weighted average period of defined benefit plan pension obligations is 13.9 years (2014: 13.5 years). Pension expense comprised the following:

	2015	2014
Current service cost	714	383
Past service cost/income	0	88
Gains / losses arising from settlements	0	-288
Total service cost (personnel expense)	714	183
Interest expense	703	1,125
Pension expense recognised in the Consolidated Income Statement	1,417	1,308
Effect of changes in financial assumptions	-2,364	7,212
Effect of experience adjustments	-171	-536
Remeasurements recognised in the Group Statement of Comprehensive Income	-2,535	6,676
Total pension expense	**-1,118**	**7,984**

Future cash flows: Contributions for pension obligations in the fiscal year 2016 are expected to amount to € 1,298,000 and benefit payments to € 1,872,000.

(21) OTHER PROVISIONS

Other provisions developed as follows:

In € 000	01.01.15	Group reporting entity	Utilised	Reversed	Allocated	Interest impact	Currency / other	31.12.15
Non-current provisions								
Personnel	3,924	0	-973	-9	1,057	104	-63	4,040
Warranties	284	65	0	-43	21	0	-82	245
Sundry other provisions	251	136	0	0	56	0	-250	193
	4,459	**201**	**-973**	**-52**	**1,134**	**104**	**-394**	**4,479**
Current provisions								
Personnel	7,708	746	-6,589	-378	6,286	0	-272	7,501
Taxes	2,927	1,627	-2,273	-1,072	72	0	33	1,314
Warranties	8,423	0	-3,910	-431	4,222	0	54	8,358
Outstanding supplier invoices	7,387	0	-4,828	-139	5,590	0	-1,720	6,290
Sundry other provisions	3,588	0	-1,647	-1,313	1,488	0	101	2,217
	30,033	**2,373**	**-19,247**	**-3,333**	**17,658**	**0**	**-1,804**	**25,680**
Total	**34,492**	**2,574**	**-20,220**	**-3,385**	**18,792**	**104**	**-2,198**	**30,159**

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 2016. As a result of the “minimum taxation” rule introduced in Germany in 2004, only the first € 1 million of tax losses brought forward and 60% of any remaining tax losses may be offset against taxable income for the current year.

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

Current personnel-related provisions are recognised to cover bonuses and special payments, severance pay and statutory social benefits. Non-current personnel-related provisions relate primarily to long-service awards and pre-retirement part-time working arrangements. Reinsurance coverage has been taken out to cover the obligations relating to pre-retirement part-time working arrangements. Claims against insurance companies amounted to € 531,000 (2014: € 803,000) and are offset against non-current personnel-related provisions.

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

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

(22) LIABILITIES

In € 000	31.12.2015	31.12.2014
Non-current liabilities		
Liabilities to banks	73,711	91,853
Finance lease liabilities	16	51
Other financial liabilities	70,427	1,085
Financial liabilities	144,154	92,989
Other liabilities	10,430	160
	154,584	**93,149**
Current liabilities		
Current income tax liabilities	1,748	965
Liabilities to banks	14,104	12,285
Finance lease liabilities	35	35
Other financial liabilities	1,183	46
Financial liabilities	15,322	12,366
Trade accounts payable	38,190	31,508
Advance payments received	12,252	11,827
Liabilities to affiliated companies	497	388
Liabilities to other group companies	478	311
Liabilities relating to derivative instruments	1,990	2,187
Sundry other liabilities	19,491	13,621
(of which for taxes)	(3,882)	(2,227)
(of which to employees)	(7,208)	(6,774)
(of which for social security)	(1,372)	(632)
Other liabilities	22,456	16,507
	89,968	73,173
Total liabilities	**244,552**	**166,322**

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

In € 000	Carrying amount	Total cash outflows	within 1 year	1 to 5 years	more than 5 years
Financial liabilities	159,476	160,139	15,346	66,273	78,520
Trade accounts payable	38,190	38,190	38,190	-	-
Derivative instruments	1,989	1,580	828	752	-
Other liabilities	32,269	23,230	23,001	228	1
	231,924	**223,139**	**77,365**	**67,253**	**78,521**

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

In € 000	31.12.2015	31.12.2014
Overdue		
up to 30 days	8,551	6,078
31 to 60 days	1,646	1,547
61 to 90 days	851	1,087
91 to 180 days	2,021	2,031
181 to 365 days	1,815	93
more than 1 year	90	118
	14,974	**10,954**
Not yet due	23,216	20,554
Carrying amount	**38,190**	**31,508**

Collateral of € 32,521,000 (2014: € 29,642,000) has been given to cover **liabilities to banks**; of this amount, € 0 (2014: € 525,000) relates to pledges and pledge-like collateral and € 32,521,000 (2014: € 27,994,000) to mortgages.

Credit lines totalling € 157,139,000 (2014: € 149,183,000) are available. The weighted average interest rate as at 31 December 2015 for liabilities to banks during the past year was 2.0% (2014: 2.2%). In addition to the promissory note of € 70 million placed in June, the Group's main source of external financing is a syndicated credit agreement with a volume of € 100 million, which was newly concluded by Schaltbau Holding AG on 12 August 2015. The 5-year term (to August 2020) can be extended by two one-year extension options. The financing conditions were improved compared to the previous arrangements and, as before, no collateral was required to be provided. Options are also in place to increase the financing volume by a maximum of € 40 million. The credit is also available to make non-current loans to subsidiaries. Regular repayments during the term of the arrangements are not stipulated. The credit agreement is subject to compliance with various defined financial performance indicators (covenants) based on the IFRS consolidated financial statements, which – in the event of non-compliance at the relevant reporting date (for a rolling 12-month period up to the quarter-end) – give the lending banks extraordinary rights of termination; these covenants relate to the equity ratio and a specifically defined debt-to-EBITDA ratio. All key performance indicators were complied with for the fiscal year 2015.

Variable interest rates on the floating-rate borrowings are fixed for periods of 1 and 3 months. As a result of these short periods, differences between the carrying amounts and fair values of the resulting liabilities are minimal.

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

In € 000	
2016	14,104
2017	5,601
2018	5,575
2019	4,821
2020	49,892
danach	7,822
	87,815

Liabilities to banks due for repayment in the year 2016 include current account liabilities amounting to € 6,215,000 (2014: € 2,588,000) which are extended from year to year.

Finance lease liabilities comprised the following:

In € 000	Present value at 31.12.	Discounting	Total	due within 1 year	1 to 5 years	more than 5 years
Minimum lease payments	51	7	58	41	17	-
Discounting			-7	-6	-1	-
Present value / Carrying amount			51	35	16	-

Other **financial liabilities** include a promissory note of € 70,000,000, which has been placed on the capital market. The promissory note comprises two tranches, one for € 28,500,000 (due 30 June 2022) and the other for € 41,500,000 (due 30 June 2025). The liability is measured at its present value, with the interest being unwound to give an average effective interest rate of 2.34%.
As in the previous year, other financial liabilities also include some trade accounts payable which will be repaid in instalments over the next 9 to 14 years. These amounts are reported at their present value, with interest being unwound at 3.75% p.a.

Of the **trade accounts payable** total reported at 31 December 2015, 9.7% (2014: 13.6%) relate to the five largest creditors. Payables are mainly denominated in the following currencies: 91.4% in Euro (2014: 90.6%), 3.9% in PLN (2014: 2.7%) and 3.4% in CNY (2014: 5.2%).

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

OTHER DISCLOSURES

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

Notification dated 14 January 2016: On 14 January 2016, Schaltbau Holding AG published a notification received from Landkreis Biberach and Stadtsparkasse Biberach pursuant to § 41 (4f) WpHG, according to which no voting rights in Schaltbau Holding AG are attributable to Landkreis Biberach and Stadtsparkasse Biberach with effect from 26 November 2015.

Notification dated 19 August 2015: BNY Mellon Service Kapitalanlage-Gesellschaft mbH, Frankfurt, Germany notified us on 18 August 2015 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 5% on 14 August 2015 and amounted to 4.88% at that date (corresponding to 300,000 voting rights).

Notification dated 10 July 2015:

1. Kreissparkasse Biberach, Biberach, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich surpassed the 5% threshold on 8 July 2015 and on that day amounted to 5.02% (this corresponds to 308,543 voting rights).

2. Landkreis Biberach, Biberach, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich surpassed the 5% threshold on 8 July 2015 and on that day amounted to 5.02% (this corresponds to 308,543 voting rights). The 5.02% share (308,543 voting rights) is attributable to Landkreis Biberach via Kreissparkasse Biberach pursuant to § 22 (1) sentence 1 no. 1 WpHG.

Notification dated 23 June 2014: Stichting Administratiekantoor Monolith, Amsterdam, Netherlands notified us on 19 June 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, surpassed the thresholds of 3% and 5% on 1 May 2014 and amounted to 5.37% at that date (corresponding to 330,565 voting rights). 5.37% (this corresponds to 330,565 voting rights) are to be attributed to Stichting Administratiekantoor Monolith pursuant to § 22 (1), sentence 1, no. 1 WpHG. The voting rights attributable to Stichting Administratiekantoor Monolith are held through the following company which is controlled by it and whose voting rights in Schaltbau Holding AG exceed 3%: Monolith Duitsland B.V.

Notification dated 14 May 2014: Monolith Duitsland B.V., Amsterdam, Netherlands notified us on 13 May 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 3% and 5% on 1 May 2014 and amounted to 5.37% at that date (corresponding to 330,565 voting rights).

Notification dated 14 May 2014: Monolith N.V., Amsterdam, Netherlands notified us on 13 May 2014 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went below the thresholds of 5% and 3% on 1 May 2014 and amounted to 0% at that date (corresponding to 0 voting rights).

Notification dated 8 February 2013: FPM Funds SICAV, Luxembourg, Luxembourg notified us on 6 February 2013 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went under the threshold of 3% on 31 January 2013 and amounted to 2.99% at that date (corresponding to 183,926 voting rights).

Deutsche Bank AG advised us the following:
Correction to the notification of voting rights pursuant to sec. 21 para 1 WpHG dated 4 January 2011

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

Notification dated 13 December 2012: SATORA Beteiligungs GmbH, Baden-Baden, Germany, notified us on 13 December 2012 pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Munich, Germany, went over the threshold of 10% on 13 December 2012 and amounted to 10.0829% at that date (corresponding to 620,319 voting rights).

Notification dated 16 August 2011: BayernInvest Kapitalanlagegesellschaft mbH, Munich, Germany notified us pursuant to § 21 (1) WpHG that its voting rights in Schaltbau Holding AG, Hollerithstraße 5, 81829 Munich, went over the threshold of 3% on 10 August 2011 and amounted to 3.0536% at that date (corresponding to 62,622 voting rights). Of these voting rights 3.0536% (62,622 voting rights) are attributable to it pursuant to § 22 (1) sentence 1 no. 6 WpHG.

Notification dated 10 January 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 27 December 2010 and amounts to 3.20% (60,000 voting rights) as per this date.

Notification dated 10 February 2006: Mr. Hans Jakob Zimmermann, Essen, gave notice on 6 February 2006 pursuant to § 21 WpHG that his share of voting rights in the Company on 4 May 2005 had gone below the 10% threshold and that it amounted to 7.77% on that date (corresponding to 132,003 votes).

FEE EXPENSE FOR EXTERNAL AUDITORS

The fee expense for external auditors in 2015 for the audit of financial statements amounted to € 728,000 (2014: € 656,000). Of this amount, € 459,000 (2014: € 461,000) related to audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft. In addition, KPMG AG was paid € 7,000 (2014: € 0) for tax advisory services, € 33,000 (2014: € 12,000) for other attestation services and € 157,000 (2014: € 50,000) for other services.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In € 000	**31.12.2015**	31.12.2014
Other financial commitments		
Rental and lease expenses	12,581	9,445
Sundry commitments	3,242	4,895

Contingent liabilities amounting to € 11,092,000 (2014: € 3,436,000) related mainly to financing arrangements of non-consolidated subsidiaries. The risk of losses as a result of claims in conjunction with these contingent liabilities is assessed as low, since it can assumed that sufficient liquidity will be available via group financing.

The rental and leasing expenses shown under **other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments for rental/lease arrangements and other sundry commitments are spread over the following future years as follows: up to one year € 3,905,000 (2014: € 6,570,000), between one and five years € 7,817,000 (2014: € 7,563,000) and later than five years € 859,000 (2014: € 206,000).

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

DISCLOSURES ON FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

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

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

31.12.2015 In € 000	**Balance sheet carrying amounts**	**Not valued on basis of IAS 39**	**Carrying amounts based on IAS 39**	
Measurement category pursuant to IAS 39:			Non-derivative receivables and payables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments [1]	15,660	-	-	-
Trade accounts receivable	109,412	-	109,412	-
Current income tax receivables	533	533	-	-
Other current assets	21,568	2,401	19,032	-
Cash and cash equivalents	30,735	30,735	-	-
Total	**177,908**	**33,669**	**128,444**	**-**
Liabilities-side financial instruments				
Non-current financial liabilities	144,154	16	144,138	-
Non-current other liabilities	10,430	-	10,430	-
Current income tax payable	1,748	1,748	-	-
Current financial liabilities	15,322	35	15,287	-
Trade accounts payable	38,190	-	38,190	-
Advance payments received	12,253	-	12,253	-
Other liabilities	22,456	375	20,092	-
Total	**244,553**	**2,174**	**240,390**	**-**

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading	Derivatives in hedging relationships			
Fair value (through profit or loss)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)	Total carrying amounts based on IAS 39	Fair values
-	15,660	-	-	-	15,660	15,660
-	-	-	-	-	109,412	109,412
-	-	-	-	-	-	-
134	-	-	-	-	19,166	19,166
-	-	-	-	-	-	-
134	**15,660**	**-**	**-**	**-**	**144,238**	**144,238**
-	-	-	-	-	144,138	144,138
-	-	-	-	-	10,430	10,430
-	-	-	-	-	-	-
-	-	-	-	-	15,287	15,287
-	-	-	-	-	38,190	38,190
-	-	-	-	-	12,253	12,253
409	-	-	189	1,391	22,081	22,081
409	**-**	**-**	**189**	**1,391**	**242,379**	**242,379**

31.12.2014 In € 000	Balance sheet carrying amounts	Not valued on basis of IAS 39	Carrying amounts based on IAS 39	
Measurement category pursuant to IAS 39:			Non-derivative recei-vables and ayables	Held-to-maturity
Measurement at:			Amortised cost	Acquisition cost
Assets-side financial instruments				
Other non-current investments [1)]	7,003	-	-	-
Trade accounts receivable	80,265	-	80,265	-
Current income tax receivables	522	522	-	-
Other current assets	20,051	1,364	18,688	-
Cash and cash equivalents	25,654	25,654	-	-
Total	**133,495**	**27,540**	**98,953**	**-**
Liabilities-side financial instruments				
Non-current financial liabilities	92,989	51	92,939	-
Non-current other liabilities	160	-	160	-
Current income tax payables	965	965	-	-
Current financial liabilities	12,366	35	12,332	-
Trade accounts payable	31,508	-	31,508	-
Advance payments received	11,827	-	11,827	-
Other liabilities	16,506	13	14,307	-
Total	**166,321**	**1,064**	**163,073**	**-**

1) Fair values cannot be determined for investments due to the lack of an active market. They are therefore measured at amortised cost. There is no intention to sell these financial instruments.

Carrying amounts based on IAS 39

Available-for-sale		Held for trading	Derivatives in hedging relationships			
Fair value (directly in equity)	Acquisition cost	Fair value (through profit or loss)	Fair value (through profit or loss)	Fair value (directly in equity)	Total carrying amounts based on IAS 39	Fair values
-	7,003	-	-	-	7,003	7,003
-	-	-	-	-	80,265	80,265
-	-	-	-	-	-	-
-	-	-	-	-	18,688	18,688
-	-	-	-	-	-	-
-	**7,003**	**-**	**-**	**-**	**105,956**	**105,956**
-	-	-	-	-	92,939	92,939
-	-	-	-	-	160	160
-	-	-	-	-	-	-
-	-	-	-	-	12,332	12,332
-	-	-	-	-	31,508	31,508
-	-	-	-	-	11,827	11,827
-	-	-	315	1,871	16,493	16,493
-	**-**	**-**	**315**	**1,871**	**165,259**	**165,259**

FAIR VALUE HIERARCHY

At 31 December 2015 the financial assets and liabilities shown in the following table were measured at fair value.

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

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

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

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

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

There were no reclassifications during the fiscal year 2015 between level 1 and level 2 in conjunction with measurement at fair value. There were similarly no reclassifications to level 3 in conjunction with measurement at fair value.

In € 000	Level 1	Level 2	Level 3	31.12.2014
Financial assets				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	-	-	-
Not classified to category pursuant to (directly in equity)				
Derivatives in hedging relationships	-	-	-	-
Financial liabilities				
Measured at fair value through profit and loss				
Derivatives in hedging relationships	-	315	-	315
Not classified to category pursuant to (directly in equity)				
Derivatives in hedging relationships	-	1,871	-	1,871

NET GAINS AND LOSS BY MEASUREMENT CATEGORY

In € 000	**31.12.2015**	31.12.2014
Measured at fair value through profit and loss	127	-423
Loans and receivables	-1,563	404
Held-to-maturity	0	-
Available-for-sale	-275	-

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

Net losses of € 433,000 (2014: net losses of € 527,000) arising on derivatives in a hedging relationship were recognised directly in equity. These are not included in the analysis above.

CAPITAL MANAGEMENT DISCLOSURES

Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity improved again due to positive group earnings and amounted to € 129.5 million at the end of the reporting period, an increase of € 17.0 million compared to one year earlier. The group equity ratio fell from 31.2% to 28.5%, reflecting a further significant increase in the balance sheet total. The aim is to achieve a moderate improvement in the group equity ratio over the coming years. Compared to the end of the previous financial year, the debt coefficient (net liabilities to banks / EBITDA) decreased due to the issue of the promissory note and now stands at 1.1 (2014: 2.0). Including the promissory note (net financial liabilities / EBITDA), the debt coefficient is 2.6 (2014: 2.1). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

CORPORATE GOVERNANCE

The necessary declaration pursuant to § 161 AktG relating to the German Corporate Governance Code was issued by the Executive Board and Supervisory Board and made available to the Company's shareholders on 11 December 2015 at www.schaltbau.de/investor-relations/corporate-governance/entsprechenserklaerung.

RELATED PARTY TRANSACTIONS

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

In € 000	**Volume of services performed**		**Volume of services received**	
	2015	2014	**2015**	2014
Associated companies				
Goods and services	142	1,448	1,610	3,138
Other relationships	516	167	343	14
Non-consolidated companies				
Goods and services	12,477	12,127	2,827	5,462
Other relationships	1,128	769	2,516	1,326

The following receivables and payables existed at the balance sheet date from the perspective of the fully consolidated companies (mostly relating to the supply of goods).

In € 000	Receivables		Payables	
	2015	2014	**2015**	2014
Associated companies	906	1,291	478	311
Non-consolidated companies	11,412	10,576	497	388

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

DISCLOSURES RELATING TO NON-CONTROLLING INTERESTS

Amounts attributable to non-controlling interests:

In € 000	Xi'an Schaltbau Electric Corporation Ltd.		Rawicka Fabryka Wyposazenia Wagonow SP.z.o.o.	
	31.12.2015	31.12.2014	**31.12.2015**	31.12.2014
Capital	50.0 %	50.0 %	10.7 %	10.7 %
Voting rights	50.0 % [1]	50.0 % [1]	10.7 %	10.7 %
Group net profit for the year	5,226	4,090	882	299
Equity	18,016	14,074	5,608	4,931
Assets [2]	25,159	22,254	5,658	4,606
Liabilities [2]	7,143	8,180	1,504	1,133
Net profit for the year [2]	5,226	4,090	882	299
Other comprehensive income for the year [2]	706	1,284	-10	-83
Total comprehensive income [2]	5,932	5,374	872	216
Cash flow	3,879	573	577	682

1) Board majority
2) Before elimination of intragroup transactions

In € 000	SPII S.p.A.	Rail Door Solutions Ltd.
	31.12.2015	**31.12.2015**
Capital	35.0 %	35.0 %
Voting rights	35.0 %	35.0 %
Group net profit for the year	170	1
Equity	7,520	2,737
Assets [1]	14,376	3,496
Liabilities [1]	6,853	920
Net profit for the year [1]	170	1
Other comprehensive income for the year [1]	0	-26
Total comprehensive income [1]	170	-25
Cash flow	361	202

1) Before elimination of intragroup transactions

SEGMENTS

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

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 SEGMENTS

In € 000	Assets		Capital expenditure		External sales	
	31.12.2015	31.12.2014	**2015**	2014	**2015**	2014
Germany	243,565	222,744	19,205	23,521	166,554	167,309
Other EU countries	140,549	76,941	17,475	4,148	184,998	137,967
Other European countries	3,044	2,955	-	-	29,890	34,818
China / Hong Kong	51,569	44,599	1,338	1,288	82,306	62,362
North America	14,658	13,212	25	83	21,306	15,708
Other countries	814	797	1,347	86	11,648	11,446
	454,199	**361,248**	**39,390**	**29,126**	**496,702**	**429,610**

RECONCILIATIONS

In € 000	Sales	
	2015	2014
Total sales of segments	498,084	431,213
Other sales	3,487	2,864
Consolidation	-4,869	-4,467
Sales as per income statement	**496,702**	**429,610**

In € 000	EBIT	
	2015	2014
Total EBIT of segments	43,796	34,110
Other EBIT	-7,157	-6,832
Consolidation	-	19
EBIT as per income statement	**36,639**	**27,297**

In € 000	Assets	
	2015	2014
Total segment assets	465,317	382,047
Other assets excluding deferred tax assets	119,203	83,048
Deferred taxes	3,762	4,015
Consolidation	-134,083	-107,862
Group assets as per balance sheet	**454,199**	**361,248**

In € 000	Liabilities	
	2015	2014
Total segment liabilities	286,602	240,193
Other liabilities excluding deferred tax liabilities	150,599	104,479
Deferred taxes	354	-81
Consolidation	-112,889	-95,882
Group liabilities as per balance sheet	**324,666**	**248,709**

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENT

a) Cash flows from operating activities (indirect method)

Based on the Group's profit from operating activities (EBIT) of € 36.6 million, the cash flow from operating activities in 2015, amounting to € 31.1 million, was approximately € 4.6 million higher than in the previous year. As in the previous year, a further increase in total output resulted in a renewed increase in current assets and hence a cash outflow of € 12.6 million. More specifically, the outflow mainly reflects higher levels of trade accounts receivable and inventories due to increased business volumes. Tax payments increased significantly year-on-year, primarily as a result of increased earnings of entities not belonging to consolidated income tax filing arrangements on the one hand and the utilisation of tax provisions on the other. "Other non-cash income / expenses" include mainly write-downs on inventories and allowances on receivables. Overall, cash flows from operating activities were lower than the Group's EBIT.

b) Cash flows from investing activities

Cash outflows from investing activities totalled € 51.1 million in 2015 and were therefore, once again, significantly higher than one year earlier (€ 38.4 million).

At € 21.9 million, payments for investments in intangible assets and property, plant and equipment were slightly lower than the previous year's high level (€ 23.5 million). The amount of capitalised development costs included in this figure (almost entirely relating to the Stationary Transportation Technology segment) were € 1.5 million lower at € 4.7 million. Further investments at Schaltbau GmbH and Bode KG locations as well as new construction measures at RAWAG (Poland) and Pintsch Bubenzer resulted once again in high levels of cash outflows for land and buildings and assets under construction (in total € 5.8 million). The outflow was, nevertheless, lower than the corresponding figure one year earlier. In this context, however, investments in "Other operational and office equipment" increased sharply compared to the previous year.

Non-current receivables from Albatros S.L. (Spain), and the additional cost of investment in the same company accounted for € 13.6 million of the amount reported as cash outflows for financial investments. As in the previous year, capital funds made available to foreign group entities to finance expanding operations resulted in a cash outflow of approximately € 2.3 million. The cash outflow for acquisitions of fully consolidated entities, less cash acquired, amounted to nearly € 13.3 million and related mainly to the acquisition of the majority shareholdings in SPII (Italy) and Rail Door Solutions (UK).

c) Cash flows from financing activities

The conclusion of a new syndicated credit agreement in 2015 resulted in approximately € 47 million being refinanced. The promissory note issued in 2015 gave rise to a cash inflow of approximately € 69.6 million. After using some of the available funds to finance the share buy-back and the dividend paid by Schaltbau Holding AG, to pay interest on debt and make distributions to minority shareholders, other financial liabilities were reduced by € 20.4 million.

d) Composition of cash funds

Cash funds comprise:

In € 000	**31.12.2015**	31.12.2014
Cash and cash equivalents	30,735	25,654
Balance on cash management accounts	229	550
	30,964	**26,204**

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

Cash funds increased in part due to the timing of cash inflows around the year end as well as by cash inflows at the level of foreign subsidiaries which could not be offset against payables. Furthermore, cash acquired in conjunction with business acquisitions amounting to € 3.3 million contributed to the increase in cash funds.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events or developments have occurred after the end of the reporting period.

SEGMENT INFORMATION

In € 000	Mobile Transportation Technology		Stationary Transportation Technology	
	2015	2014	**2015**	2014
Order intake (external)	221,423	195,723	155,457	138,946
Sales	219,979	186,033	144,227	139,542
- of which external	219,459	185,619	144,016	138,971
- of which with other segments	520	414	211	571
Order book (external)	159,102	147,475	87,110	75,663
EBITDA	22,421	16,595	6,280	6,076
Result from operating activities (EBIT)	17,909	12,658	2,478	2,549
Result from at-equity accounted companies	-66	659	0	0
Sundry other result from investments	1,044	11,700	0	-422
Interest income	139	210	164	55
Interest expense	-1,428	-1,046	-2,556	-2,809
Other financial result	0	-20	-1,000	0
Income taxes	-3,314	-2,410	-1,160	-1,208
Segment result / Group result	14,284	21,751	-2,074	-1,835
Change in fixed assets due to expansion in Group reporting entity	6,098	25,105	0	0
Capital expenditure on investments	6,640	1,802	1,330	380
Impairment losses on investments	-1,421	-720	-1,000	-422
Capital expenditure *1)	5,853	6,228	9,571	10,071
Amortisation and depreciation *1)	-4,512	-3,937	-3,802	-3,527
Impairment losses (without investments)	-720	-751	-2,746	-897
Reversal of impairment losses (without investments)	847	225	386	95
Other significant non-cash expenses	-6,846	-6,792	-4,089	-7,337
Segment assets *2)	175,271	148,582	130,718	120,784
Investments accounted for at-equity	11,468	5,979	0	0
Capital employed *3)	123,506	103,844	92,766	81,953
Segment liabilities *4)	81,626	75,193	99,363	95,962
Employees (average)	1,193	965	696	671
EBIT margin *5)	8.2%	6.8%	1.7%	1.8%
Return on capital employed (ROCE) *6)	14.5%	12.2%	2.7%	3.1%

*1) For intangible assets and property, plant and equipment
*2) Balance sheet total
*3) Working capital (inventories + trade accounts receivable - advance payments received - trade accounts payable) plus non-current assets excluding deferred tax assets
*4) Liabilities
*5) EBIT / external sales
*6) EBIT / capital employed

Components		Sub-totals		Holding company other consolidations		Schaltbau Group	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
131,483	114,666	508,363	449,335	77	84	508,440	449,419
133,878	105,638	498,084	431,213	-1,382	-1,603		
133,149	104,936	496,624	429,526	78	84	496,702	429,610
729	702	1,460	1,687	-1,460	-1,687		
79,054	58,806	325,266	281,944			325,266	281,944
27,516	22,094	56,217	44,765	-6,748	-6,508	49,469	38,257
23,409	18,903	43,796	34,110	-7,157	-6,813	36,639	27,297
0	0	-66	659	0	0	-66	659
0	325	1,044	11,603	0	0	1,044	11,603
42	71	345	336	130	-167	475	169
-1,660	-1,456	-5,644	-5,311	-10	851	-5,654	-4,460
0	0	-1,000	-20	-275	0	-1,275	-20
-3,145	-1,411	-7,619	-5,029	-67	-1,091	-7,686	-6,120
18,646	16,432	30,856	36,348	-7,379	-7,220	23,477	29,128
22,258	0	28,356	25,105	0	0	28,356	25,105
17	394	7,987	2,576	9,464	3,031	17,451	5,607
0	0	-2,421	-1,142	0	0	-2,421	-1,142
5,345	6,791	20,769	23,090	1,170	431	21,939	23,521
-4,040	-3,187	-12,354	-10,651	-409	-305	-12,763	-10,956
-990	-478	-4,456	-2,126	0	0	-4,456	-2,126
135	420	1,368	740	1	0	1,369	740
-4,137	-9,014	-15,072	-23,143	-2,822	-3,494	-17,894	-26,637
159,328	112,681	465,317	382,047	-11,118	-20,799	454,199	361,248
0	0	11,468	5,979	0	0	11,468	5,979
118,004	81,079	334,276	266,876	-985	-10,196	333,291	256,680
105,613	69,038	286,602	240,193	38,064	8,516	324,666	248,709
722	612	2,610	2,248	25	22	2,635	2,270
17.6%	18.0%					7.4%	6.4%
19.8%	23.3%					11.0%	10.6%

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

MEMBERS OF THE EXECUTIVE BOARD

Dr. Jürgen H. Cammann Executive Board spokesman	**Member of the Board:** Alte Technologies S.L.U, Spain Albatros S.L., Spain (09.10.2014 to 22.12.2015) **President of the Board:** Albatros S.L., Spain (since 22.12.2015)
Elisabeth Prigge Member of the Executive Board, CFO	**Chairwoman of the Supervisory Board:** RAWAG SP.z.o.o., Poland (since 20.02.2015) **Member of the Board:** Alte Technologies S.L.U., Spain (since 05.10.2015)
Dirk Christian Löchner Member of the Executive Board, Corporate Development (to 18.05.2015)	**Director:** Gebr. Bode & Co. Beteiligungs GmbH (to 21.07.2015) **Chairman of the Board:** Bode Dogrusan Otomotiv Yan ve TIC A.S., Turkey (to 27.01.2015) **Chairman of the Supervisory Board:** Shenyang Bode Transportation Equipment Co. Ltd., China (to 22.07.2015) **Chairman of the Supervisory Board:** Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o., Poland (to 20.02.2015) **Member of the Supervisory Board:** Rail Door Solutions, Great Britain (to 12.06.2015) **Member of the Board:** Albatros S.L., Spain (to 29.06.2015) **President of the Board:** Alte Technologies S.L., Spain (to 30.06.2015)
Ralf Klädtke Member of the Executive Board, Mobile Transportation Technology segment (since 01.08.2015)	**President of the Board:** Alte Technologies S. L.U., Spain (since 01.09.2015) **Member of the Board:** Albatros S.L., Spain (since 22.12.2015) Rail Door Solutions Ltd., United Kingdom (since 29.10.2015)

MEMBERS OF THE SUPERVISORY BOARD

Hans Jakob Zimmermann Chairman Supervisory Board	**Deputy Chairman of the Supervisory Board:** wige MEDIA AG, Cologne **Chairman of the Advisory Board:** ante-holz GmbH, Bromskirchen-Somplar
Peter Jahrmarkt Deputy Chairman Officer with general authority (Generalbevollmächtigter) of heristo holding GmbH, Bad Rothenfelde	**Deputy Chairman of the Supervisory Board:** heristo aktiengesellschaft, Bad Rothenfelde (to 31.12.2015) **Member of the Supervisory Board:** fine food alliance SE, Bad Rothenfelde (to 31.12.2015)
Marianne Reindl Secretary	**Chairwoman:** Group Works Council of Schaltbau Holding AG, Munich General Works Council of Schaltbau GmbH, Munich **Deputy Chairwoman:** Works Council of Schaltbau GmbH, Aldersbach plant
Dr. Stefan Schmittmann Supervisory Board	**Chairman of the Supervisory Board:** Hypothekenbank Frankfurt AG, Frankfurt/Main **Member of the Supervisory Board:** m-Bank, Poland (to 31.12.2015)
Friedrich Smaxwil President CEN, European Committee for Standardization, Brussels	**No mandates**
Thomas Farnschläder Employee Work Centre	**Chairman:** Works Council of Pintsch Bubenzer GmbH, Kirchen **Member:** Group Works Council of Schaltbau Holding AG, Munich

REMUNERATION OF PERSONS IN KEY POSITIONS

The total remuneration of the Executive Board for the fiscal year 2015 amounted to € 2,027,000 (2014: € 2,193,000).

The Group does not disclose an analysis of remuneration by individual members of the Executive Board as a result of the resolution taken at the Annual General Meeting on 9 June 2011.

The expense for fixed and dividend-related remuneration paid to members of the Supervisory Board (including subsidiaries) amounted to € 312,000 (2014: € 312,000). In addition, a remuneration of € 55,000 (2014: € 46,000) was paid to one member of the Supervisory Board in accordance with the Articles of Incorporation (Article 13 paragraph 1 of the Articles of Incorporation of Schaltbau Holding AG). In accordance with the resolution passed at the ordinary Annual General Meeting on 6 June 2013, the Chairman of the Supervisory Board received an expense allowance of € 30,000 during the year under report (2014: € 30,000) to cover the cost of office rental, secretarial services and general administrative expenses.

Pension obligations to former members of the Executive Board and their surviving dependents, which are all accrued, amounted to € 587,000 (2014: € 640,000). Disbursements for the total remuneration of former members of the Executive Board and their surviving dependents amounted to € 82,000 (2014: € 82,000).

As at 31 December 2015, a total of 714,698 shares of the Company were held by Executive Board members, all by Dr. Cammann. Members of the Supervisory Board hold in total 695,754 of the Company's shares, comprising 689,564 held directly or indirectly by Mr Zimmermann, 5,000 held directly or indirectly by Mr. Jahrmarkt and 1,190 held directly or indirectly by Mr. Smaxwil.

PROFIT DISTRIBUTION PROPOSAL

It is proposed to the shareholders at the Annual General Meeting of Schaltbau Holding AG that the unappropriated profit of Schaltbau Holding AG be used as follows:

In € 000	
Payment of a dividend of € 1.00 per share each representing € 1.22 of the Company's share capital of € 7,505,671.80	6,152,190.00
Carry forward	9,670.05
Unappropriated profit	**6,161,860.05**

Munich, 6 April 2016
The Executive Board

Dr. Jürgen H. Cammann (Spokesman)	Elisabeth Prigge	Ralf Klädtke

RESPONSIBILITY STATEMENT

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

Munich, 06 April 2016

Schaltbau Holding AG
The Executive Board

Dr. Jürgen H. Cammann
(Spokesman)

Elisabeth Prigge

Ralf Klädtke

Der Vorstand

Dr. Jürgen H. Cammann,
Baden-Baden
Spokesman of the Executive Board

Elisabeth Prigge,
Düsseldorf

Ralf Klädtke
Königsbronn

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD ACTIVITIES DURING THE REPORTING YEAR

In accordance with stock corporation law, the Supervisory Board regularly advised the Executive Board in its management tasks and supervised the governance of Schaltbau Holding AG during the year under report. The Supervisory Board performed the duties charged to it in accordance with the law and the Articles of Incorporation with great diligence, intensively dedicating its attention to the business matters of Schaltbau Holding AG. The supervisory and advisory work of the Supervisory Board was performed on the basis of detailed oral and written reports provided by the Executive Board and pertaining to the business performance of both Schaltbau Holding AG and the Group. The Executive Board's reports principally dealt with business policies, fundamental questions of finance and investment policies as well as the profitability and risk situation of Schaltbau Holding AG and the Group.

The Supervisory Board was directly involved in all decisions of fundamental importance for the enterprise. The Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in both oral and written reports regarding business performance, corporate policies, financial, investment and personnel planning as well as the profitability and the risk situation of both Schaltbau Holding AG and the Schaltbau Group. Moreover, the corporate strategy of the Schaltbau Group and its related projects were among the main topics of the Executive Board's reports and meetings with the Supervisory Board.

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

The Chairman of the Supervisory Board consulted regularly with the Spokesman of the Executive Board and the full Executive Board regarding current developments within the Company and the Group as well as opportunities for external growth arising for Schaltbau and assessed them with regard to their feasibility. During the fiscal year, the Chairman of the Supervisory Board informed the full Supervisory Board on current topics in numerous telephone conferences.

Transactions requiring the approval of the Supervisory Board were the subjects of lengthy discussion between the Supervisory Board and the Executive Board. With the aid of reports and information received from the Executive Board, the Supervisory Board assured itself of the proper governance of the Company and ascertained that the requirements of the risk management system were fulfilled, both within Schaltbau Holding AG and throughout the Group.

MAIN FOCUSES OF SUPERVISORY BOARD MEETINGS

During the year under report, two extraordinary (one of which was a telephone conference) and four regular Supervisory Board meetings were held at which all members of the Supervisory Board were present, with one exception.

The monthly reports presented by the Executive Board were closely examined at each of the regular Supervisory Board meetings. These status reports are designed to supply information regarding incoming orders, sales and earnings – both on a monthly basis and cumulatively – including target deviations and the current forecast. The reports also document the liquidity and the financial situation, including the status of current credit lines and the amounts drawn down by entity as well as available liquidity, based on actual and forecasted figures. Furthermore, the Supervisory Board reviewed trends in order intake, sales, expenses and earnings for the various segments and subsidiaries of the Schaltbau Group and discussed these at length with the Executive Board. The discussion and assessment of strategic options were regular items on every agenda. Moreover, at each meeting, the Executive Board informed the Supervisory Board regarding the current progress of the Spanish entities ALTE and Albatros, followed by an in-depth discussion of the Schaltbau Group's business performance in China and Brazil.

Furthermore, the Supervisory Board addressed the following topics at its various meetings during fiscal year 2015:

At the extraordinary meeting held on 16 April 2015, the Supervisory Board discussed Group strategy, particularly that concerning the Mobile Transportation Technology segment. Further topics of the meeting included the Group's engagement in Spain and the restructuring of Group financing.

At its meeting held on 17 April 2015 to consider the financial statements, the Supervisory Board examined and approved the Company Financial Statements, the Consolidated Financial Statements and the Combined Management Report 2014 for both Schaltbau Holding AG and the Schaltbau Group as a whole. The external auditors were present and answered all of the questions put to them by the Supervisory Board. On this basis, the Company Financial Statements were adopted and the Consolidated Financial Statements approved. The Supervisory Board approved the statements regarding the further development of the business and the disclosures pursuant to Section 289 subsection 4 (5), Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB) as well as the Corporate Governance Statement. Moreover, the Supervisory Board thoroughly discussed and examined the Executive Board's proposal regarding the appropriation of the Company's unappropriated profit from 2014 and concurred with it. In addition, on 17 April 2015 the Supervisory Board adopted the Corporate Governance Report as well as the agenda for the Annual General Meeting on 11 June 2015, approved the report of the Supervisory Board and was informed by the Executive Board regarding preventive compliance measures. The restructuring of Group financing was a further topic discussed at the meeting.

At its meeting held on 10 June 2015, the Supervisory Board determined the audit plan for the internal audit to be performed in 2015. Furthermore, it addressed current topics relating to individual Group entities, the progress of various projects in the Stationary Transportation Technology segment and the acquisition of SPII. The Supervisory Board also discussed and approved the proposed restructuring of Group financing.

At its meeting held on 21 September 2015, the Supervisory Board examined in detail the annual risk report. In addition, the Supervisory Report performed its annual efficiency examination and, in cooperation with the Executive Board, determined the legally required quota for women. Further topics of consultation included ALTE and Albatros, developments at Pintsch Bamag, particularly in connection with the Platform Screen Doors business in Brazil, and the state of business in China as a further main topic.

At the meeting held on 11 December 2015, the Supervisory Board devoted its attention to the internal audit report presented by Deloitte & Touche and adopted the Declaration of Compliance with the German Corporate Governance Code. Moreover, the Executive Board reported to the Supervisory Board on the strategy of the Mobile Transportation Technology segment, the state of negotiations regarding the majority takeover of Albatros and the latest project developments as well as international activities.

In the extraordinary meeting that took place on 16 December 2015, the Supervisory Board discussed the current status of the Spanish entities in connection with the planned majority acquisition of Albatros.

Three resolutions put forward by the Executive Board were approved by the Supervisory Board by way of circulation procedure. On 24 March 2015, the Supervisory Board approved the founding of a service company in Singapore and the expansion of production facilities at the Pintsch Bamag site in Dinslaken. On 1 July 2015, the Supervisory Board approved the acquisition of SPII S.p.A., Italy, and on 28 July 2015 adopted the further financing of Albatros S.L.

PERSONNEL COMMITTEE ACTIVITIES

The Personnel Committee formed within the Supervisory Board held four meetings during the year under report. The main topics of discussion included Executive Board matters outside the field of responsibility of the full Supervisory Board.

No other committees exist within the Supervisory Board. An Audit Committee has been provided for under the Supervisory Board's rules of procedure, but has not been formed, due to the total size of the Supervisory Board. This function is performed by the full Supervisory Board. As in previous years, no further committees were appointed, particularly in view of the fact that a consistent flow of all corporate and other relevant information to all members of a six-person Supervisory Board is eminently achievable.

COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS 2015

At the proposal of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as external auditor for both the AG and the Group. After the conclusion of the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor, KPMG AG provided the Chairman of the Supervisory Board with a written statement that no circumstances exist which could impair its independence as external auditor.

The external auditor audited the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2015 as well as the Combined Management Report for the AG and the Group, together with the accounting system, and issued unqualified auditors' reports thereon. The external auditor provided each member of the Supervisory Board with a copy of the long-form audit report. The documents pertaining to the financial statements, including the long-form audit reports prepared by the external auditor, were sent to each member of the Supervisory Board in a timely manner, in order to ensure careful and thorough examination by the Supervisory Board. The Supervisory Board held its financial statements approval meeting together with the Company's external auditor on 18 April 2016. At this meeting the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements as at 31 December 2015, the Combined Management Report for the AG and the Group and the long-form audit reports were discussed in detail with the external auditor, who in turn reported on the course of the audit and the principal findings.

The Supervisory Board examined the Company Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Executive Board's proposal for the appropriation of the Company's unappropriated profit. After concluding its own examination, the Supervisory Board did not raise any objections and concurred with the result of the audit of the Company Financial Statements and the Consolidated Financial Statements by the external auditor. The Supervisory Board then formally approved the Company Financial Statements of Schaltbau Holding AG and the Consolidated Financial Statements for the fiscal year 2015 submitted to it by the Executive Board. The Company Financial Statements were accordingly adopted. The Supervisory Board has hereby approved the Combined Management Report for the AG and the Group, including the statements regarding the further development of the Group and the particulars in accordance with Section 289 subsection 4 (5), Section 315 subsection 2 (5) and subsection 4 of the German Commercial Code (HGB). The Supervisory Board also approved the Corporate Governance Statement.

The Supervisory Board concurred with the proposal made by the Executive Board regarding the appropriation of unappropriated profit.

The risk management system was examined by the external auditor. The external auditor confirmed that the Executive Board has put the required measures in place in accordance with Section 91 subsection 2 of the German Stock Corporation Act (AktG) and installed a monitoring system that adequately detects at an early stage any developments capable of posing a threat to the going-concern status of the Company or individual Group entities.

REPRESENTATIVE BODIES OF THE COMPANY

The Supervisory Board consists of six members. Four members act as shareholder representatives and must be elected by the Annual General Meeting. Shareholder representatives remain Hans Jakob Zimmermann, Essen, Chairman of the Supervisory Board, Peter Jahrmarkt, Ratingen, Deputy Chairman of the Supervisory Board, Dr Stefan Schmittmann, Grünwald, and Friedrich Smaxwil, Gerlingen. The term of office of these members will cease at the end of the Annual General Meeting, during which the shareholders will vote on ratifying the actions of the Supervisory Board for the fiscal year 2015. Employees are represented on the Supervisory Board by Marianne Reindl, Egglham, and Thomas Farnschläder, Kirchen.

Mr Dirk Löchner resigned as member of the Executive Board on 18 May 2015. Mr Ralf Klädtke was appointed as further member of the Executive Board of Schaltbau Holding AG with effect from 1 August 2015 and, based on the agreed allocation of responsibilities for board members, is responsible for the Mobile Transportation Technology segment.

The Supervisory Board wishes to thank the Executive Board, the management teams of the various Group companies, the Works Council and the entire staff of the Group for the dedicated and successful work performed during the past fiscal year.

Munich, April 2016

Hans J. Zimmermann
Chairman of the Supervisory Board

BALANCE SHEET OF SCHALTBAU HOLDING AG, MUNICH
AS AT 31 DECEMBER 2015

ASSETS

In € 000	31.12.2015	31.12.2014
A. FIXED ASSETS		
I. Intangible assets	936	755
II. Property, plant and equipment	610	54
III. Investments	109,708	91,509
	111,254	**92,318**
B. CURRENT ASSETS		
I. Receivables and other assets	94,259	71,861
II. Cash and cash equivalents	488	3,600
	94,747	**75,461**
C. PREPAID EXPENSES	**365**	**339**
	206,366	**168,118**

EQUITY AND LIABILITIES

In € 000	2015	2014
A. EQUITY		
I. Subscribed capital (Conditional capital € 3,294)	7,506	7,506
Nominal amount of treasury shares	-162	-69
Issued share capital	7,344	7,437
II. Capital reserves	16,076	15,823
III. Revenue reserves	28,394	37,820
IV. Unappropriated profit	6,162	6,160
	57,976	**67,240**
B. PROVISIONS		
I. Provisions for pensions and similar obligations	5,768	5,696
II. Other provisions	3,958	4,936
	9,726	**10,632**
C. LIABILITIES	**138,664**	**90,246**
	206,366	**168,118**

INCOME STATEMENT OF SCHALTBAU HOLDING AG, MUNICH
FOR THE FISCAL YEAR 1 JANUARY – 31 DECEMBER 2015

In € 000	**2015**	2014
1. Sales	3,487	2,864
2. Other operating income	336	602
3. Cost of materials	651	593
4. Personnel expense	5,149	4,636
5. Amortisation and depreciation	409	305
6. Other operating expenses	6,682	4,281
7. Income from investments	6,000	4,000
8. Income from profit transfers	10,597	10,779
9. Income from non-current marketable securities	0	508
10. Net interest income/expense	176	774
11. Expenses in conjunction with loss transfers	7,923	7,289
12. Loss/profit from ordinary activities	**-218**	**2,423**
13. Taxes	-438	549
14. Net profit	**220**	**1,874**
15. Unappropriated profit brought forward	5,942	4,286
16. Unappropriated profit	**6,162**	**6,160**

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Schaltbau Holding AG, Munich comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, statement of comprehensive income and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich
April 13, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Moesta	Querfurth
Wirtschaftsprüfer	Wirtschaftsprüfer

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