
# Annual Report 2020

## Safety and Reliability
## for Rail and DC-POWER

SCHALTBAU
HOLDING

# Key figures

| | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Order situation** | | | | | | |
| Order intake | €m. | 538.3 | 545.7 | 631.3 | 594.0 | 551.2 |
| Order book at year-end | €m. | 513.5 | 488.9 | 583.0 | 508.3 | 429.8 |
| **Consolidated income statement** | | | | | | |
| Revenue | €m. | 502.3 | 513.7 | 518.3 | 516.5 | 509.1 |
| Total output | €m. | 515.2 | 517.0 | 523.4 | 533.2 | 506.4 |
| EBITDA | €m. | 42.7 | 32.7 | 22.5 | 20.1 | 16.4 |
| EBIT | €m. | 21.7 | 17.2 | -7.3 | -23.0 | -14.5 |
| EBIT margin | % | 4.3 | 3.3 | -1.4 | -4.4 | -2.8 |
| Group net profit/loss for the year | €m. | 5.7 | 7.4 | -14.1 | -49.6 | -12.0 |
| – attributable to shareholders of Schaltbau Holding AG | €m. | 3.9 | 4.1 | -16.5 | -51.7 | -15.8 |
| Return On Capital Employed | % | 8.1 | 6.4 | -2.7 | -8.3 | -4.2 |
| **Conosolidated balance sheet** | | | | | | |
| Fixed assets | €m. | 145.8 | 150.8 | 133.0 | 150.6 | 179.2 |
| – Investments in property, plant and equipment and rights of use | €m. | 17.9 | 20.6 | 12.9 | 10.0 | 11.6 |
| – Depreciation on property, plant and equipment and rights of use | €m. | 12.1 | 11.2 | 8.7 | 13.0 | 9.6 |
| Working Capital | €m. | 127.4 | 122.8 | 139.4 | 126.9 | 161.9 |
| Capital Employed | €m. | 269.5 | 269.7 | 272.4 | 277.5 | 341.1 |
| Equity | €m. | 90.7 | 97.4 | 93.8 | 70.6 | 107.1 |
| Net financial liabilities (incl. Leasing) | €m. | 79.8 | 82.2 | 100.4 | 158.4 | 148.0 |
| Balance sheet total | €m. | 411.8 | 401.2 | 396.8 | 452.0 | 459.1 |
| **Consolidated cash flow statement** | | | | | | |
| Cash flows from operating activities | €m. | 32.2 | 62.9 | -6.2 | 10.5 | 25.8 |
| Cash flows from investment activities | €m. | -18.5 | -20.6 | 28.1 | -34.3 | -18.2 |
| Cash flows from financing activities [1] | €m. | -0.3 | -38.8 | -26.3 | 19.9 | -8.7 |
| Change in cash funds [1] | €m. | 14.2 | 3.4 | -4.5 | -4.8 | -1.5 |
| **Personnel** | | | | | | |
| Employees at year-end | | 2,916 | 2,863 | 3,157 | 3,370 | 3,370 |
| Average number of employees | | 2,685 | 2,723 | 2,998 | 3,094 | 2,925 |
| Personnel expense | €m. | 167.7 | 176.2 | 177.2 | 186.9 | 171.3 |
| Personnel expense per employee | €k | 62.5 | 64.7 | 59.1 | 60.4 | 58.6 |
| Total output per employee | €k | 191.9 | 189.9 | 174.6 | 172.3 | 173.1 |
| Earnings per share (undiluted) | € | 0.44 | 0.46 | -1.93 | -8.04 | -2.61 |
| Earnings per share (diluted) | € | 0.44 | 0.46 | -1.93 | -8.04 | -2.61 |
| Dividend per share for the year | € | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share price at year-end [2] | € | 29.80 | 34.00 | 20.20 | 26.94 | 30.76 |
| Market capitalisation at year-end | €m. | 263.8 | 301.0 | 178.8 | 178.1 | 189.2 |
| **Schaltbau Holding AG's equity at year-end** | | | | | | |
| Subscribed capital | €k | 10,800 | 10,800 | 10,800 | 8,064 | 7,506 |
| Equity | €m. | 46.0 | 44.9 | 56.6 | 30.6 | 41.1 |
| Equity ratio | % | 22.4 | 26.1 | 30.7 | 14.6 | 21.6 |

[1] The current account balance was added to liquidity in 2016, and from 2017 the change in the current account balance is included in the cash flow from financing activities. The values for 2017 have been adjusted compared to the presentation in the 2017 annual report (= allocation of the current account balance to liquidity).

[2] Xetra closing price at the last trading day of the year.

# Content

# To our shareholders

**Dr Jürgen Brandes**
CEO

## Dear Shareholders

After joining the Executive Board of Schaltbau Holding AG in April 2020, I was appointed CEO with effect from 1 January 2021. As the fiscal year 2020 was entirely dominated by the global COVID-19 pandemic, I came on board at a very challenging time. It was, however, a conscious decision to do so. Schaltbau has successfully navigated many a crisis in the course of its 90-year corporate history. Above all, however, I see Schaltbau as embodying a fascinating mixture of tradition and modernity. Since its founding, Schaltbau has managed to reinvent itself time and again throughout its long corporate history with the help of its own innovative strength, and for precisely this reason it has been able to maintain its market position for such a sustained period.

As a native of Hanover, I am, of course, familiar with the history of Schaltbau's former parent company Hackethal AG. Ninety years ago, Hackethal AG, which was based in Hanover in those days, decided to establish a subsidiary in Munich. Back then, Munich was the most important railway junction in southern Germany and the place where all the technical questions concerning the electrification of the rail sector were dealt with. In Bavaria, a predominantly agricultural region at the time, Munich was the innovation cluster for technical progress in terms of electrifying and standardising rail transport.

> Schaltbau has managed to retain this innovative spirit right up to the present day. I am therefore highly pleased to be involved in building the future of Schaltbau together with my colleagues on the Executive Board, our employees and our business partners – and we intend to accomplish a great deal together.

But first of all, let's take a look at the fiscal year 2020. I am very proud of the fact that our employees responded so constructively and creatively to the challenges posed by the pandemic. Contact restrictions were promptly applied, and methods as well as processes adapted at very short notice. Practically all our communication was conducted digitally and it became very clear how important our continued commitment to service was for our customers.

We managed to continue business operations largely without interruption. It is thanks to our team, to the commitment of each individual, that we have come through the pandemic so robustly up to this point. With our current operating structure, we even managed to achieve a modest 2.1% increase in revenue to EUR 502.3 million and improve the EBIT margin to 4.3%.

Macroeconomic shocks always present opportunities to realign and refocus – and we have certainly made the most of them. We intend to retain many of the lean processes that have proved effective during the pandemic. In a period that has called everything into question, we have also become aware of where our company's strengths lie and how to leverage them to our best advantage going forward. We have both reoriented and streamlined our corporate strategy.

From a traditional point of view, railway technology is our core business. As experts for rail infrastructure and electromechanics, we have been ensuring a maximum of safety and availability within the sector for decades. This applies both to the rail-specific components produced by Schaltbau GmbH and the range of systems and services provided by our subsidiaries Bode, Pintsch and SBRS. In this "traditional" core business, however, we continue to set standards for innovation in the railway sector today with projects such as the "Zwieseler Spinne" regional network. Furthermore, with our Schaltbau segment we are a part of the digitisation offensive in the rail sector.

> Going forward, we intend to increasingly utilise our high level of technological expertise and know-how to safeguard DC applications in the rail sector with the aim of opening up new, additional fields of application and dynamically growing markets outside the railway industry.

Against the backdrop of major business-relevant issues such as climate change and the energy transition, new innovation clusters have emerged in Germany, especially around our company location in Munich, that are pressing ahead with cutting-edge, ecologically sustainable ways of generating and utilising energy.

In view of the fluctuating nature of energy produced via wind farms and photovoltaic systems, the energy transition needs innovative storage technology and e-mobility requires advanced battery-based solutions. With the increased use of state-of-the-art stationary and mobile energy storage systems, the question of how to protect these solutions always arises, a field in which we are regularly called for as experts. From battery solutions and charging infrastructure for the e-mobility sector through to DC microgrids for industrial production – wherever advanced battery systems are deployed, we can significantly raise standards of energy efficiency and safety with our electromechanical and power electronics components and deliver smart energy management solutions.

> With our new "NExT Factory" in Velden, we intend to benefit from the dynamic growth in the new markets of E-Mobility, New Energy and New Industry to an even greater extent than before. We are convinced that our new strategic orientation will enable us to enhance the value of our company on a sustainable basis.

The fiscal year 2021 will certainly continue to be impacted by the pandemic in many respects. However, we are now strategically positioned in a way that enables us to participate in the expected post-corona upswing to an exceptional extent. For 2021 we predict total revenue of between EUR 520 and EUR 540 million with an EBIT margin in the region of 5%. With the expected growth momentum in our core business driven by digitisation and the development of new business in the fields of E-Mobility, New Energy and New Industry, we aim to achieve revenue of between EUR 750 and EUR 800 million by 2026 and keep improving our EBIT margin accordingly.

I would like to take this opportunity to thank our customers and business partners for the trust they placed in us during a truly exceptional year. A very special thank you, however, goes to our employees both in Germany and abroad who, despite the pandemic, are all working with great dedication in a spirit of partnership and constructiveness on implementing our innovation and growth strategy. The extraordinary degree of commitment and dynamism within the company is really impressive and I am sure that this corporate culture will continue to guarantee our success as we move forward.

Dear shareholders, we sincerely hope you will continue to accompany us on this new path of growth.

Munich, 25 March 2021

Brandes

Dr Jürgen Brandes
CEO

# Schaltbau share

## Strategic key approaches

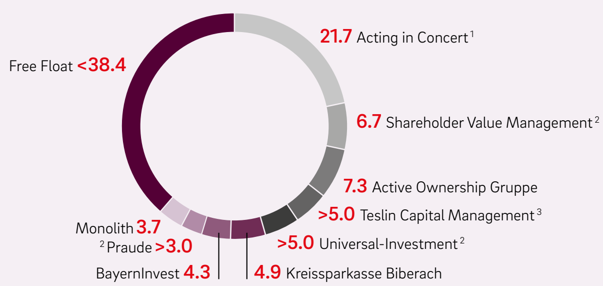
- Boost performance on a sustained basis
- Grow core business Rail on a profitable basis
- Expand aftersales business
- Develop new DC applications outside the rail sector

## Why invest?

- Attractive markets
- Market leading position
- Leading-edge technology
- Resilient business model
- Solid finance profile with upside potential
- Strong management team

### Shareholder structure

acc. to voting rights disclosures, in %




[1] Luxempart S.A., Elrena GmbH, Hans-Jakob Zimmermann and Dr Johannes Zimmermann

[2] Adjusted to capital increase

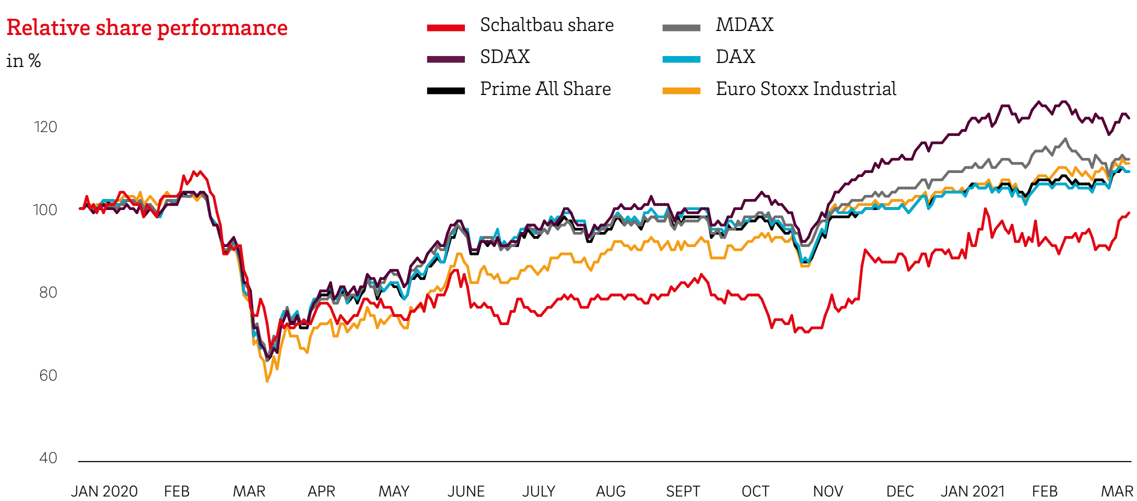
[3] Gerlin NV and Midlin NV, adjusted to capital increase

## Development of the Schaltbau share price

2020

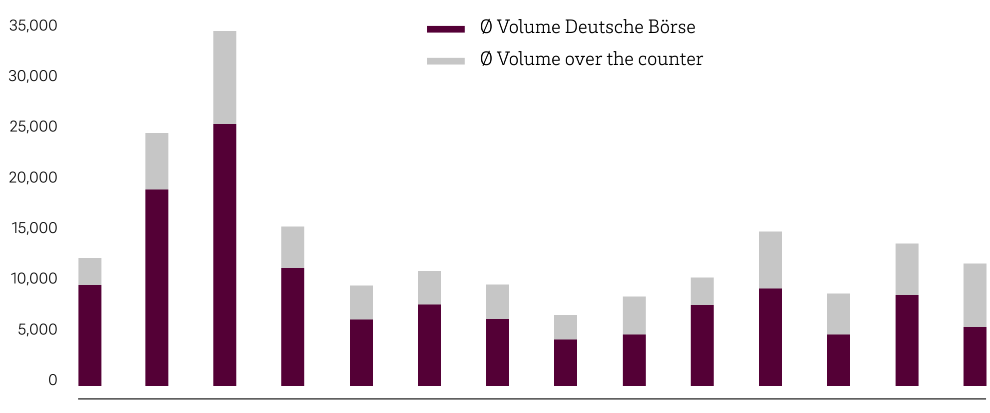

## Relative share performance

in %



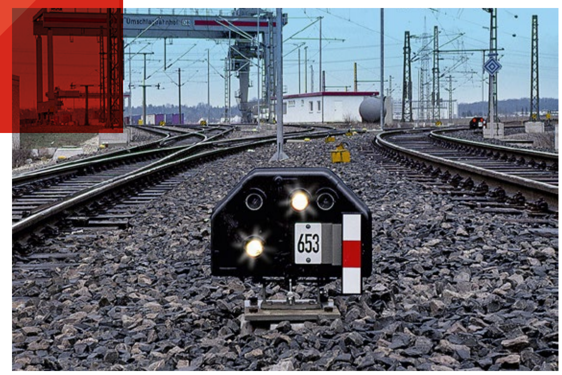

## Average trading volume

2020



# **Urban and intercity rail transport** for a transition to sustainable mobility

Rail transport – whether regional, national or international – is a key component in the transition towards sustainable, carbon-neutral mobility and the eco-friendly logistics of the future.




Travelling by train to regional destinations reduces carbon emissions to less than one third in comparison to driving – and as little as one fifth over long distances. Freight transport by rail even reduces emissions per tonne and kilometre to less than one sixth compared to road transport. For this reason, the German government is giving the expansion of the country's rail network top priority in its efforts to meet the European climate target of cutting greenhouse gas emissions by at least 55% by 2030. No less importantly, local public transport with trams, underground trains and regular buses also helps significantly reduce carbon emission levels, as does long-distance bus travel.

## Modernising and digitising rail infrastructure – Pintsch

After investing primarily in long-distance and high-speed train lines as well as bridge renovations in the course of expanding its rail network in recent years, the German government and DB AG now intend to successively modernise and digitise the country's entire rail infrastructure in the coming years. Under the terms of the third service and financing agreement (LuFV III), around EUR 86 billion is to be invested in modernising railway infrastructure by 2030, which means that some

2,000 kilometres of track and 2,000 points are to be renewed each year. Moreover, around EUR 7 billion is earmarked for interlocking technology during the same period. As part of the "Digital Rail for Germany" project, 40,000 interlocking units are to be digitised on regional routes alone.

New digital standards for control and safety technology as well as digital interlocking systems will increase the capacity of the 33,000-kilometre railway network in Germany by 20%, enable centralised, location-independent control and considerably improve the punctuality of passenger train services. In this comprehensive digitisation of Germany's railway infrastructure, the overall trend points towards open, standardised interfaces and interoperability between different manufacturers.

> **"Our technology is a powerful response to the trend towards standardising rail infrastructure interfaces in line with Eulynx specifications. In close collaboration with other stakeholders, we are making railway systems safer and improving capacity utilisation across the entire rail network for both passenger and freight trains."**

Tilo Brandis, Managing Director Pintsch GmbH

Pintsch is profiting from this trend, as it supports open interfaces and innovative platform technologies with its knowledge and skill in developing the right products and solutions. For example, Pintsch is capable of providing answers to one of the greatest challenges in the expansion and modernisation of Germany's rail infrastructure, i.e. the current lack of standardised interfaces between interlocking units and other track safety components such as level crossings and signals. To solve this problem, Pintsch deploys innovative interface technology designed to meet the new Eulynx standard, highly secure industrial computers and a software platform that enables interlocking units and level crossings to be controlled from a central point, thus ensuring a maximum of reliability and safety.

## Smart door systems for greater convenience and safety – Bode

The acceptance of eco-friendly transport alternatives depends to a large extent on how convenient they are to use. Passengers want to reach their destination as reliably, safely and comfortably as possible. A sophisticated interior designed to meet customer needs alongside smart door and boarding systems contribute greatly to achieving this aim.

Smart, digitally connected door systems that use sensors to automatically open and close doors without the need for contact enhance passenger safety and convenience when boarding and leaving the train – especially those with restricted mobility. These technologies not only ensure a smooth, safe, wheelchair-friendly passenger experience, they also take the currently stricter hygiene requirements into account.

With its innovative, sensor-based, interconnected door and boarding systems, Bode is thus providing passengers with a level of comfort and safety that meets the sustainable mobility requirements of the future.

> **"Our solutions are promoting the acceptance of sustainable mobility concepts with an uncompromising level of safety and convenience when boarding and disembarking and an enhanced passenger experience in terms of system connectivity."** Thomas Giebisch, Managing Director Gebr. Bode GmbH & Co. KG


# **Protection and reliability** for the energy of today and tomorrow

Climate change is presenting humanity with a number of colossal challenges. In view of this fact, energy production has also seen a shift towards the increased use of renewables. Instead of generating energy on a centralised basis, it now comes from a variety of decentralised energy sources and feed-in points, such as photovoltaic systems or wind farms.

Due to the unpredictable nature of power generated using solar and wind technologies, storage solutions are increasingly required, such as high-performance batteries or hydrogen generated by electrolysis. The growing use of mobile energy in the context of electric mobility also calls for solutions to the problem of storage. The technologies being deployed in these dynamically growing markets are based on direct current (DC), which has already been in use in high voltage ranges for rail applications and to some extent in shipbuilding for decades, where it has proven its effectiveness right up to the present day.

Ever since the early days of electrical power supply and distribution, reliable galvanic isolation between the power source and electrical consumers has been a basic prerequisite for its safe, reliable use. In traditional energy distribution networks with dedicated generators and consumers, this only requires a small number of load disconnectors. However, with additional localised, DC-based feed-in points and power storage systems, the distribution of electrical energy has become far more complex in today's world. Here too, the basic principle of galvanic isolation with selective disconnection must also be adequately ensured.

Both the transition towards eco-friendly, low-emission (e-)mobility by train, bus, car or truck and the shift to green energy, which involves growing volumes of electricity being supplied from renewable sources such as solar or wind power, are therefore driving a renaissance in demand for DC technology as well as for the protective and safety components required to control it. The same applies to industrial production, where DC island grids are increasingly being deployed to minimise power requirements from the grid, intelligently control electricity consumption and improve energy efficiency, for example by partially recuperating energy from drive systems. Locally generated direct current, such as from a photovoltaic system on the roof of a building, can be used either directly or stored in suitable battery-based solutions to ensure consistent power supply availability.



“The availability of state-of-the-art battery storage technology is revolutionising the use of alternative sources of energy, in both industry and mobile applications. Our components guarantee the efficient and safe use of DC technology, which is the backbone of the energy transition.”

Michael Leuchte, Managing Director Schaltbau GmbH



## Safety for renewable energy, railways and e-mobility – Schaltbau

When it comes to mega-trends like the energy and mobility transition, DC components such as contactors, connectors and power electronics are basic requirements for ensuring that locally generated power can be distributed efficiently, transported safely and stored in battery systems. These technologies enable the power to be used in both stationary and mobile applications, thus making it available at all times. The Schaltbau range of products serves the rapidly growing demand for these components.

> **"The increasing connectivity of factories, energy suppliers and also e-mobility calls for smart solutions for controlling, storing and utilising direct current. Safety and reliability are essential requirements for every application – and that is precisely what we can guarantee with our wealth of experience."** Thomas Milewski, Managing Director SBRS GmbH

Schaltbau benefits from its technological know-how and wealth of experience in the electromechanical isolation of direct current gained in the rail sector, a market that continues to grow impressively with the expanding electrification of railway networks. Now, however, Schaltbau is increasingly targeting new markets in the fields of New Energy, New Industry and E-Mobility. Schaltbau components are already being installed in energy storage systems and DC charging stations for electric vehicles. Its DC connectors and power electronics components are also being used to construct DC grids as well as for battery-charging applications. Vehicle manufacturers are also increasingly placing their trust in Schaltbau's DC expertise.

## Smart use and storage of direct current – SBRS

The use of direct current benefits a whole array of new, smart applications. These include smart energy consumption detection and control, the integration of battery storage systems for uninterrupted production in an industrial context, smart grid systems for a local or regional power supply and sophisticated software solutions for monitoring battery charging levels in the e-mobility sector – to name but a few.

SBRS already has a great many years of experience and outstanding expertise in developing solutions used in the rail sector for monitoring and controlling safety-critical DC applications. SBRS combines this experience with the broad knowledge of its electrical and software engineers to intelligently utilise and store direct current, and thus also excels in developing innovations for new markets such as New Industry, New Energy and E-Mobility by providing mature, reliable, safe solutions.

# Supervisory Board

## Members of the Supervisory Board

### Dr Hans Fechner

Chairman of the Supervisory Board since 7 June 2018
Management consultant

### Prof. Thorsten Grenz

Deputy Chairman of the Supervisory Board since 7 June 2018
(mandate suspended since 1 September 2020)

Since 1 September 2020, the mandate of Prof. Thorsten Grenz has been suspended on account of his temporary appointment to the Executive Board due to the resignation of a member of the Executive Board pursuant to section 105 (2) of the German Stock Corporation Act (AktG).

Managing Partner of KIMBRIA Gesellschaft für Beteiligung und Beratung mbH

Honorary Professor for Business Administration at the University of Kiel

### Andreas Knitter

Member of the Supervisory Board since 8 June 2017
Management consultant

### Dr Günter Pferdmenges

Member of the Supervisory Board since 8 October 2020

The appointment was made by court order due to the temporary transfer of Prof. Grenz from the Supervisory Board to the Executive Board and the resulting temporary suspension of his Supervisory Board mandate pursuant to section 104 (2) sentence 2 of the German Stock Corporation Act (AktG).

CEO of Treuhand- und Revisions-Aktiengesellschaft Niederrhein, Krefeld, Germany

Managing Director of W.H.S. Vermögensverwaltungs GmbH

### Jeannine Pilloud

Member of the Supervisory Board since 7 June 2018
Chief Executive Officer Ascom Holding AG

### Achim Stey

Member of the Supervisory Board since 26 June 2018
Employee representative

### Herbert Treutinger

Member of the Supervisory Board since 13 September 2017

Deputy Chairman of the Supervisory Board since 1 September 2020 during the temporary suspension of the Supervisory Board mandate of Prof. Grenz

Employee representative

# Report of the Supervisory Board

## Dear Shareholders

I would like to take this opportunity to report to you on a fiscal year marked by exceptional challenges for the Schaltbau Group. After successfully concluding the restructuring of the Group in the previous year, we again found ourselves in crisis mode due to the COVID-19 pandemic right at the beginning of the year under report. In this environment of heightened uncertainty, responsible and purposeful corporate management and control are of the utmost importance. In this respect, our current corporate portfolio in its entirety has proven to be comparatively robust. After the expected economic implications had already been explained and taken into account in the outlook report for 2020, we subsequently proceeded to discuss possible countermeasures with the Executive Board over the course of the year. In doing so, we always acted on the basis of relevant information in the best interest of the Group. Together with the Executive Board, we will continue to pursue the Schaltbau Group's growth strategy – which was updated once again in October 2020 against the backdrop of the COVID-19 pandemic – by leveraging the existing medium- and long-term market potential in our defined core markets.

During the fiscal year 2020, the Supervisory Board focused its attention on the following key issues:

- Current business performance in the four segments Bode, Schaltbau, Pintsch and SBRS, taking into account the disruptive effect of the COVID-19 pandemic
- Consideration of available options for qualified succession to the post of Chairman of the Executive Board
- Clarification of the circumstances that led to the share capital increase in May 2017 and the conclusions to be drawn from it
- Securing external financing
- Interim and subsequent appointment of the Chief Financial Officer after the departure of the previous incumbent
- Design of the new "NExT Factory" construction project in Velden for the Schaltbau segment
- Planning of equity capital measures for 2021

## Monitoring and consultation in continual dialogue with the Executive Board

The Supervisory Board of Schaltbau Holding AG performed the duties incumbent upon it in accordance with the law, the Articles of Association and the rules of procedure with great diligence throughout the fiscal year 2020. We regularly monitored the Executive Board in its management of the Group and provided advice on strategic development in general as well as on a raft of key individual measures.

The Supervisory Board was directly involved in all decisions of fundamental importance to the Schaltbau Group at an early stage. The Executive Board reported regularly to the Supervisory Board in a prompt and comprehensive manner. The written and oral reports provided by the Executive Board dealt primarily with corporate planning, the course of business, the economic situation in our most important sales and procurement markets, strategic development and the current performance of the Group, particularly in light of the economic impact of the COVID-19 pandemic.

Based on the Executive Board's reports, we extensively discussed current business performance as well as decisions and events of importance to the Schaltbau Group. Any variances in business performance to budget were explained to us in detail and were the subject of lengthy debate at Supervisory Board meetings. The Executive Board coordinated the strategy of the Group in collaboration with the Supervisory Board. Both the Supervisory Board and its relevant committees thoroughly examined and deliberated upon each of the Executive Board's proposed resolutions. Moreover, as Chairman of the Supervisory Board I was in regular contact with the Executive Board, particularly with its Chairman, and was directly informed of current business developments as well as any transactions of significance.

The Supervisory Board was involved in any decisions of major significance in a timely manner. If the approval of the Supervisory Board was required by law, the Articles of Association or the rules of procedure for individual measures initiated by the Executive Board, the Supervisory Board and the Strategy Committee passed a resolution to that effect in various meetings. In the fiscal year 2020, this included the approval of:

– The conclusion of an amendment agreement increasing the existing Syndicated Credit Agreement to EUR 112 million by circular resolution 02/2020 dated February 2020 together with the use of a KfW special-purpose programme for syndicated financing under provision of a second tranche of a further EUR 60.0 million as reported at the meeting of the Supervisory Board on 24 May 2020
– The Executive Board resolution (EBR) dated 6 October 2020 concerning the "Approval of the Investment of Schaltbau GmbH – construction of the new plant in Velden", project "NExT Factory" (EBR 9/2020), subject to the specific approval of the Supervisory Board, regarding the step-by-step implementation of the total investment of up to EUR 47 million (including contingencies) at the Supervisory Board meeting held on 9 October 2020
– The approval of preparatory measures to implement capital measures at the Supervisory Board meetings held on 9 October 2020 and 6 November 2020 respectively
– The approval of the budget regarding order intake, revenue, EBIT, net debt and investment for the fiscal year 2021 at the Supervisory Board meeting held on 2 December 2020

### Supervisory Board meetings

The Supervisory Board held a total of ten ordinary and extraordinary meetings in the fiscal year 2020. The meetings were held either face-to-face or as videoconferences on account of COVID-19. The Supervisory Board declared itself quorate in each case with the participation of all its members pursuant to section 108 (4) of the German Stock Corporation Act (AktG) and article 11 clause 4 and clause 2 of the Articles of Association.

With the exception of the extraordinary meeting held on 12 August 2020 and the ordinary meeting of 2 December 2020, 100% of the members of the Supervisory Board were present at every meeting. The Supervisory Board member absent from the meeting held on 12 August 2020 due to leave had previously declared his consent to the meeting to the Chairman of the Supervisory

Board, waiving his right to attend. Any resolutions passed on 12 August 2020 were affirmed with the consent of the previously absent member at the subsequent extraordinary meeting on 17 August 2020. The Supervisory Board member absent from the meeting held on 2 December 2020 due to health reasons had previously declared to the Chairman of the Supervisory Board his consent to the meeting and to the resolution adopting the planning and the budget for 2021, waiving his right to attend.

All Supervisory Board meetings were held in the presence of the Executive Board. In some cases, however, meetings were held without the Executive Board either before or after the ordinary meetings. An essential feature of all Supervisory Board meetings were the Executive Board's reports on the current business situation, including detailed information on revenue and earnings performance, the opportunities and risks entailed through current business developments, the degree to which the COVID-19 pandemic is impacting business performance, the most important current and planned investment projects, particularly the future construction of a new plant by Schaltbau GmbH in Velden, operational excellence, sustainability, capital market developments, key management measures taken by the Executive Board and projects designed to drive innovation.

At all its meetings, the Supervisory Board discussed the further development of the Schaltbau Group's business activities in line with the existing market potential for the existing technology. The resulting deliberations dealt primarily with:

– The strategy of the Schaltbau Group with a lean parent company and four strong lead companies in the Bode, Schaltbau, Pintsch and SBRS segments to manage the segments Mobile Transportation Technology, Components, Stationary Transportation Technology and E-Mobility with greatly reduced complexity, also taking into account the positive drivers from the COVID-19 pandemic with respect to productivity, growth and costs
– The potential of the Bode Group as a globally leading supplier of innovative door and boarding systems for buses, trains, commercial vehicles and electric vehicles and a key partner to train manufacturers and rail systems houses as well as the bus and automotive sector
– The potential of Schaltbau, which develops and manufactures long-lasting connectors, snap-action switches and contactors as well as a range of electrical components such as toggle switches, master controllers and complete driver's desk equipment for a broad spectrum of applications in the rail sector as well as a number of other industries under the slogan "Connect Contact Control". Due to the rapid growth of the trendsetting markets of New Energy, E-Mobility and the DC industry, the Supervisory Board discussed at great length and ultimately approved the construction of the new plant in Velden, i.e. the "NExT Factory" project, which had been proposed by the Executive Board
– The potential of Pintsch as a major supplier to Deutsche Bahn AG and other rail infrastructure providers as well as a leading supplier of control and safety technology for digitising rail infrastructure, point heating technology and components such as wheel sensors and axle counting systems
– The potential of SBRS as a specialist for customised solutions that focuses on electric mobility, such as state-of-the-art charging infrastructure for electric vehicles, and made-to-measure train refurbishment projects that draws on the broad range of products and solutions offered by the Schaltbau Group

The first ordinary meeting held as a videoconference on 20 March 2020 and the subsequent ordinary meeting of 30 March 2020 focused on the examination and adoption of the annual financial statements for the fiscal year 2019 and the examination and approval of the consolidated financial statements for the fiscal year 2019. In this context, the Supervisory Board also deliberated on the Executive Board's sustainability report (CSR report) pursuant to section 171 (1) sentence 4 of the German Stock Corporation Act (AktG) and the possibility of holding the Annual General Meeting online as a virtual event in view of the "Act on Measures in Company Law to Combat the Effects of the COVID 19 Pandemic", which was enacted at short notice due to the pandemic, without the authorisation of the Articles of Association, as well as the agenda of the Annual General Meeting 2020 and approved the invitation proposed by the Executive Board. The Executive Board also reported to the Supervisory Board on the Group's current business performance. Furthermore, the Supervisory Board also met on 20 March 2020 without the Executive Board and considered the outcome of the investigations undertaken by Hogan Lovells based on their report dated 13 March 2020 and their supplementary oral explanation, which stated that no facts had been established according to which there are likely to be claims for damages against members of the Executive Board who were responsible for the 2017 capital increase that excluded AOC. The Supervisory Board also discussed Executive Board compensation issues at this meeting.

In its second ordinary meeting on 24 May 2020, which was again convened in the form of a videoconference, the Supervisory Board again addressed current business performance, focusing particularly on the impact of the COVID-19 pandemic and the planned contractual amendment to the existing Syndicated Credit Agreement. The Supervisory Board also discussed the final preparations for the virtual Annual General Meeting 2020.

In its third ordinary meeting held in Kassel on 29 July 2020, the Supervisory Board not only analysed the current business situation but also, in particular, the half-year financial statements as at 30 June 2020 and the specific consequences of the COVID-19 pandemic for individual Group segments, as well as the pre-corona strategy and planning approved to date. On 29 July 2020 the Supervisory Board again convened without the Executive Board and deliberated on the allocation of duties within the Executive Board as well as the prioritisation of and focus on the investment property in Velden for the Schaltbau segment.

In its fourth ordinary meeting held in Munich on 9 October 2020, in addition to strategy for the "top-down approach" 2020/26 regarding revenue, EBIT, cash flow and investments, the Supervisory Board dealt in particular with the final approval of the NExT Factory Velden investment project and possible equity measures in this context. The investment had previously been presented in detail at the extraordinary meeting held in Velden on 17 August 2020. At the next extraordinary meeting, which was held in the form of a videoconference on 6 November 2020, the scope for equity support for this investment was further discussed, taking into account the market sounding that had taken place in the meantime with the established investors with shareholdings in excess of 3% with a view to assessing the interest in a public offer to subscribe to convertible bonds.

In its fifth ordinary meeting on 2 December 2020, which was again held in the form of a videoconference, the Supervisory Board reviewed the situation regarding order intake, revenue and earnings as at October 2020 and approved the budget and planning for the coming fiscal year 2021. In addition, the updated medium-term planning for 2021-2023 was presented.

## Composition of the Executive Board and compensation topics

In the fiscal year 2020, at a total of five meetings the Supervisory Board discussed and resolved personnel matters relating to the Executive Board and its compensation.

At the extraordinary meeting held on 4 March 2020, based on the preparation of the Personnel Committee, the Supervisory Board resolved to appoint Dr Jürgen Brandes to the Executive Board with effect from 1 April 2020 and, as the designated successor to Dr Albrecht Köhler, also as CEO from 1 January 2021.

At its meeting on 20 March 2020, the Supervisory Board also assessed the Executive Board's performance in the fiscal year 2019 and decided on the personal targets for the Executive Board for the fiscal year 2020. Moreover, due to the current corona crisis, the Supervisory Board reserved the right to suspend the share-based bonus component for the Executive Board and replace it with a discretionary bonus.

At its meeting on 29 July 2020, based on the deliberations of the Personnel Committee at its meeting held the same day, the Supervisory Board also revised the allocation of duties within the Executive Board.

Based on the deliberations of the Personnel Committee on 11 August 2020, at its meeting on 12 August 2020 the Supervisory Board addressed the interim filling of the position of Chief Financial Officer by Supervisory Board member Prof. Thorsten Grenz, whose Supervisory Board mandate would be temporarily suspended following the departure of the previous incumbent Thomas Dippold, who had announced his intention to resign from the Executive Board as of 1 September 2020 in order to take up new professional challenges.

Finally, at the meeting on 6 November 2020, the Supervisory Board resolved to appoint Steffen Munz, the candidate recommended by the Personnel Committee on 2 November 2020, on the basis of its circular resolution dated 28 August 2020 as a further member of the Executive Board with effect from 1 March 2021, thereby simultaneously making it possible to terminate the interim appointment of Prof. Thorsten Grenz to the Executive Board.

## Committees

In accordance with the current rules of procedure of the Supervisory Board of Schaltbau Holding AG dated 29 March 2019, the following permanent committees exist:
– The Strategy and Technology Committee
– The Personnel Committee
– The Audit Committee

There is also an ad hoc Committee for Personnel Development and Organisational Structure.

The Supervisory Board has not formed a Nomination Committee, consisting entirely of shareholder representatives, to make proposals to the Annual General Meeting for the election of Supervisory Board members. A Nomination Committee is not considered necessary, 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. Furthermore, the current practice of preparing personnel decisions to be taken by the Supervisory Board concerning the Executive Board in the Personnel Committee has proven to be efficient.

The Strategy and Technology Committee prepares the negotiations and resolutions of the Supervisory Board and is also authorised to monitor the implementation of the resolutions of the Supervisory Board if required to do so. At 31 December 2020, the Strategy and Technology Committee comprised the following four members: Dr Hans Fechner (Chair), Jeannine Pilloud, Andreas Knitter and Achim Stey.

The Strategy and Technology Committee also has the following duties:
– To discuss and develop a clear overall strategy for the Group
– To boost the profitability and attractiveness of the Group for the capital market by concentrating on its three core brands Pintsch, Bode and Schaltbau

The Strategy and Technology Committee convened twice during the period under report. Its main activities included dealing with questions regarding the current situation of and the opportunities presenting themselves to BODE and Schaltbau, particularly the situation of the Bus and Rail lines of business and the topic of battery-driven vehicles as well as the new "NExT Factory" construction project in Velden. All members were present at the two Committee meetings.

The Personnel Committee prepares personnel decisions to be taken by the Supervisory Board regarding the Executive Board. At 31 December 2020, due to the interim appointment of Prof. Grenz to the Executive Board and the accompanying suspension of his Supervisory Board mandate, the Personnel Committee comprised three members: Dr Hans Fechner (Chair), Jeannine Pilloud and Herbert Treutinger.

Furthermore, the Personnel Committee resolves and decides upon the following instead of the Supervisory Board:
– The conclusion of other legal transactions with Executive Board members pursuant to section 112 AktG
– The consent to allow members of the Executive Board to exercise other activities pursuant to section 88 AktG
– The granting of loans to the group of persons named in sections 89 and 115 AktG
– The approval of contracts entered into with Supervisory Board members pursuant to section 114 AktG

The Personnel Committee held six meetings during the period under report. Its main task was to find replacements for the Chairman of the Executive Board due to the retirement of Dr Albrecht Köhler with effect from 1 January 2021 and the Chief Financial Officer due to the resignation of Thomas Dippold at his own request as of 1 September 2020. All Personnel Committee members participated in all six meetings.

The Audit Committee prepares the decisions to be taken by the Supervisory Board in connection with the audit of the Company. As at 31 December 2020, the Audit Committee consisted of the following four members due to Prof. Grenz's interim appointment to the Executive Board and the resulting suspension of his Supervisory Board mandate: Andreas Knitter (Chair), Dr Hans Fechner, Jeannine Pilloud and Achim Stey.

Furthermore, the Audit Committee resolves and decides the following instead of the Supervisory Board:

- Financial accounting issues, in particular fundamental questions such as the application of new accounting standards and changes in accounting and auditing methods
- Monitoring
  - the financial accounting process
  - the effectiveness of the internal control system, the risk management system and the internal auditing system
  - the audit of the financial statements, in particular the selection and required independence of the auditor, the additional services provided by the auditor and the agreement of the auditor's fee
- The monitoring of the half-yearly financial reports and, if applicable, the Group quarterly reports as well as deliberating with the auditor regarding the report on their review of the half-yearly financial report prior to publication
- The issuing of the audit engagements for the annual financial statements and the consolidated financial statements following the auditor's appointment by the Annual General Meeting
- Compliance issues, the effectiveness of the compliance system and, if necessary, the examination of relevant incidents, if they (also) concern members of the Executive Board

The Audit Committee convened four times during the period under report. Its main activities comprised topics relating to financial accounting and the annual financial statements, including determining the main focus of the audit for the (Group) auditor, coordinating the main focus of the internal audit, receiving and discussing the Compliance report, and CSR reporting. All members were present at the four Audit Committee meetings held during the 12-month period.

The ad hoc Committee for Personnel Development and Organisational Structure advises the Executive Board in determining the principles of personnel management and development and meets only as the need arises. At 31 December 2020, the Committee comprised the following three members: Jeannine Pilloud (Chair), Andreas Knitter and Herbert Treutinger. The ad hoc Committee convened once during the year under report. It addressed the challenges presented by the COVID-19 pandemic, the update of various human resources programmes and the implementation of software in the HR function. All of the members were present at the Committee meeting.

## Corporate Governance and Declaration of Compliance

The Supervisory Board places great emphasis on good corporate governance. For this reason, in the past fiscal year it again examined in great detail the corporate governance standards practised within the Group and the implementation of the recommendations and suggestions of the German Corporate Governance Code.

In accordance with the recommendation of the German Corporate Governance Code and the principles set out for dialogue between investors and the Supervisory Board, the Chairman of the Supervisory Board continued to engage in dialogue with investors in 2020 to the extent deemed suitable. In addition to the medium-term corporate strategy, the discussions focused on the "NExT Factory" investment in Velden and the bolstering of equity required to achieve the Group's growth targets.

At its meeting on 2 December 2020, the Supervisory Board deliberated at length on the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017 ("GCGC 2017") published on 24 April 2017 in the official section of the Federal Gazette and the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019 ("GCGC 2020") published on 20 March 2020 in the official section of the Federal Gazette. The Supervisory Board and the Executive Board thoroughly reviewed the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019 ("GCGC 2020") published in the official section of the Federal Gazette on 20 March 2020 and adopted a joint declaration of compliance by the Supervisory Board and the Executive Board pursuant to section 161 of the German Stock Corporation Act (AktG) on 10 December 2020, which is permanently available on the Company's website at: https://ir.schaltbaugroup.com/websites/schaltbau/English/5300/declaration-of-compliance.html.

## Independence and self-assessment

An important aspect of good corporate governance is the independence of the members of the Supervisory Board and the absence of any conflicts of interest. In accordance with the currently applicable rules of procedure, with regard to its composition, the Supervisory Board ensures that its members as a whole have the requisite knowledge, skills and professional experience to perform their duties in a proper manner. Despite the Supervisory Board having refrained from setting specific targets for its composition to date, it fundamentally aims to increase the percentage of female members on a sustained basis.

Furthermore, in accordance with the German Corporate Governance Code, the Supervisory Board examines the effectiveness of its work on a regular basis in the form of a self-assessment, conducted at least every two years. In the fiscal year under report, the Supervisory Board basically planned a self-assessment at its meeting held on 4 March 2020, but did not pursue it further due to the numerous issues triggered by both the COVID-19 pandemic and the question of succession to the posts of CEO and CFO on the Executive Board. The Supervisory Board intends to conduct the self-assessment during the first quarter 2021.

## Annual and consolidated financial statements, sustainability report

At its meeting to adopt the financial statements held on 20 March 2020, the Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for the fiscal year 2019 for Schaltbau Holding AG and the Schaltbau Group. The external auditors were present and answered all of the Supervisory Board's questions. On this basis, the annual financial statements were adopted and the consolidated financial statements were approved. The Supervisory Board approved the statements regarding the further development of the Company and the disclosures pursuant to section 289 (4) and section 315 (4) of the German Commercial Code (HGB) as well as the corporate governance statement. Furthermore, on 20 March 2020, the Supervisory Board adopted the Corporate Governance Report and the agenda for the Annual General Meeting held on 25 May 2020 and approved the report of the Supervisory Board.

At the proposal of the Supervisory Board, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements of the Company for fiscal year 2020 and to review the condensed consolidated financial statements and interim report for the first six months of 2020. Following the Annual General Meeting, the Chairman of the Supervisory Board appointed the external auditor in writing to audit the financial statements. Before the Supervisory Board proposed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC) to the Annual General Meeting as the external auditor of the annual and consolidated financial statements, PwC confirmed to the Chairman of the Supervisory Board in writing that there are no circumstances which could impair its independence as external auditor.

The external auditor audited the annual and the consolidated financial statements of Schaltbau Holding AG, the consolidated financial statements of the Schaltbau Group as at 31 December 2020 and the combined management report, together with the accounting systems, and issued an unqualified auditor's opinion in each case. The annual financial statements of Schaltbau Holding AG and the combined management report for Schaltbau Holding AG and the Group were prepared in accordance with German commercial law. Schaltbau's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and the supplementary provisions of German law pursuant to section 375e (1) of the German Commercial Code (HGB). The consolidated financial statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit to determine whether the consolidated financial statements comply with section 317 HGB and the EU Financial Statements Auditor Regulation in accordance with generally accepted standards in Germany for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) and additionally in compliance with the International Standards on Auditing (ISA).

The documents for the annual financial statements, including the long-form audit reports prepared by the external auditor, were sent to all members of the Supervisory Board in a timely manner to ensure that the Supervisory Board could examine them with due care and thoroughness. The Supervisory Board held the meeting to adopt the financial statements on 22 February 2021 in the presence of the Company's external auditors. At this meeting, the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group as at 31 December 2020, the combined management report, and the long-form audit reports were discussed in detail with the external auditor, who also reported on the course of the audit and its main findings as well as the key audit matters.

The Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for fiscal year 2020 for both Schaltbau Holding AG and the Schaltbau Group. After concluding its examination, the Supervisory Board did not raise any objections and concurred with the results of the audits of the annual financial statements and the consolidated financial statements reached by the external auditor. The Supervisory Board subsequently approved the annual financial statements of Schaltbau Holding AG and the consolidated financial statements of the Schaltbau Group for the fiscal year 2020 as prepared by the Executive Board. The annual financial statements have thus been adopted. The Supervisory Board approved the combined management report for Schaltbau Holding AG and the Group as a whole, in particular the statements regarding the further development of the Company and the disclosures pursuant to section 289 (4) and section 315 (4) of the German Commercial Code (HGB). The Supervisory Board also approved the corporate governance statement.

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

The internal audit department examined the Sustainability Report (CSR Report) for accuracy and completeness on behalf of the Supervisory Board. At several of its meetings, the Audit Committee deliberated on the audit procedures of the internal audit department. The Supervisory Board then discussed and examined the Sustainability Report at great length at its meeting held on 22 February 2021.

## Expression of thanks

On behalf of the entire Supervisory Board, I would like to express my sincere thanks to all employees of the Schaltbau Group worldwide as well as the former and current members of the Executive Board for their personal commitment and contributions in the fiscal year 2020. With the current composition of the Executive Board, we regard the Schaltbau Group as well positioned to tackle the challenges of the future.

Munich, 22 February 2021

**Dr Hans Fechner**
Chairman of the Supervisory Board

# Combined company and Group management report

# Schaltbau Group profile

## Structure and business model

The Schaltbau Group is primarily a supplier of products, systems and solutions to the railway industry. Moreover, with its components for DC applications it is also opening up new business opportunities in the automotive and capital goods industries. Under the slogan "Safety and Availability through Electromechanical Systems", the Schaltbau Group leverages its technological expertise to explore market potential wherever direct current is used to generate, transmit or store electrical energy.

The Schaltbau Group's four segments primarily address the following market segments:
- Pintsch: Manufactures electrical equipment for rail infrastructure applications
- Bode: Manufactures door and boarding systems for rolling stock, buses and road vehicles
- Schaltbau: Manufactures electromechanical components for rolling stock, industrial equipment and automotive applications
- SBRS: Refurbishes rolling stock and installs high-performance charging infrastructures

The Schaltbau Group is among the world's leading suppliers of smart door and boarding systems made by Bode and electromechanical components made by Schaltbau.

The Schaltbau Group operates four manufacturing plants in Germany and 14 internationally based production locations in Europe, America and Asia. The value creation structure of most Schaltbau product lines is defined by a pronounced level of vertical integration and a high volume of in-house production. When implementing projects, on the other hand, Schaltbau makes extensive use of bought-in components and contractual services.

### Organisational structure and segments

Schaltbau Holding AG is the parent company of the Group's four segments. The company is listed in the Prime Standard segment of the Frankfurt Stock Exchange and admitted to the regulated market of the Munich Stock Exchange.

As parent company, Schaltbau Holding AG is responsible for managing and defining the strategy of the Schaltbau Group. It fulfils this responsibility by ensuring that the corporate strategy it has developed is efficiently implemented, which requires setting clear targets and allocating capital to each of the Group's four segments. In regular review meetings with its managing directors and other leading employees, the Schaltbau Executive Board monitors the key financial and non-financial indicators to determine the progress of internal projects and assesses the opportunities and risks for both upcoming major contracts and those already completed. The Executive Board also appoints the managing directors of Group companies.

It also undertakes Group-wide duties such as providing the systems for standardised financial management throughout the organisation, Group accounting and controlling, cash management, investor relations, corporate communications and the legal department. Finally, it is also responsible for the Corporate Governance functions, including Compliance, Auditing, Risk Management and Corporate Social Responsibility.

Since the fiscal year 2020, the Schaltbau Group has been divided into four operating segments:

1. The Pintsch segment comprises the activities of Pintsch GmbH, Dinslaken, and its subsidiaries in the field of technical infrastructure for railway transportation systems. Pintsch is a supplier to Deutsche Bahn AG as well as a number of German and international rail infrastructure operators, including private, company and port railway systems. Its most important product fields are computer-controlled level crossing safety technologies, axle counting systems and interlocking technology.
2. The Bode segment comprises Gebr. Bode GmbH & Co. KG, Kassel, and its subsidiaries. The most important subsidiaries, which are managed by Gebr. Bode & Co. Beteiligungs GmbH based in Kassel, are RFWW RAWAG Sp. z o.o. in Rawicz, Poland, and the BODO Bode Dogrusan A.S. joint venture in Kestel/Bursa, Turkey ("Bode Group").
   The Bode Group supplies door and boarding systems for trains, buses and commercial vehicles as well as interior fittings for rolling stock. Its range of goods and services includes the development, manufacturing, installation and commissioning of its products at vehicle manufacturers. The Bode express workshop provides the operators of these vehicles with complete life cycle support, including readily available spare parts packages, maintenance personnel and digitally supported aftersales service.
   The "Rail Door Systems" product group comprises fully integrated systems fitted with innovative safety technology and boarding systems for trams, metros, suburban and regional trains as well as high-speed intercity trains. Its range of products makes the Bode Group one of the most important manufacturers of its kind in Europe. Bode is well positioned as a key partner for train manufacturers and railway systems suppliers worldwide.
   Moreover, with its door systems for urban buses, coaches and commercial vehicles, the Bode Group is a leading supplier in Europe and integrated in many of the platforms of major manufacturers. The "Automotive" product group comprises sliding doors with guide systems for box bodies as fitted, for example, in the commercial vehicles of courier, express and parcel services.
   The Bode Group covers the entire value chain in the field of door and boarding systems. Group entities with their own production facilities in Poland, Turkey, the USA, China and the UK as well as sales activities in South Korea ensure direct market access in each of these regions. The Poland-based subsidiary "Rawag" and the Bode plant in Kassel, Germany, form an increasingly close-knit production network.

3. The Schaltbau segment comprises Schaltbau GmbH, Munich, and its subsidiaries. Schaltbau GmbH develops, manufactures and sells electromechanical components such as contactors, connectors, snap-action switches and switching systems for rolling stock as well as a broad range of industrial applications. The Italian subsidiary SPII S.p.A., Saronno, Italy, is a globally leading systems supplier of master controllers and driver's desk equipment for rolling stock. In addition to its German sites in Munich, Velden and Aldersbach, the Schaltbau GmbH Group is represented internationally by its subsidiary SPII S.p.A. in Italy as well as nine other subsidiaries, two representative offices and over 60 sales partners. Schaltbau also operates large-scale production plants, such as in Xi'an (China), where Xi'an Schaltbau Electric Corporation Ltd. manufactures and distributes railway components for the Chinese market.
4. The SBRS segment comprises the business activities of SBRS GmbH, which implements customer-specific projects in the field of rolling stock refurbishment as well as turnkey projects for installing high-performance charging systems for commercial vehicles, particularly electric buses.

The only essential difference between the new segment structure in use since 2020 and that previously established is the change in the names of the segments, which now emphasise the corporate brands established in the market: "Pintsch" was previously known as "Stationary Transportation Technology" and "Bode" (together with "SBRS") was formerly the "Mobile Transportation Technology" segment. The former "Components" segment is now named after the core brand "Schaltbau".

Moreover, "SBRS" (Schaltbau Refurbishment and Services) has now been named as the fourth segment, in order to take more specific account of the special business model of this subsidiary in terms of customer-specific applications. The business activities of SBRS were previously part of the former "Mobile Transportation Technology" segment.

### Management and control

The Schaltbau Group is managed by the Executive Board of Schaltbau Holding AG, which comprised four members at 31 December 2020. The following changes were made to the Executive Board during the year under report:

On 4 March 2020, the Supervisory Board of Schaltbau Holding AG appointed Dr Jürgen Brandes as a further member of the Executive Board for a period of three years with effect from 1 April 2020. On 1 January 2021, Dr Brandes succeeded Dr Köhler as CEO of Schaltbau Holding AG, whose period of office ended for contractual reasons on 31 December 2020.

On 17 August 2020, Thomas Dippold resigned from his post as CFO with effect from 1 September 2020 in order to take on a new professional challenge.

Pursuant to section 105 (2) sentence 1 of the German Stock Corporation Act (AktG), the Supervisory Board appointed Prof. Thorsten Grenz as interim Chief Financial Officer with effect from 1 September 2020. His Supervisory Board mandate was suspended for the duration of his Executive Board appointment. On 7 October 2020, pursuant to section 104 (2) sentence 2 of the German Stock Corporation Act (AktG), Dr Günter Pferdmenges was temporarily appointed member of the Supervisory Board by court order for the length of the suspension.

With effect from 1 March 2021, Prof. Thorsten Grenz handed over the position of CFO to Mr Steffen Munz, who the Supervisory Board appointed for a three-year period of office on 6 November 2020.

The Supervisory Board collaborates closely with the Executive Board and, in accordance with the Articles of Association, consisted of six members at the end of 2020. It monitors and advises the Executive Board on a regular basis regarding all key questions concerning the management of the Schaltbau Group.

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 pursuant to section 289f of the German Commercial Code (HGB). It includes the Declaration of Compliance pursuant to section 161 of the Stock Corporation Act (AktG) issued on 10 December 2020 and the Corporate Governance Report in accordance with principle 22 of the German Corporate Governance Code.

The current Corporate Governance Statement can be viewed at: https://ir.schaltbaugroup.com/websites/schaltbau/English/5200/corporate-governance-statement.html.

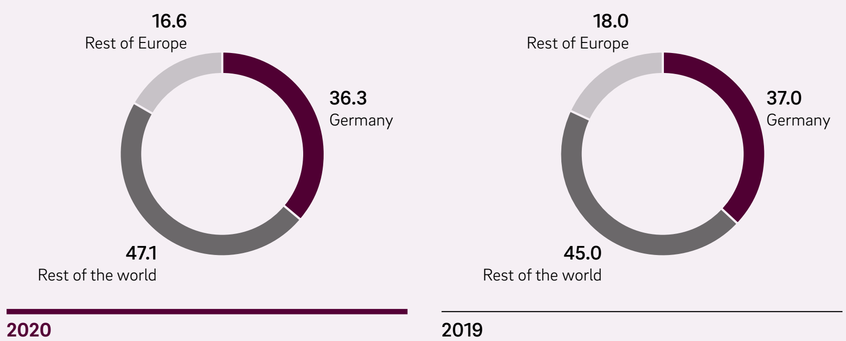
In accordance with the requirements of the "Act to Strengthen Non-Financial Reporting by Companies", which came into force in 2017, the Schaltbau Group is also required to publish non-financial information on environmental, social and employee issues as well as other topics in its Company and Group Management Reports (CSR Directive Implementation Act). The non-financial report is part of the Sustainability Report 2020, which will be published simultaneously with the Annual Report 2020 and made available on the Schaltbau website at: (https://ir.schaltbaugroup.com/websites/schaltbau/English/5500/responsibility.html).

## Business model, markets and influencing factors

The Schaltbau Group is primarily a supplier to the railway industry in terms of both infrastructure (Pintsch) and vehicles ("rolling stock" – Bode, Schaltbau, SBRS). These core fields of expertise are supplemented by new applications for electromechanical components and solutions for DC applications in the capital goods industry as well as the field of electric mobility, which are additionally being developed with the core competence of the Schaltbau Group under the slogan "Safety and Availability".

**Revenues by sales market**

in %




### Pintsch: Manufactures electrical equipment for rail infrastructure applications

Pintsch's range of rail infrastructure equipment includes projects for installing new systems and components for regional railways, such as level crossings, signalling and safety technology, interlocking systems and marshalling yards. In some cases, Pintsch also assumes overall responsibility for the renewal of complete sections of railway line as well as providing maintenance and spare parts for existing rail infrastructure. In recent times, this particular field of business has become increasingly vital as railway network operators take the growing importance of railway transportation into account through significant investment budgets.

### Bode: Manufactures door and boarding systems for rolling stock, buses and road vehicles

The Group supplies door and boarding systems to rolling stock manufacturers. It also retrofits existing vehicles with innovative electromechanical and electrical expertise, master controllers and driver's desk equipment (cockpit systems). Apart from their use in trains, Bode also manufactures door and boarding systems for buses and commercial vehicles, where tried-and-tested rail technologies and products such as modular boarding systems, sliding door systems and electromechanical components also provide ideal solutions.

### Schaltbau: Manufactures electromechanical components for rolling stock, industrial equipment and automotive applications

Electromechanical components such as contactors and connectors are installed in rolling stock for signalling, protection and power distribution applications. Electromechanical components and power electronics systems and solutions are also increasingly being deployed in industrial DC applications outside of the railway industry. They safeguard and control the transmission, generation and use of electricity wherever batteries and alternative energy storage systems are deployed or where highly dynamic changes in electrical current need to be efficiently controlled. Due to the great improvements in battery technologies in recent months and the trend towards decentralised, efficient island grids with a central AC feed-in, the market for these state-of-the-art DC applications is only now beginning to expand.

**SBRS: Refurbishes rolling stock and installs high-performance charging infrastructures**

A wealth of electrical engineering expertise combined with reliable, long-standing customer relationships in local and long-distance transportation form the basis for the refurbishment business in the rolling stock sector. Specialised knowledge in the field of DC applications is opening up new business opportunities, such as charging infrastructure systems for buses, commercial vehicles and electric ferries.

During the year under report, the Group generated the majority of its revenue within Germany (2020: 36.3%, 2019: 37.0%) and the rest of Europe (2020: 47.1%, 2019: 45.0%).

The Schaltbau Group features a high degree of vertical integration across its business, whether in research and development, production or sales. Schaltbau Group companies conduct intensive development work in order to meet growing market requirements in terms of quality, safety, availability and digitisation. Expenditure in this field corresponded to 7.0% of the Group's total output during the year under report (2019: 6.3%). A high percentage of its systems and components are developed and manufactured at sites within Germany. Schaltbau's international production and sales locations enable it to respond quickly and flexibly to changing market requirements and make the most efficient use of its available resources. Schaltbau Group companies operate at 27 (2019: 27) sales and production locations in 14 countries worldwide. Group companies maintain their own sales offices in regions of strategic importance and further areas are covered by external sales partners.

In general, the majority of the Schaltbau Group's markets are characterised by the long-term investment decisions of customers and their end customers. In the rail sector, i.e. the most important market for the Schaltbau Group, revenue in the rolling stock market depends indirectly on contracts that private railway companies award to rolling stock manufacturers and directly on public investments in German rail infrastructure. In the case of rolling stock, a distinction must be made between new business (Bode, Schaltbau) and refurbishment (SBRS). The demand for door systems for commercial vehicles (Bode) and charging stations for e-buses (SBRS) is strongly influenced by the ordering behaviour of communal transport authorities with regard to new buses and therefore by the financial situation of cities, towns and municipalities. In the industrial sector, economic trends in commerce, logistics and the energy industry are of particular importance. Technological developments also have a significant impact on the dynamics of individual market sectors. For instance, increasingly mature battery technologies are paving the way for new DC applications in the automotive and capital goods industries. Despite the high percentage of revenue generated by the rail sector as a whole – in terms of both infrastructure and rolling stock – Schaltbau expects to see new growth opportunities, especially from the increasing number of DC applications required outside the rail sector. In addition, the specific focus on the service and spare parts business is intended to mitigate the volatility in the new equipment business.

In the Schaltbau Group's view, the rail sector as a whole also represents an attractive growth market in the medium to long term. Urbanisation and the increasing use of eco-friendly mobility are leading to a greater need for infrastructure and rolling stock for mass public transportation facilities. The growing ecological awareness within society, the move away from the use of fossil fuels and increasingly strict climate protection measures favour a shift in transportation trends from road to rail. At the same time, passengers have an increasing need for greater safety, reliability and convenience when they travel, such as state-of-the-art boarding systems for trains and road vehicles.

Furthermore, advances in the digitisation and connectivity of rail infrastructure are leading to the development of new, fast-growing technologies and systems within the rail supplier market.

The pressure on market prices for rolling stock is being further intensified by increasing deregulation and liberalisation at the level of railway operators and passed on to component producers via the systems manufacturers. Schaltbau is specifically addressing the resulting pressure on margins by taking measures to boost productivity and focusing in particular on the service and refurbishment aspects of the rolling stock market.

## Strategy

The Schaltbau Group's strategy basically comprises four key approaches:
– Boost performance on a sustained basis
– Grow core business on a profitable basis, i.e. rolling stock and rail infrastructure
– Utilise the installed base in aftersales and growth in refurbishment
– Develop new DC applications outside the rail sector

The Executive Board and the segment management teams will ensure that the detailed package of measures is quantified, scheduled and personalised. Progress will be discussed in regular reviews and corrective measures taken as required. This also includes the economical and efficient deployment of resources.

Ultimately, by strategically enhancing its profitable, high-growth core business, the Schaltbau Group is pursuing the primary aim of consolidating and expanding the market positions of its operating subsidiaries in their respective segments.

Moreover, sustainability is an integral part of the Group's corporate strategy. The Schaltbau Group's companies have set themselves the goal of increasingly developing and offering innovative products, services and technologies that also contribute to the sustained success of their customers going forward.

The Schaltbau Group's value proposition "Smart Protection for DC Power and Mobility" will be ensured by initiatives such as the following:

The "Digital Rail for Germany" project offers the Pintsch segment a substantial level of additional and profitable business potential. With this point in mind, the Executive Board is keeping a close eye on developments regarding the multi-year investment programme for rail infrastructure announced by the German federal government and Deutsche Bahn AG. At the same time, various rail infrastructure components and interlocking solutions are already being revised and certified in line with the latest specifications. In the rail infrastructure line of business, Schaltbau intends to offer railway systems owners a further improved range of products focusing on level crossing and track-related technologies.

Product development in the Bode segment will focus even more strongly on the future requirements of the manufacturers of rolling stock and commercial vehicles, which are currently undergoing a transformation process driven by digitisation. The key emphasis will be on integrating software and interfaces in a variety of communication bus systems. In light of the growing trend towards automating and digitising rolling stock, the Schaltbau Group intends to increasingly connect its various subsystems to form larger system units on this basis. The range of combined systems solutions includes, for example, the increased use of sensor technology in door and boarding systems and expanding the Group's range of interior fittings as well as electrical and electronic on-board systems for rolling stock. Another key focus of Schaltbau's research and development efforts is on lightweight linear sliding doors for use in delivery vehicles, including all-electric models.

The Schaltbau segment is focusing on developing contactors for use in electrical DC energy storage systems, such as those installed in electric buses and hybrid vehicles, including the high-performance charging stations that will be required. Moreover, based on existing system platforms, the Schaltbau segment is optimising its product range on a modular basis to accommodate greater variance that will enable it to manufacture in larger quantities – a prerequisite for market success in the field of electric mobility and the capital goods industry.

SBRS will continue to focus on developing turnkey DC charging stations with a capacity of 350 kW and more that have only been used in public transport scenarios to date.

The dynamic spread of DC applications in new, fast-growing markets such as electric mobility and industrial infrastructure will sustainably support the positive development of Schaltbau and SBRS.

## Key performance indicators

Schaltbau Holding AG has established three main parameters as key financial performance indicators:
- Order intake as an early indicator of performance
- Revenue
- Profit before financial result and taxes (EBIT)

Since the fiscal year 2020, EBIT (without adjustment for exceptional items) has been used as a financial performance indicator. This strategy is in line with the change in internal management and the fact that, following the completion of restructuring and the associated measures implemented in 2019, Group management as a whole will again be based on reported EBIT.

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

The following key performance indicators are also used at Group level:
- Return on Capital Employed (ROCE)
- Free cash flow (i.e. the total sum of cash flows from operating activities and cash flows from investing activities)
- Net debt ratio (current and non-current bank liabilities plus other financial and leasing liabilities less cash and cash equivalents in relation to EBITDA)

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

The following explanations and variance analyses of the development of the Group's net assets, financial position and results of operations are provided with due regard to the newly defined segment structure, which also includes the comparable period of the previous year.

## Sustainability

The Executive Board is convinced that the future of the Schaltbau Group can only be ensured on a sustainable commercial basis. Sustainability means responding to the multiple challenges of increasing globalisation, the scarcity of raw materials, the perceptible impact of climate change and growing social inequality. Consequently, the Schaltbau Group's responsibility for society and the environment is becoming an increasingly important factor.

Alongside changing customer expectations and new market competitors, requirements are also becoming stricter each year due to the increasing number of regulations and laws worldwide and higher expectations on the part of various stakeholders as well as reputational aspects. These factors will continue to present new challenges going forward, particularly in terms of procurement. The focus will be on ensuring sustainability standards in supply chains, carbon-neutral production processes and optimising the cost of materials to enable their resource-efficient use in production.

Investors are also focusing far more closely on the issue of sustainability and increasingly applying it as a criterion in their decision-making processes.

The increasing call from customers and society alike for open, transparent Corporate Social Responsibility (CSR) reporting will prompt many companies to step up their corporate commitment regarding environmental and social issues.

The companies of the Schaltbau Group take the challenges of sustainability very seriously and are striving to minimise their carbon footprint accordingly over the coming years.

# Report on economic position

## General economic and sector-specific environment

### General economic environment

The world economy is currently in the process of recovering from the major external shock of the widespread lockdowns caused by the COVID-19 pandemic.

Nevertheless, the second wave of infection in the winter months around the new year has posed an additional risk to a broad economic recovery. While an upturn came earlier than expected in China, the global economy remains vulnerable to setbacks on its way to achieving pre-pandemic activity levels.

According to the International Monetary Fund (IMF) in its World Economic Outlook published in October 2020, with negative growth of 4.4%, the global downturn in economic output in the crisis year 2020 is expected to be less severe than previously assumed in its June 2020 forecast. This trend is due in particular to better overall performance in the developed economies, where a recovery already began to take hold in the second quarter. In its January 2021 assessment, the IMF updated the global economic slowdown to a contraction of 3.5%, reflecting stronger-than-expected activity in the second half of 2020.

World trade also began to rebound in the second quarter, largely due to the contribution of China. Exports from China rallied from their deep slump at the beginning of the year, supported by an earlier resumption of activity and sharp upturns in international demand for medical devices as well as for equipment to facilitate the shift to remote working.

Given the global nature of the shock and the common challenges faced by every country, strong multilateral efforts are needed to combat the dual impact of the health and economic crisis.

According to the Federal Statistical Office DESTATIS (source: press release no. 465 dated 24 November 2020), Germany's gross domestic product (GDP) grew by 8.5% in the third quarter 2020 compared to the previous three-month period – adjusted for price, seasonal and calendar effects. The German economy was thus able to make up for a considerable part of the pandemic-related contraction in GDP in the second quarter 2020. However, price-, season- and calendar-adjusted GDP in the third quarter 2020 was still 4.0% down on the fourth quarter 2019, i.e. the three-month period prior to the global corona crisis.

For the full year 2020, the Federal Statistical Office DESTATIS expects price-, season- and calendar-adjusted GDP to decline by 5.0% in Germany. (Source: press release no. 20 dated 14 January 2021).

## Sector-specific environment and sales markets

### Rail sector

According to industry experts (source: UNIFE World Rail Market Study 2020 – Forecast 2020 to 2025), the global market for railway transportation technology maintained its general upward trend, despite the short-term economic downturn of around 8% in 2020. Although rail transport, like most sectors of the economy, was adversely impacted by the COVID-19 pandemic in 2020 and experienced a sharp drop in transport volumes, the fundamental attractiveness of railways as a reliable and efficient mode of transport remained unaffected and is therefore expected to continue growing in the medium and long term. A number of underlying trends have driven the positive development of the rail industry since 2017. Particularly the increasing level of environmental awareness, which is reflected in political programmes such as the European Green Deal and the current political plans for the European Year of Rail, will have a positive impact on demand for rail-related solutions, according to industry experts.

The COVID-19 pandemic specifically influenced the rail sector by reducing the service market volume and causing a downward impact on order volumes due to project delays and cancellations.

According to the German Railway Industry Association (VDB) (source: press release no. 23/2020 dated 20 October 2020), the German railway industry once again generated record revenue of EUR 6.4 billion in the first half of 2020, reflecting growth of around 25% in both the rolling stock and the rail infrastructure segments. While domestic business volumes grew by a good 18%, export revenue increased sharply by 39%. According to the VDB, however, the order book of the German railway industry for the first six months of 2020 presented a mixed picture. Order intake dropped by a total of 6.3% to EUR 7.5 billion during the year under report. While the order situation on the domestic market rose by 18%, order intake from foreign markets plummeted by 36%. Foreign orders for rolling stock even contracted by as much as 53%. The VDB attributed this development in particular to changed investment behaviour for rail projects abroad due to the COVID-19 pandemic as well as to the fundamentally close link between export orders and on-site consulting.

Consolidation among customers has continued unabated. At the same time, the Chinese railway group CRRC has moved increasingly into the world market. Competitive pressure and changes in customer structures are resulting in lower margins and sometimes project delays in several markets. However, despite these challenges, the Schaltbau Group's project situation in the global market for rolling stock developed positively overall, benefiting the Schaltbau and Bode segments in particular. The Schaltbau Group does not expect Brexit to have a significant impact on its business.

### Automotive industry

According to the German Association of the Automotive Industry (VDA) (source: VDA press release dated 19 January 2021), the year 2020 was marked by a drastic slump in sales for automotive markets worldwide due to the COVID-19 pandemic. Europe suffered the sharpest decline of approximately one quarter, while sales in the USA also fell by a double-digit figure. Although the Chinese market recovered relatively swiftly, figures for the full year remained well below those reported one year earlier.

In the automotive market segment, among other factors, the Schaltbau Group is benefiting from the expansion of vehicle fleets to include all-electric commercial vehicles. According to the Association of International Motor Vehicle Manufacturers e.V. (VDIK), the overall market share of electric vehicles in Germany had increased to 14% by the end of 2020 (2019: 3%) (source: press release dated 12 January 2021).

### Capital goods

According to the German Bundesbank (source: Monthly Report January 2021), real gross domestic product (GDP) is estimated to have stagnated in the final quarter of the year under report. The increased incidence of infection and the gradual renewed tightening of measures designed to contain the COVID-19 pandemic dampened the attempts of the German economy to catch up. Nevertheless, according to the German Bundesbank, the tougher restrictions are unlikely to have caused a major setback, as the continued recovery of some industrial sectors of the economy was not directly affected by the measures.

According to data provided by the management consulting company McKinsey on the Energy Transition Index (as of September 2020), the COVID-19 pandemic is also having a negative impact on Germany achieving its climate goals. Although the lockdowns designed to stem the tide of the pandemic had a positive short-term impact on the global climate, at the same time, however, Germany's energy transition remains sluggish in the wake of the pandemic, mainly due to the slow expansion of wind power and the electricity grid as well as a drop in the number of jobs being generated in the renewable energy sector.

Since 2012, the Energy Transition Index has reflected the status of energy system transformation in Germany every six months, using the three dimensions of the energy industry triangle of climate and environmental protection, supply reliability and cost-effectiveness. In this context, McKinsey points out that, following the decision to phase out nuclear power and coal, supply reliability is at risk in the medium term if the capacities shut down are not flexibly replaced in good time and the expansion of transport networks progresses more quickly. In order to comply with the terms of the Paris Climate Agreement, by 2030 Germany needs to reduce its carbon emissions by 55% compared with the base year 1990. From today's perspective, however, emissions need to cut by a further 30% to accomplish this aim.

Although at around 17% the percentage of renewables in the gross final consumption of electricity almost met its current target during the period under report, McKinsey points out that without the large-scale electrification of the transport and heating sectors, the balance will deteriorate again over the next few years. The proportion of energy generated via renewable sources needs to increase at twice the speed in order to achieve the required 30% by 2030.

### Procurement markets

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

### Regulatory conditions

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

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

On 19 April 2016, the European Parliament and the Council of Europe agreed to a raft of measures under the terms of the "Fourth Railway Package", which is designed to make rail travel in the EU more attractive, innovative and competitive. The package also includes new regulations on railway safety that will tighten approval conditions. In future, only "third parties" will be considered as independent authorities.

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

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

## Course of business and earnings position

### Financial stabilisation

In order to bolster liquidity and as a risk provision to mitigate any potentially negative financial impact caused by the COVID-19 pandemic, which has been spreading since 2020, Schaltbau basically increased its syndicated credit line by EUR 60.0 million during the fiscal year and added another syndicate partner, the KfW banking group.

Together with the newly concluded Syndicated Credit Agreement, the extended promissory note and the funds from the share capital increase implemented in 2018, Schaltbau is now also well positioned in financial terms to meet the challenges of the future.

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

Apart from ensuring sufficient liquidity, the Schaltbau Group aims to continue investing increasingly in future-oriented projects and product developments in order to drive its targeted growth in a sustainable manner.

### Significant changes to the group reporting entity

At 31 December 2020, the following changes had taken place compared with the Group reporting entity at 31 December 2019:
- The deconsolidation of the formerly fully consolidated entity Pintsch Bamag Brasil Tecnologia Ferroviaria LTDE, Sao Paulo, Brazil, with effect from 30 June 2020
- The first-time consolidation of Schaltbau India PVT. Ltd., Thane, India, with effect from 1 January 2020

### Overall assessment of financial condition

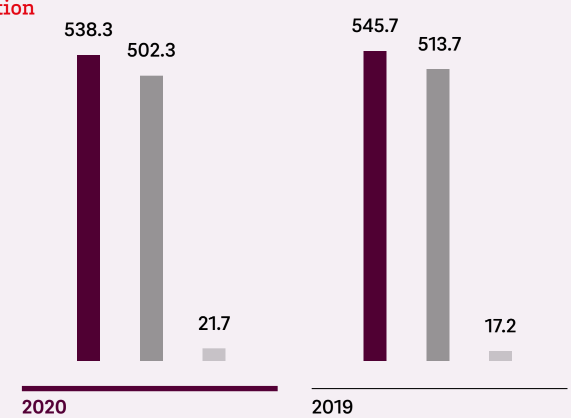
In the fiscal year 2020, the Schaltbau Group either achieved or exceeded the targets for revenue and earnings published in the COVID-19 forecast. With revenue of EUR 502.3 million, EBIT totalled EUR 21.7 million. The EBIT margin came in at 4.3% and was therefore at the upper end of the targeted range of approximately 4%.

Considering the particularly challenging circumstances surrounding COVID-19, the Schaltbau Group performed well during the year under report. As expected, the economic impact on the four segments under report presented a mixed picture. During the 12-month reporting period, the Schaltbau segment continued to be affected by the ongoing downturn in global demand, reflected specifically in declining customer order volumes. The Bode segment, however, was most heavily impacted by the spread of the COVID-19 pandemic. While demand for Rail products was comparatively encouraging, COVID-19-related adverse effects continued to have a dampening impact on the Bus and Automotive lines of business. Apart from temporary plant closures at major bus manufacturers in the first six months of the year, the situation was mainly due to the continuing slump in demand for long-distance coaches, which manufacturers in turn responded to by downwardly adjusting their own production capacities. Moreover, negative developments in the Automotive market held down demand for commercial vehicles. Business activity in the Pintsch segment far exceeded expectations in terms of both order intake and EBIT. Revenue figures were in line with expectations, due to brisk demand for axle counting systems and level crossings. The SBRS segment also reported strong growth, mainly due to a considerable number of projects completed in the fields of e-mobility and refurbishment.

The entire year 2020 was strongly affected by the ongoing COVID-19 pandemic, particularly in terms of order intake on a like-for-like basis (excluding the deconsolidated entities Alte and the Sepsa Group). Considering the difficult circumstances, order intake across the Schaltbau Group as a whole developed comparatively well. At EUR 538.3 million, the Group recorded a solid level of order intake and, despite being lower than the previous year's figure, it is still in line with expectations and forms an encouraging basis for future fiscal years. Higher order intake in the Pintsch and SBRS segments was offset by lower figures in the Schaltbau and Bode segments compared with the previous year. The decrease in the Bode segment to EUR 250.9 million was primarily attributable to the Road line of business as a result of the COVID-19 pandemic. Order intake in the Schaltbau segment dropped by 12.9% to EUR 139.3 million year-on-year and was below expectations. The reasons for this were sharply declining order volumes from customers in all markets affected by closures as well as a general contraction in order volumes due to the economic downturn. In the Pintsch segment, order intake rose steeply by 48.3% to EUR 112.1 million. The growth was mainly achieved on the back of higher demand for level crossing technology, axle counting systems and the project awarded for digital interlocking technology. Order intake for SBRS was outstanding and grew strongly by 60.0% to EUR 36.0 million. Both the e-mobility and the train refurbishment project business contributed to this positive development.

Revenue for the Schaltbau Group in the fiscal year 2020 totalled EUR 502.3 million, slightly down on the previous year's figure of EUR 513.7 million. On a like-for-like basis (excluding the divested corporate entities Alte and the Sepsa Group), Group revenue grew by 2.1% or EUR 10.4 million. Organic growth was primarily driven by the Bode, Pintsch and SBRS segments. Revenue for the Schaltbau segment was EUR 14.9 million or 9.7% below the figure reported one year earlier. The organic growth forecast for the segment was negatively impacted by the COVID-19 pandemic and the resulting slump in demand.

However, the earnings performance during the year under report was comparatively good, despite the challenges posed by the spread of the COVID-19 pandemic. In the fiscal year 2020, the Schaltbau Group reported profit before financial result and taxes (EBIT) of EUR 21.7 million, resulting in an operating EBIT margin of 4.3% and clearly exceeding the previous year's figure of EUR 17.2 million. On a like-for-like basis, however, the increase amounted to 0.6% or EUR 3.6 million (2019: EUR 18.1 million). The Schaltbau segment made the largest EBIT contribution of EUR 19.7 million (2019: EUR 24.2 million), although at a lower level than one year earlier. At EUR 4.2 million, earnings for the Bode segment were well below the EBIT contribution recorded the previous year




(2019: EUR 6.0 million). By contrast, earnings for the Pintsch and SBRS segments surpassed expectations and were far higher than the 2019 figure.

For the full fiscal year 2020, the Schaltbau Group generated Group net profit of EUR 5.7 million (2019: EUR 7.4 million). Due to lower interest expenses compared with the previous year, the negative financial result was slightly below the level recorded in 2019. At the same time, the reduction in deferred tax assets had a negative impact on the result.

Schaltbau Holding AG reported a profit before tax of EUR 1.2 million and is therefore within the range forecast for 2020, which had envisaged positive pre-tax earnings within a low single-digit million range. Net profit for the year was largely driven by income from profit and loss transfer agreements (EUR 11.6 million) and lower expenses for legal and consulting fees compared to one year earlier.

### Outlook / actual comparison for fiscal year 2020

| In € million unless otherwise indicated | Outlook 2020 | Actual 2020 |
|---|---|---|
| Order intake | 520 – 540 | 538.3 |
| Revenue | 460 – 500 | 502.3 |
| EBIT | 18 – 20 | 21.7 |
| EBIT margin in % | approx. 4% | 4.3 |
| Profit before tax of Schaltbau Holding AG in accordance with HGB | Positive pre-tax earnings in the low millions | 1.2 |

### Business volume and earnings position of the Schaltbau Group

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake | 538.3 | 545.7 | -1.4% |
| Revenue | 502.3 | 513.7 | -2.2% |
| EBIT before exceptional items | 21.7 | 28.2 | -23.0% |
| EBIT | 21.7 | 17.2 | 26.2% |

### BODE segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake with third parties | 250.9 | 287.6 | -12.8% |
| Revenue with third parties | 257.3 | 270.1 | -4.7% |
| EBIT | 4.2 | 6.0 | -30.0% |

### Schaltbau segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake with third parties | 139.3 | 159.9 | -12.9% |
| Revenue with third parties | 139.5 | 154.4 | -9.7% |
| EBIT | 19.7 | 24.2 | -18.6% |

### Pintsch segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake with third parties | 112.1 | 75.6 | 48.3% |
| Revenue with third parties | 75.8 | 72.5 | 4.6% |
| EBIT | 3.9 | 2.4 | 62.5% |

### SBRS segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake with third parties | 36.0 | 22.5 | 60.0% |
| Revenue with third parties | 29.8 | 16.6 | 79.5% |
| EBIT | 2.7 | 1.3 | 107.7% |

## Order intake and order book

Order intake reported for the Schaltbau Group totalled EUR 538.3 million, which was EUR 7.4 million below the previous year's figure of EUR 545.7 million, but still above the forecast range of EUR 520 – 540 million. The book-to-bill ratio (order intake in relation to revenue) stood at 1.1 and was therefore identical to the previous year's figure. Excluding Alte and the Sepsa Group, which were divested in 2019, the previous year's order intake totalled EUR 532.7 million on a like-for-like basis.

The lower order intake total for the Bode Group of EUR 250.9 million was mainly attributable to the impact of the COVID-19 pandemic on the Bus and Automotive lines of business. Bode recorded lower order intake volumes from all major bus and automotive manufacturers due to temporary plant closures and negative market developments. The decision of the German postal service to discontinue the StreetScooter business at the beginning of the year also had a negative impact. In terms of rail-related business, however, Bode largely maintained the very high level of order intake seen the previous year.

The order book for the Schaltbau segment contracted by EUR 20.6 million or 12.9% year-on-year. The sharp decline in order intake compared with 2019 was due to the greatly reduced order volume from customers in all markets affected by closures. Apart from lower order levels from OEMs and rail network operators, customers in the industrial segment were severely affected by COVID-19 and lockdowns, as well as travel restrictions when it came to installing and commissioning their products. The drastic decline in the use of public transport in many regions of the world due to the pandemic has led to a temporary but noticeable reluctance to invest, especially on the part of operators. All relevant geographical regions of the world were influenced by these developments, which again led to delayed order intake in 2020 and correspondingly lower revenue. Conversely, however, order intake in the developing target markets of New Generation Energy and New Mobility increased year-on-year.

Order intake in the Pintsch segment for the fiscal year 2020 totalled EUR 112.1 million, a 48.3% improvement on the previous year's figure of EUR 75.6 million. The strong increase in order intake was caused by higher demand for level crossing technology, axle counting systems and the awarding of an order for products relating to digital interlocking technology.

Order intake for the SBRS segment was outstanding and recorded strong organic growth of 60.0% to EUR 36.0 million. This excellent development included projects awarded for the installation of high-performance charging stations for e-mobility as well as refurbishment projects.

At 31 December 2020, the order book totalled EUR 513.5 million (31 December 2019: EUR 488.9 million). The continued satisfactory growth in order book volumes indicates the trust and confidence that customers have in the outstanding products made by Schaltbau.

### Revenue

Group revenue totalled EUR 502.3 million and therefore EUR 11.4 million below the figure of EUR 513.7 million reported in 2019. Adjusted for the two entities Alte and the Sepsa Group, which were deconsolidated the previous year, the Group registered organic growth of 2.1% in the fiscal year 2020.

With the exception of the Schaltbau segment, all of the segments contributed to the adjusted Group revenue growth of EUR 10.4 million. The Bode segment reported revenue growth totalling EUR 8.7 million, mainly on the back of a strong sales performance in the field of rolling stock. Revenue for the Schaltbau segment declined sharply by EUR 14.9 million, strongly affected by a worldwide slump in demand across all relevant markets on account of the COVID-19 pandemic. In the Pintsch segment, revenue went up by EUR 3.3 million, partially driven by high demand for level crossing systems, axle counting systems and products related to digital interlocking technology. In the SBRS segment, revenue increased strongly by EUR 13.2 million, mainly attributable to good business with e-mobility and refurbishment services.

In the year under report, 36.3% (2019: 37.0%) of revenue was generated with customers within Germany. A further 47.1% (2019: 45.0%) was attributable to customers in other European countries and 16.6% (2019: 18.0%) to the rest of the world.

## Earnings

EBIT for the Schaltbau Group totalled EUR 21.7 million, EUR 4.5 million above the previous year's amount of EUR 17.2 million and therefore at the upper end of the forecast predicted for the fiscal year 2020, resulting in an EBIT margin of 4.3% (2019: 3.3%). One year earlier, EBIT totalled EUR 18.1 million excluding the contributions of Alte and the Sepsa Group. The EBIT margin stood at 3.7% on a like-for-like basis. The improved result is primarily due to the various measures taken to sharpen the Schaltbau Group's focus, alongside increased profitability. Despite the lower level of order intake and revenue, the Schaltbau segment in particular managed to maintain profitability at a sustained high level on the back of the cost-cutting programmes introduced. Moreover, lower legal and consulting costs as well as the partial reversal of provisions recognised in previous years had a positive effect on the operating result.

The Schaltbau Group's total output decreased slightly by EUR 1.8 million to EUR 515.2 million. Adjusted for the two deconsolidated entities Alte and the Sepsa Group, total output amounted to EUR 495.6 million one year earlier.

Other operating income dropped considerably by EUR 2.5 million to EUR 15.1 million, mainly due to the EUR 8.0 million insurance pay-out recorded the previous year to compensate for the flood damage caused at the Schaltbau Group's production location in Kassel. Other operating income in the year under report included a gain arising on the deconsolidation of Pintsch Bamag Brasil Tecnologia Ferrovviaria LTDT, São Paulo, Brazil, the gain from the first-time consolidation of Schaltbau India Pvt. Ltd., Thane, India, and income from the reversal of provisions as well as currency and exchange rate gains.

Cost of materials increased by 2.6% from EUR 266.3 million to EUR 273.1 million due to increased expenditure for various bought-in services. Excluding the two companies deconsolidated in 2019, the adjusted cost of materials in the previous year was EUR 255.3 million. The cost of materials ratio (cost of materials in relation to total output) was 53.0% in the fiscal year under report and therefore slightly above the previous year's level, partially due to the large volume of materials required for both completed and ongoing customer orders. On the other hand, lower material costs and renegotiated customer contracts helped keep down costs.

Excluding the impact of Alte and the Sepsa Group, both of which were deconsolidated in 2019, despite a slight increase in the size of the workforce, the adjusted personnel expenses are practically the same as in the previous year, mainly due to the utilisation of the short-time working allowance claimed in response to the lack of employment, partly caused by the drop in incoming orders. The personnel expense ratio (expressed as a percentage of total output) for the Group over the 12-month period decreased from 34.1% to 32.6% year-on-year. Total output per employee (productivity) increased to kEUR 191.9 (2019: kEUR 189.9).

Depreciation, amortisation and impairment losses increased by EUR 5.5 million from EUR 15.5 million to EUR 21.0 million. Amortisation and impairment losses on intangible assets went up by EUR 4.6 million, primarily as a result of an impairment loss amounting to EUR 5.1 million recognised on goodwill relating to SPII S.p.A., Saronno, Italy, while depreciation on property, plant and equipment rose by EUR 0.6 million. The amortisation of right-of-use assets rose by EUR 0.3 million.

Other operating expenses decreased by 22.2% to EUR 46.4 million (2019: EUR 59.6 million; EUR 55.5 million on a like-for-like basis) due to cost-cutting measures taken in light of the COVID-19 pandemic as well as restructuring expenses recognised in the previous year.

Profit before financial result and taxes (EBT) improved from EUR 10.5 million in the fiscal year 2019 to EUR 14.5 million in the year under report. The fact that the EBT improvement was less pronounced than that of EBIT was attributable to the lower result from investments, which fell by EUR 0.6 million year-on-year. The financial result finished at a negative amount of EUR 6.9 million and therefore practically unchanged from one year earlier.

The tax expense increased significantly to EUR 8.9 million (2019: EUR 3.1 million). Deferred tax assets recognised on tax loss and interest carryforwards in Germany went down by EUR 2.8 million to EUR 2.4 million (2019: tax income of EUR 0.7 million). In 2019, valuation allowances of EUR 1.8 million made in 2017 on the surplus of deferred tax assets in Germany were reversed, whereby the amount of EUR 0.8 million attributable to the actuarial valuation of pension provisions was recognised through other comprehensive income and the remaining amount of EUR 1.0 million through the income statement. Current taxes due to lower taxable earnings in the year under report had an offsetting effect.

Group net profit for the year totalled EUR 5.7 million (2019: EUR 7.4 million). The profit attributable to the shareholders of Schaltbau Holding AG totalled EUR 3.9 million (2019: EUR 4.1 million), equivalent to earnings per share of EUR 0.44 (diluted and undiluted – 2019: EUR 0.46).

## Appropriation of results

The accumulated deficit reported by Schaltbau Holding AG for the fiscal year 2020 will be carried forward.

# Business and earnings performance of the segments

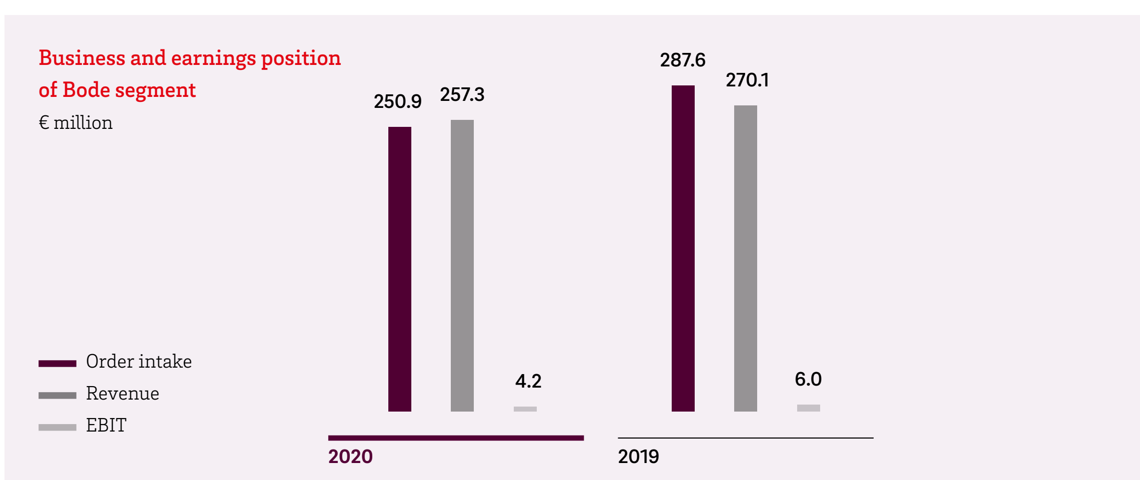
## Bode segment

### Key performance figures for the Bode segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake | 250.9 | 287.6 | -12.8% |
| Revenue | 257.3 | 270.1 | -4.7% |
| EBIT | 4.2 | 6.0 | -30.0% |

Order intake for the Bode segment (in 2019 including Alte and the Sepsa Group on a time-apportioned basis) was 12.8% below that of the previous year. Excluding the entities Alte and the Sepsa Group, which were deconsolidated in 2019, the adjusted order intake for 2019 totalled EUR 274.6 million. The lower figure in 2020 was attributable in particular to the slump in demand in the Bus and Automotive lines of business due to the COVID-19 pandemic. In the field of commercial vehicles and coaches, the Bode segment recorded lower order intake volumes from all major bus and automotive manufacturers due to temporary plant closures and negative market developments. The situation was exacerbated by the decision of the German postal service to discontinue series production of its StreetScooter all-electric vehicle in 2020. The book-to-bill ratio (order intake in relation to revenue) remained at a high 1.0 for the period under report.

Segment revenue with third parties decreased by 4.7% to EUR 257.3 million (2019: EUR 270.1 million). Excluding the entities Alte and the Sepsa Group in 2019, however, revenue increased by



3.6%, whereby significant declines recorded for the Bus (particularly coaches) and Automotive (end of StreetScooter production and generally weak demand) lines of business were more than offset by a strong performance in the Rail line of business. Despite negative developments in the Bus and Automotive lines of business, revenue for the German company Bode grew by EUR 7.1 million to EUR 187.1 million on the back of positive Rail figures. The positive performance of Bode North America was due to the successful commencement of two major projects in the Rail line of business in 2020.

Segment EBIT decreased to EUR 4.2 million in 2020 (2019: EUR 6.0 million; EUR 6.9 million on a like-for-like basis). The main reasons were the product and customer mix in the Bus and Automotive lines of business as well as temporary drops in productivity due to the COVID-19 pandemic. Moreover, the previous year's figures included a significant insurance sum paid out to the German company Bode to compensate for flood damage.

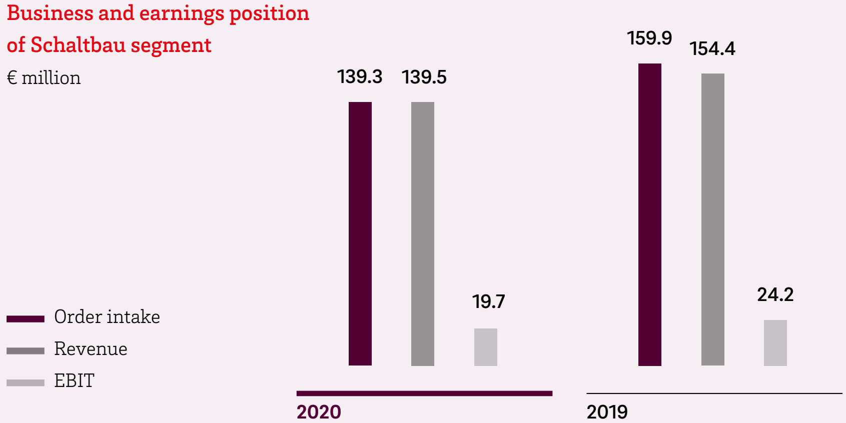
## Schaltbau segment

### Key performance figures for the Schaltbau segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake | 139.3 | 159.9 | -12.9% |
| Revenue | 139.5 | 154.4 | -9.7% |
| EBIT | 19.7 | 24.2 | -18.6% |

In 2020, order intake of the Schaltbau segment amounted to EUR 139.3 million, 12.9% down on the high figure reported one year earlier. The development was due to a market environment greatly impacted by the devastating effect of the COVID-19 pandemic, which led to greatly reduced order intake from OEMs and rail sector customers. Market volumes dropped particularly in China, the USA and Europe. The Schaltbau GmbH Group also felt the pressure of sluggish market demand in the DACH region, despite the compensatory effect of new business.

**Business and earnings position of Schaltbau segment**
€ million



Segment revenue decreased by 9.7% to EUR 139.5 million year-on-year (2019: EUR 154.4 million). The general market slump led to lower figures across all product groups, albeit to varying degrees.

In line with the lower revenue, segment EBIT decreased by 18.6% to EUR 19.7 million (2019: EUR 24.2 million). Due to the targeted countermeasures taken during the year under report, the EBIT margin remained at a relatively high level of 14.0% compared to 15.6% one year earlier.

## Pintsch segment

### Key performance figures for the Pintsch segment

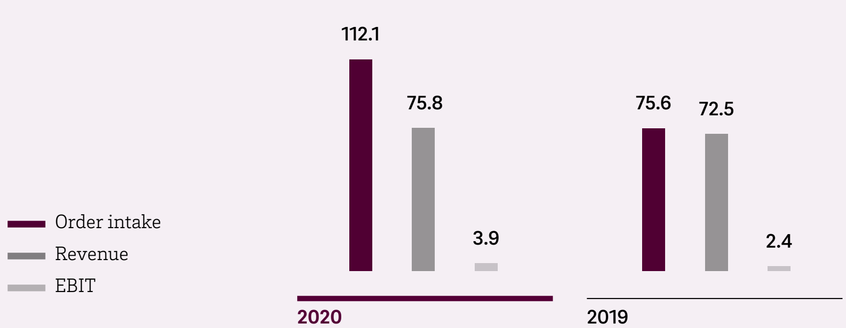
| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake | 112.1 | 75.6 | 48.3 % |
| Revenue | 75.8 | 72.5 | 4.6 % |
| EBIT | 3.9 | 2.4 | 62.5 % |

The Pintsch segment reported an increase of EUR 36.5 million in order intake compared to 2019, thereby exceeding the expectations of the forecast published in spring 2020. The positive development was largely due to higher demand for level crossing technology and axle counting systems as well as the project acquired in the field of digital interlocking technology.

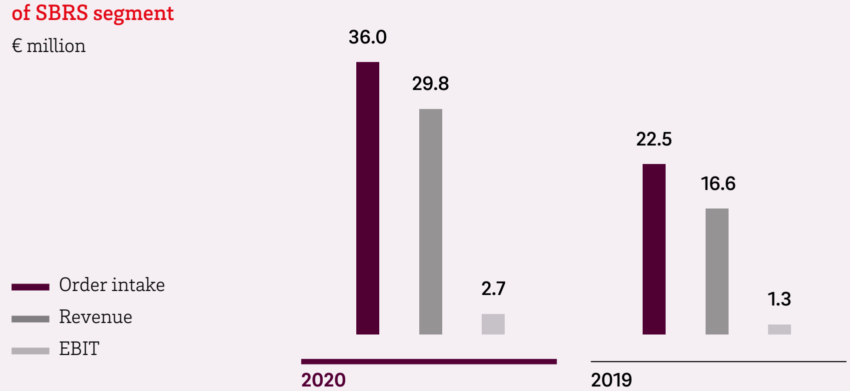
Revenue totalled EUR 75.8 million and was therefore EUR 3.3 million above the previous year's figure, the main drivers being brisk demand for axle counting systems and level crossing technology as well as the completion of marshalling yard projects.

Segment EBIT achieved in the fiscal year 2020 was driven by the higher level of revenue and a positive one-off effect from the deconsolidation of Pintsch Brasil. The EBIT margin came in at 5.2% (2019: 3.3%).

**Business and earnings position of Pintsch segment**
€ million



Business and earnings position of SBRS segment
€ million




## SBRS segment

### Key performance figures for the SBRS segment

| € million | 2020 | 2019 | Change |
|---|---|---|---|
| Order intake | 36.0 | 22.5 | 60.0% |
| Revenue | 29.8 | 16.6 | 79.5% |
| EBIT | 2.7 | 1.3 | 107.7% |

The order intake of the SBRS segment was again highly encouraging in 2020, finishing 60.0% ahead of the already outstanding previous year's figure of EUR 36.0 million. The increase was driven primarily by projects awarded in the fields of e-mobility and railway refurbishment.

Segment revenue grew by 79.5% to EUR 29.8 million year-on-year (2019: EUR 16.6 million). The major improvement was largely due to significant projects that were awarded in 2019 and completed in 2020.

EBIT for the SBRS segment increased by 107.7% to EUR 2.7 million (2019: EUR 1.3 million). The significant improvement in the operating profit was due to revenue growth in the fields of e-mobility and refurbishment. The EBIT margin improved from 7.9% to 8.8% year-on-year.

# Net assets and financial position

## Principles of financial management

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

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

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

At 31 December 2020, external financing was based on a secured Syndicated Credit Agreement concluded in June 2019, which has now been amended for the third time and covers an amount totalling EUR 172.0 million. An agreement concluded in August 2019 for the securitisation of receivables with a volume of up to EUR 29.0 million is also being utilised. Promissory notes had a nominal value of EUR 10.5 million at 31 December 2020.

On 17 June 2019, a Syndicated Credit Agreement was signed for EUR 103.0 million over a three-year basic term with two extension options of one year each. However, the credit line was subsequently increased to EUR 109.0 million via a supplementary agreement signed on 12 August 2019. In a second amendment agreement dated 9 March 2020, the nominal amount was increased to EUR 112.0 million. The third amendment agreement dated 19 June 2020 led to the inclusion of Kreditanstalt für Wiederaufbau (KfW) in the consortium and to an adjustment of the credit line to EUR 172.0 million.

At 31 December 2020, the utilised balance of the syndicated loan amounted to EUR 108.3 million and consisted of an overdraft amounting to EUR 80.0 million and guarantees amounting to EUR 28.3 million.

At 31 December 2020, the debt owed to the promissory note creditors amounted to a nominal EUR 10.5 million and consisted of two tranches of EUR 5.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025). The liabilities are reported in the balance sheet under non-current financial liabilities. A factoring agreement was entered into on 1 August 2019 and is currently valid under the terms of the first amendment agreement dated 23 July 2020, on the basis of which various subsidiaries of the Schaltbau Group sell trade receivables directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates the resulting opportunities and risks to the participating Group companies and a bank by means of contractual agreements. The structured entity is financed by a bank credit line.

An equity ratio in a range between 30 and 35% has been set as the target for the Schaltbau Group as a whole. However, at 22.0%, this target ratio was not achieved during the year under report.

Derivative financial instruments are used exclusively to hedge interest rate, foreign currency and raw materials price risks. Internal guidelines prohibit the use of derivative financial instruments for speculative purposes.

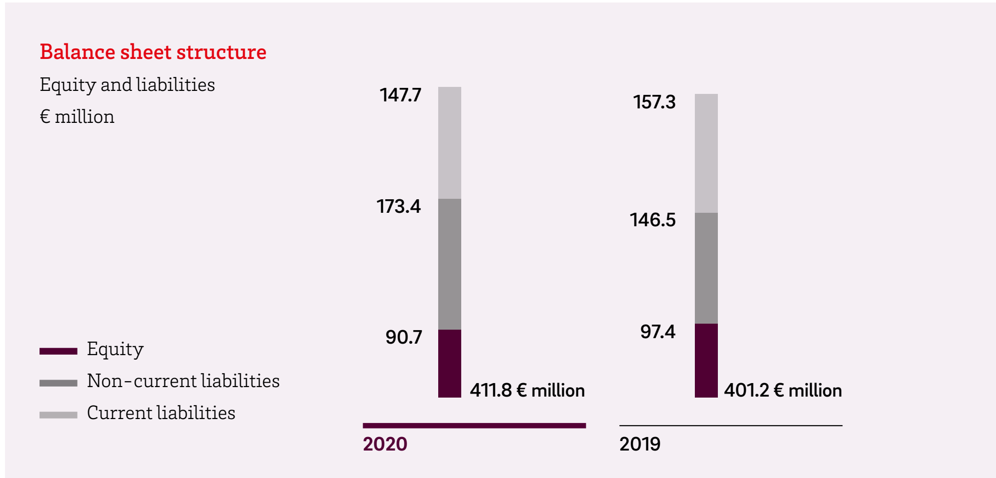
At 31 December 2020, interest rate hedges totalled a nominal volume of EUR 30.0 million. The nominal amounts of the derivative instruments currently in place to hedge foreign currency risks amount to EUR 18.8 million (net) with a market value of kEUR 321. Details are available in the notes to the consolidated financial statements under "Risk management policy and hedging measures".

### Analysis of capital structure

**Non-current liabilities** stood at EUR 173.4 million at the end of the reporting period (31 December 2019: EUR 146.5 million). The increase was mainly attributable to higher non-current liabilities to banks totalling EUR 99.3 million (31 December 2019: EUR 83.1 million). At 31 December 2020, non-current liabilities comprised non-current financial liabilities amounting to EUR 108.6 million (2019: EUR 92.7 million), pension provisions amounting to EUR 39.1 million (2019: EUR 39.0 million) and further personnel-related provisions and other provisions totalling EUR 5.7 million (2019: EUR 7.7 million). Non-current financial liabilities include leasing liabilities amounting to EUR 9.3 million (2019: EUR 9.7 million).

At 31 December 2020, **current liabilities** totalled EUR 147.7 million compared to EUR 157.3 million one year earlier. The decrease was mainly due to the lower amount of trade accounts payable. The decrease in other current provisions of EUR 3.2 million to EUR 26.1 million was mainly attributable to the significantly lower amount of liabilities owed to a factor in connection with cash proceeds received and lower provisions for warranties. At 31 December 2020, EUR 10.6 million (2019: EUR 14.7 million) of current liabilities related to current financial liabilities, EUR 41.9 million (2019: EUR 50.4 million) to trade accounts payable, EUR 3.3 million (2019: EUR 3.1 million) to income taxes payable and EUR 40.4 million (2019: EUR 42.9 million) to personnel-related and other provisions. Current financial liabilities include lease liabilities amounting to EUR 2.7 million (2019: EUR 2.7 million).

Net financial liabilities (current and non-current financial liabilities less cash funds, excluding guarantees) amounted to EUR 79.8 million at the end of the reporting period (31 December 2019: EUR 82.2 million). The Schaltbau Group continues to target reductions in net financial liabilities, both in absolute terms and, particularly, in relation to EBITDA for the year, to a debt ratio of less than three.




**Group equity** decreased by EUR 6.7 million to EUR 90.7 million compared to one year earlier. The equity ratio of 22.0% was below the previous year's figure (31 December 2019: 24.3%). The debt ratio improved to 1.9 compared to 2.5 one year earlier. The change in equity was mainly attributable to Group net profit for the year, currency rate fluctuations and distributions to minority shareholders.

## Liquidity analysis

At a positive amount of EUR 32.2 million, cash flow from operating activities was EUR 30.7 million down on the previous year's figure of EUR 62.9 million. The positive effect of the EUR 4.5 million improvement in EBIT to EUR 21.7 million (2019: EUR 17.2 million) was more than offset by the negative effect of a EUR 13.5 million increase in inventories (2019: increase of EUR 9.7 million), a EUR 9.1 million increase in trade accounts receivable (2019: increase of EUR 10.6 million), a EUR 5.5 million decrease in provisions (2019: increase of EUR 14.7 million) and a EUR 7.8 million decrease in trade accounts payable of (2019: decrease of EUR 3.8 million). The lower level of trade accounts receivable was mainly due to a decrease in receivables from customers and the increased utilisation of factoring compared to the end of 2019.

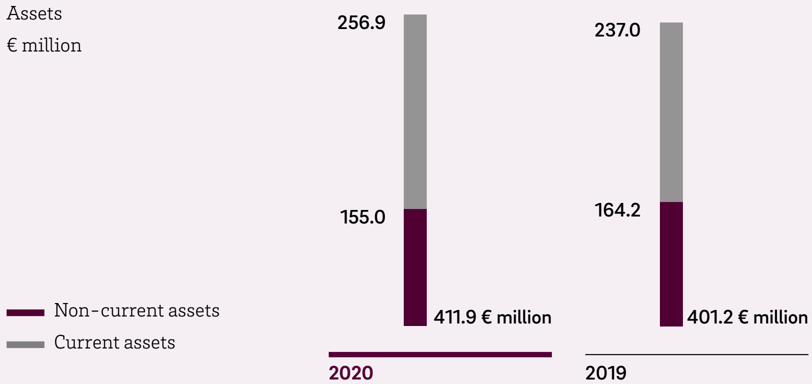
Schaltbau recorded a cash outflow from investing activities amounting to EUR 18.5 million for the fiscal year 2020 (31 December 2019: outflow of EUR 20.6 million), largely attributable to payments for investments in intangible assets and property, plant and equipment.

In 2020, free cash flow amounted to a positive amount of EUR 13.7 million compared with EUR 42.3 million one year earlier.

**Balance sheet structure**

Assets

€ million




Net cash outflows from financing activities totalled EUR 0.3 million (2019: net cash outflows of EUR 38.8 million). The change compared to the previous year's figure was mainly due to a decrease in promissory note redemptions and lower interest payments.

Cash funds reported in the consolidated cash flow statement totalling EUR 39.4 million (2019: EUR 25.2 million) comprised cash and cash equivalents.

## Net assets

Compared to 31 December 2019, non-current assets decreased by EUR 9.2 million from EUR 164.2 million to EUR 155.0 million. Of this amount, EUR 43.4 million (31 December 2019: EUR 49.8 million) related to intangible assets and EUR 98.1 million (31 December 2019: EUR 93.8 million) to property, plant and equipment and investment property.

The decrease in intangible assets amounting to EUR 6.4 million was mainly attributable to an impairment loss of EUR 5.1 million recognised on goodwill relating to SPII S.p.A, Saronno, Italy. The remaining decrease in intangible assets resulted from amortisation, mainly on concessions and software.

Property, plant and equipment and investment property increased by EUR 4.4 million, with depreciation of EUR 12.2 million more than offset by investments totalling EUR 17.9 million.

At EUR 256.9 million, current assets were EUR 19.9 million higher than one year earlier, mostly due to the net impact of a EUR 9.0 million increase in inventories, a EUR 10.8 million decrease in trade accounts receivable, a EUR 4.9 million increase in other assets and receivables and a EUR 14.2 million increase in cash and cash equivalents.

SBRS was the main driver behind the increase in inventories, reflecting its need to build up buffer stocks to complete ongoing projects that will generate revenue in 2021 and longer lead times to replenish inventory levels. The decrease in trade accounts receivable was mainly due to timing factors around the year-end. At 31 December, a total of EUR 20.0 million of the receivables existing at the reporting date had been sold in conjunction with reverse factoring arrangements.

The changes in inventories and trade accounts receivable described above, together with a decrease in trade accounts payable and an increase in contract liabilities caused working capital to grow by 3.7% to EUR 127.4 million.

At EUR 269.5 million, capital employed was EUR 0.2 million below the previous year's corresponding figure. While working capital increased, fixed assets decreased by a smaller amount. The return on capital employed (ROCE), which indicates the ratio of EBIT to the average amount of capital employed, was 8.1% in the fiscal year 2020, compared with 6.4% in 2019, clearly reflecting the improved level of return on capital employed generated by the Schaltbau Group.

Cash and cash equivalents went up by EUR 14.2 million to EUR 39.4 million, mainly due to timing factors around the year-end and therefore showing the higher level of cash funds generated from normal business activities.

Write-downs on inventories totalled EUR 19.2 million at the end of the reporting period (31 December 2019: EUR 16.6 million).

## Net assets, financial and earnings position of Schaltbau Holding AG

As in the previous year, the annual financial statements of Schaltbau Holding AG for the fiscal year 2020 were drawn up in accordance with the German Commercial Code (HGB) and the Stock Corporation Act (AktG).

In its capacity as parent company, Schaltbau Holding AG is responsible for the strategy and overarching operational management of the Schaltbau Group and also provides services to its subsidiaries. Its earnings and financial position is therefore primarily influenced by the profits and losses transferred to it by its subsidiaries, investment income from subsidiaries and the net interest result relating to its financing function. A profit and loss transfer agreement is in place between Schaltbau Holding AG and Schaltbau GmbH.

### Earnings position of Schaltbau Holding AG

Schaltbau Holding AG closed the fiscal year 2020 with a profit before tax of EUR 1.2 million (2019: loss of EUR 10.2 million). Net profit amounted to EUR 1.1 million, compared to a loss of EUR 11.7 million in the previous year. The accumulated deficit of Schaltbau Holding AG amounting to EUR 10.6 million at the end of the fiscal year 2020 will be carried forward.

In 2019, Group net profit was mainly held down by expenses in conjunction with implementing the restructuring plan. In the fiscal year 2020, lower expenses for legal and consulting fees, financing expenses and expenses relating to pending calls on bank and Group guarantees led to a decrease in other operating expenses.

Net profit for the year 2020 was largely driven by amounts transferred in accordance with existing profit and loss transfer agreements (EUR 11.6 million). Schaltbau Holding AG's earnings situation developed positively as a result of no longer having to pay high expenses for legal and consulting fees in the fiscal year 2020.

The Company recorded revenue of EUR 3.6 million (2019: EUR 3.4 million) from the provision of services, relating in particular to recharging the cost of centralised IT systems to subsidiaries.

Other operating income of EUR 3.4 million (2019: EUR 1.5 million) mainly included income relating to prior periods amounting to EUR 3.3 million from the reversal of provisions.

The increase in personnel expenses mainly reflected expenses incurred for four members of the Executive Board included for the full year in 2020 as well as higher bonuses.

Depreciation and amortisation of EUR 1.1 million was identical to the previous year's figure of EUR 1.1 million and mainly attributable to the amortisation of intangible assets.

Other operating expenses related in particular to expenses for legal and consulting fees (partially in connection with the signing of the new financing arrangements), IT services and general administration costs.

Income from profit and loss transfer agreements decreased to EUR 11.6 million (2019: EUR 13.6 million) due to the significantly lower amount of profit transferred by Schaltbau GmbH.

The interest result finished with a net expense of EUR 1.6 million (2019: net expense of EUR 1.6 million).

Practically no other taxes were payable in the year under report (2019: EUR 1.3 million). In the previous year, they related mainly to non-income-related operating taxes.

## Financial and net assets position of Schaltbau Holding AG

Schaltbau Holding AG's balance sheet total increased by EUR 33.4 million to EUR 205.7 million in the year under report.

At EUR 110.1 million, non-current assets were practically identical to those recorded on 31 December 2019. The slight decrease was mainly due to depreciation and amortisation.

Current assets increased by EUR 33.8 million to EUR 95.4 million. The change in receivables from affiliated companies arose in conjunction with the factoring agreement concluded in 2019. Receivables from affiliated companies totalling EUR 77.1 million mainly included receivables resulting from intra-group financing as well as receivables from profit and loss transfers. Under the terms of the factoring agreement concluded in August 2019, four subsidiaries of Schaltbau Holding AG sell trade accounts receivable directly to a structured entity on a revolving basis. The structured entity holds the receivables and allocates the resulting opportunities and risks to the participating Group subsidiary and a bank by means of contractual agreements. The system is financed by a credit line made available by a bank. The cash inflow to the subsidiaries from the sale of receivables reduces Schaltbau Holding AG's financing volume.

Other assets totalled EUR 1.0 million at 31 December 2020 (31 December 2019: EUR 2.7 million) and related to amounts receivable from the company Alte, which was sold in the previous year.

Schaltbau Holding AG and its German operating subsidiaries are financed primarily by funds received in conjunction with a Syndicated Credit Agreement. On 17 June 2019, a new Syndicated Credit Agreement for EUR 103 million was signed for an initial term of three years with two extension options of one year in each case. The credit line was subsequently raised to EUR 109.0 million via a supplementary agreement signed on 12 August 2019. Under the terms of a second supplementary agreement dated 9 March 2020, a former promissory note creditor transferred EUR 3.0 million to the Syndicated Credit Agreement, thereby raising the credit line to EUR 112.0 million. Against the backdrop of the COVID-19 pandemic, the syndicated credit line was further increased by EUR 60 million to EUR 172 million, with Kreditanstalt für Wiederaufbau (KfW) joining as a further member of the syndicate in accordance with a third supplementary agreement dated 19 June 2020.

Liabilities to banks at 31 December 2020 increased by EUR 15.9 million to EUR 91.7 million year-on-year, mainly due to the utilisation of cash funds for ordinary business activities. Payables to affiliated companies increased to EUR 48.7 million (2019: EUR 32.4 million), primarily reflecting the change in liquidity held by subsidiaries in the context of cash pooling arrangements.

Provisions of EUR 13.6 million at 31 December 2020 were EUR 4.3 million lower than at the end of 2019 (EUR 17.9 million). The decrease was mainly due to the reversal of provisions for the risk of potential calls on guarantees, personnel provisions and provisions for outstanding purchase invoices. At EUR 4.9 million, pension provisions were slightly lower than the EUR 5.1 million reported one year earlier.

At 31 December 2020, the equity of Schaltbau Holding AG increased by EUR 1.1 million to EUR 46.0 million due to the net profit for the year. The equity ratio dropped from 26.1% to 22.4% on account of the higher balance sheet total.

## Research and development

The Schaltbau Group can only achieve long-term success in its competitive market environment through its ability to keep pace with technological progress and constantly take new products to market. The Group's Research and Development team plays a key role in this endeavour. When entering foreign markets, the Schaltbau Group also needs to consider the respective local circumstances, requirements and specifications in terms of its products. Moreover, due to the advance of digitisation, the Schaltbau Group constantly needs to meet the challenge of developing new know-how. In order to develop digital products and systems, the Schaltbau Group requires considerable upfront expenditure on R&D as well as marketing expenses and therefore needs to invest in both production facilities and the related processes.

During the year under report, the Schaltbau Group spent the equivalent of 7.0% of its total output on research and development (2019: 6.3%). Due to the status of development projects, only a low percentage of total R&D expenditure was recognised as assets in the fiscal year 2020. Scheduled amortisation amounting to EUR 1.5 million (2019: EUR 1.6 million) was recognised on capitalised development costs. An average of 345 employees were engaged in development work during the year under report (2019: 368 employees).

One of the main focuses of Schaltbau's R&D work was the digitisation of its core products.

In the Bode segment, the new swinging-sliding door developed last year for the Road line of business was adapted for use in trams, which means the Bode development team has now created a concept for a swinging-sliding door for both Rail and Road applications. Moreover, the "condition-based maintenance" (CBM) project begun the previous year was continued and successfully implemented in an initial project. New condition-based maintenance projects were also launched in collaboration with manufacturers and operators of rolling stock. Research work on the use of renewable raw materials to build railway vehicle doors was also successfully completed. The next step now is to investigate how to further industrialise this novel concept.

The Schaltbau segment's R&D team continued to expand its technological expertise in the use of electromechanical components for innovative DC applications in the field of renewable energy. The applications relate to both (interim) storage and the distribution of electrical energy. Based on its wealth of experience and knowledge in safely disconnecting and switching direct current in the rail sector, the Schaltbau segment is focusing on increasing both the power density and the modularity of the respective solutions.

Together with its subsidiary SPII, which specialises in "Human Machine Interface" (HMI) solutions for railway applications, Schaltbau developed innovative and ergonomically optimised driver's desk solutions and presented them to the first customers under the brand name "Intellidesk", initially for use in metro trains.

As in the previous year, the Pintsch segment focused on launching a new generation of digital products in the field of rail infrastructure. In 2020, Pintsch developed a digital axle counting system and a new digitised electric locally operated points control system, both of which use the same components in a modular system and are also suitable for installation where space is at a premium. Pintsch also developed a digital interface for level crossings according to the European EuLynx system in order to connect this new generation of level crossings to digital interlocking systems going forward.

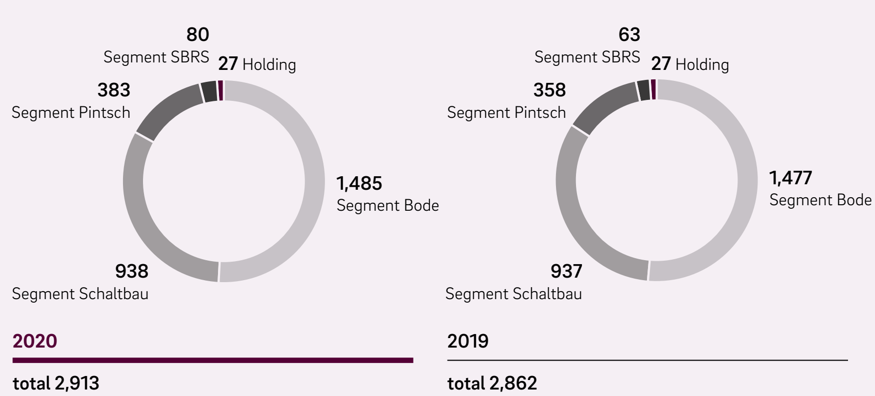
R&D activities in the SBRS segment continued to focus on modular hardware and software solutions for high-performance charging infrastructure for electric buses and trucks. The segment also worked on developing technical lighting and safety equipment for railway applications.

## Employees

At 31 December 2020, the Schaltbau Group employed a workforce of 2,916 people (31 December 2019: 2,863 people). The number of people employed in the Bode segment grew slightly to 1,485 (2019: 1,477 people), mainly reflecting the higher level of revenue generated. At 31 December 2020, the Schaltbau segment employed 938 people, practically unchanged from the previous year's figure of 937. In the Pintsch segment, staff numbers increased moderately to 383 (2019: 358), mainly on the back of volume-related growth. The number of people employed in the SBRS segment rose to 80 (2019: 63), reflecting the increased revenue generated during the year under report.

Over the 12-month reporting period, the average number of people employed by the Schaltbau Group (full-time equivalents) decreased to 2,685 (2019: 2,723). The lower figure was primarily due to the sale of the two Spain-based corporate entities the previous year.

**Development of staff numbers**
on annual average



In the course of its training and qualification measures, the Schaltbau Group regularly conducts technical training courses, product training and advanced courses on legal and regulatory topics. Needs-based training plays a decisive role in ensuring that qualified staff are capable of meeting the market challenges of the future. At 31 December 2020, a total of 77 young people were undergoing vocational training in various Schaltbau Group companies (31 December 2019: 72), learning occupations such as industrial mechanic, electronics technician, industrial management assistant, IT specialist and service technician.

## Customer relations

Schaltbau Group companies conduct their direct customer relationships using a variety of communication channels. In light of the current COVID-19 pandemic and the accompanying temporary restrictions on travel, meetings and events, the use of online communication increased significantly during the fiscal year 2020. Schaltbau also conducts various customer satisfaction surveys on a regular basis. Again in 2020, the Schaltbau Group demonstrated its ability to develop products and solutions for each of its key fields of operation in the submarkets it serves.

Apart from its traditional rail-related business, Schaltbau GmbH placed its main focus on gaining new customers in the fields of New Energy and New Mobility. In the stationary sector, these include both the energy generation and energy storage markets as well as a variety of applications for testing, charging and vehicle technology in the mobility sector. As a specialist for safe switching and separating in the field of DC technology, Schaltbau presented customers with innovative modular product solutions and integrated them in new development projects. In this context, Schaltbau placed particular emphasis on product solutions for applications that will be indispensable for tackling the energy transition going forward.

# Report on outlook, risk and opportunities

## Outlook report

### Forward-looking statements

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

### Expected macroeconomic environment

**General economic environment**

In its most recent World Economic Outlook Update published in January 2021, the International Monetary Fund (IMF) predicts 5.5% growth in the global economy in 2021. According to the publication, due to the external shock of the COVID-19 pandemic, the level of global GDP in 2020 is likely to be 1.5% higher than the pre-crisis level in 2019. The IMF growth projection points to sizeable negative production gaps and higher unemployment rates in both developed and emerging economies in 2020 and 2021.

After an economic recovery in 2021, in its January outlook update the IMF predicts a slowdown in global growth to around 4.2% in 2022. In other words, only limited progress can be expected for the developed, emerging and developing countries in terms of returning to the economic pathway for 2020-25 predicted prior to the COVID-19 pandemic. Fundamental baseline assumptions made by the IMF see a continuation of social distancing into 2021, with widespread vaccination measures and improvements in treatment providing a degree of normalisation over time and a global drop in local infection rates back to low levels by the end of 2022. The IMF's medium-term projections also expect economies to be scarred by the depth of the recession and the need for structural change, which is likely to have a particularly persistent impact on potential production output.

In light of the situation, the IMF also emphasises the unusually high degree of uncertainty attached to any forecasts, impacted as they are by several factors such as the further course of the pandemic, the required public health response, the extent of disruption to domestic activities in high-contact sectors of the economy and the extent of global spillover effects as well as the reduced volume of financial and capital market transactions.

**Sector-specific environment**

According to industry experts (source: UNIFE World Rail Market Study 2020 – Forecast 2020 to 2025), the global market for rail transport is predicted to expand from its current volume of around EUR 177 billion at a compound annual growth rate (CAGR) of 2.3% up to 2025, following a V-shaped recovery. The study expects overall market volume to average EUR 203.6 billion in the period from 2023 to 2025. Of this amount, the annual market volume considered accessible is estimated at EUR 110.1 billion at present and EUR 126.0 billion in the future.

While the Schaltbau Group's expected growth is currently driven by all its product segments, rolling stock and rail infrastructure are seen as its fastest-growing submarkets. Accordingly, the generally positive picture also continues at regional level, with positive growth trends expected across all regions of the world market. At a growth rate of 2.6% p.a., the Asia-Pacific region is set to remain the largest market for railway products from 2023 to 2025, accounting for 34.6% of the global market overall. Western Europe, the second largest single market worldwide, accounts for 27.2% of the total market and is expected to grow at an average annual rate of 2.0% between 2023 and 2025.

On 14 January 2020 – in the presence of Federal Finance Minister Olaf Scholz – Federal Transport Minister Andreas Scheuer, DB AG CEO Richard Lutz and DB Infrastructure Director Ronald Pofalla signed the final version of the third service and financing agreement ("LuFV III") presented to the Transport Committee of the Bundestag in November 2019. The agreement provides for a total of approximately EUR 86 billion in funding for investments in rail infrastructure up to the year 2030. Around EUR 62 billion of the total amount is to be financed by the Federal Government and some EUR 24 billion from DB AG's own funds. Accordingly, an average of around EUR 8.6 billion per annum will be made available for replacement investments and to maintain Germany's rail network. According to the German Federal Ministry of Transport and Digital Infrastructure, LuFV III provides for the renewal of 2,000 kilometres of track and 2,000 points each year, while an approximate total of EUR 7 billion is earmarked for interlocking technology.

The European Union's current climate objective plan includes the European Commission's proposal made in September 2020 (source: press release dated 17 September 2020) to reduce greenhouse gas emissions by at least 55% by 2030 instead of 40% as previously planned. The Federal Government of Germany supports the proposal put forward by the European Commission (source: Federal Government's answer to a minor question dated 29 October 2020 – printed matter 19/23389). According to the German Association of the Automotive Industry (VDA) (source: press release dated 16 September 2020), a corresponding tightening of fleet carbon limits for passenger cars by 2030 from the previously planned 40% reduction to a new 50% reduction corresponds to average fleet fuel consumption per new car of slightly more than 2 litres, which is only achievable with a share of at least 60% of electric vehicles by 2030.

For Germany, the Association of International Motor Vehicle Manufacturers (source: press release dated 9 December 2020) expects new registrations of 500,000 to 600,000 all-electric cars and plug-in hybrids. According to the press release, electrified vehicles, which include all-electric cars, plug-in hybrids and fuel cell-powered vehicles, already reached 12% of total market share after the first eleven months of 2020, up from around 3% in 2019.

Under the European Directive on the Promotion of Clean and Energy-Efficient Road Transport Vehicles (2019/1161/EU) revised in 2019, EU member states are required to ensure that contracting authorities take into account the energy and environmental impacts, including fuel consumption, carbon emissions and certain pollutant emissions throughout the life cycle of road vehicles when purchasing them, in order to promote and stimulate the market for clean, energy-efficient vehicles and improve the contribution of the transport sector to the European Union's environmental, climate and energy policies. With this aim in mind, the Directive has set certain minimum public procurement targets regarding the proportion of clean commercial vehicles. Accordingly, in terms of public procurement, the share of clean buses must be at least 65% from 1 January 2026 to 31 December 2030. The availability of sufficient charging and refuelling infrastructure is an essential prerequisite for the increased deployment of vehicles that run on alternative fuels.

According to the Federal Ministry for Economic Affairs and Energy (source: online dossier BMWI on renewable energy), renewable sources of energy are to account for 65% of German electricity consumption by 2030 as part of the implementation of the Climate Protection Programme 2030. The German Federal Government's draft bill to amend the Renewable Energy Sources Act and other energy legislation (EEG 2021) (source: Federal Government's draft bill dated 15 December 2020 – printed matter 19/25302) sets out the target model of the Climate Protection Programme 2030 in a binding manner and regulates the extent to which the various technologies are to contribute to the 65% target and the expansion pathways by which this can be achieved. Derived from this legislation, the tender quantities required for the individual technologies will be determined up to 2028, as these quantities will be realised by 2030.

## Expected business and earnings position

### Schaltbau Group

The Executive Board has defined order intake as an early warning indicator and revenue as well as profit/loss before financial result and taxes (EBIT) as the key financial performance indicators for the Group and its segments.

In addition to the primary performance indicators, the Executive Board of Schaltbau will in future include free cash flow, the return on capital employed (ROCE, i.e. EBIT as a percentage of capital employed) on an annual basis and the net debt ratio (current and non-current liabilities to banks plus other financial and lease liabilities less cash and cash equivalents in relation to EBITDA) in a wider analysis going forward, although it will not directly manage it on this basis. These changes are being made in light of the growing importance of assessing the efficiency as well as the profitability of capital employed.

In the long term, the strategy is designed to promote the Schaltbau Group's profitable and high-growth activities and orient it towards sustainable, essentially organic growth.

In its forecast for the fiscal year 2021, the Executive Board does not expect the COVID-19 pandemic to have a lasting impact on the business activities of Schaltbau Group companies. Risks that could result from the current COVID-19 pandemic were taken into account during the planning process. However, the ongoing COVID-19 pandemic is causing risks to arise that could place the targets set for 2021 in jeopardy. These risks mainly entail the possible closing of company production sites or those of customers as well as bottlenecks in the material procurement supply chain. The possible absence of employees could also lead to additional restrictions in terms of production activity. Equally, the COVID-19 pandemic could have an indirect impact caused by deteriorating demand in a contracting economy. From the current perspective, the Executive Board expects these risks to be of a temporary nature and that some of the resulting delivery delays can be compensated for by the end of 2021.

Furthermore, the measures partially initiated in preceding years to focus the Schaltbau Group on its strategic core competences and boost profitability will be continued throughout the fiscal year 2021.

The Schaltbau Group expects the order situation in the fiscal year 2021 to remain positive and the influence of COVID-19 to be temporary. Under these circumstances, Group order intake is predicted to lie within a range of between EUR 550 and 580 million in 2021. Moreover, based on these assumptions, the Schaltbau Group is aiming to generate revenue in the range of EUR 520 million to EUR 540 million. In light of the higher forecast level of revenue, continued improvements in productivity and savings in both direct and indirect materials, the Executive Board is targeting a Group EBIT margin (EBIT as a percentage of revenue) of around 5%.

**The segments**

Further moderate revenue growth is targeted for the Bode segment in 2021, the majority of which is already secured by the existing order book. The Rail line of business will continue to be the segment's growth driver in this respect and expand on a sustained basis in the field of Rail Door Systems as well as on regional platforms. In the Bus (particularly coaches) and Automotive lines of business, the Schaltbau Group expects a slight decline in revenue at a low level due to a lack of orders resulting from the ongoing COVID-19 pandemic.

After order intake and revenue in the Schaltbau segment were heavily impacted by the effects of the COVID-19 pandemic in the fiscal year 2020, the Group now expects to see a partial recovery in 2021. While order intake and revenue in the snap-action switches and contactors product lines should be close to levels reported in 2020, business development in the New Energy and New Mobility product lines is expected to be good to excellent.

Order intake volumes and revenues for the Pintsch segment are both expected to improve significantly in the fiscal year 2021. The main driver of this growth is likely to be level crossing technologies, with good growth expected in domestic business as well as projects with major customers. The Pintsch Group is also likely to generate its first revenue with equipment for the forward-looking “Digital Rail for Germany” project, as Deutsche Bahn AG awarded Schaltbau a major contract with a total volume of approx. EUR 40 million up to 2024.

Moreover, the Executive Board predicts significant revenue growth for the SBRS segment in 2021. The continued positive development is based primarily on growing demand for e-charging infrastructure for public transport vehicles and a major contract for refurbishing metro trains.

**Schaltbau Holding AG**

The Executive Board of Schaltbau Holding AG expects to record a profit before tax in the low single-digit million range, taking profit and loss transfer agreements into account.

**Expected financial situation**

Under the terms of the third supplementary agreement dated 19 June 2020, Schaltbau Holding AG has increased its borrowings via the Syndicated Credit Agreement to EUR 172.0 million in order to strengthen liquidity and added the KfW Group as a further syndicate partner, enabling Schaltbau to significantly expand its financial headroom. In order to implement the targeted investments for the fiscal year 2021, capital measures may be necessary to consolidate and thus also stabilise the financial situation.

# Risk report

## Risk management

### Risk strategy and organisation of risk management

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

The risk management system is described and defined in guidelines that apply throughout the Schaltbau Group. It includes an appropriately comprehensive system of documentation and reporting. Opportunities and risks within the Schaltbau Group are continually recorded, evaluated and analysed and then reported on at the end of each quarter. Firstly, risks are identified locally at the level of the Group's fully consolidated entities and significant participations and then recorded and evaluated by the lead companies responsible for the various segments. Then, in a second stage, risks are consolidated and assessed at the level of the Group's parent company. All potential losses are recorded according to their probability of occurrence and their possible impact. Risks with the potential to cause damage in excess of kEUR 500 are classified as material risks to the Group. They are then recorded and presented separately, thereby ensuring that risks are identified in both qualitative and quantitative terms. The risk management officers of the Group's parent company and the lead companies of the operating segments are responsible for ensuring compliance with risk management guidelines.

Irrespective of their probability, all uncertainties that represent a risk with regard to a deviation from targeted results are notifiable. The Schaltbau Group considers notifiable risks to mean those capable of exerting a perceptibly negative impact on the business, net assets, financial position and results of operations as well as the reputation of each individual company, including Schaltbau Holding AG. In view of the varying business models applied and the related risk situations, amounts are not aggregated at Schaltbau Group level.

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

**Maximum damage (earnings / liquidity)**

| €k | |
|---|---|
| Low | < 100 |
| Medium | 100 to 500 |
| High | > 500 |

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

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

#### Probability of occurrence

| | |
|---|---|
| Low | 0 % – 10 % |
| Medium | 11 % – 30 % |
| High | 31 % – 50 % |
| Very high | 51 % – 99 % |

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

Responsibility for the continuous quarterly updating of the risk management system rests with the Executive Board of Schaltbau Holding AG, the managing directors of the majority-held subsidiaries and the risk management officers.

### Risk reporting

In addition to internal ad hoc disclosures, the various Group companies are required to report on a quarterly basis on the entire spectrum of risks, including any changes in the risk situation, to the relevant Group risk management and compliance officers (i.e. the Head of Compliance), who, in turn, submit a detailed risk report to the Executive Board of Schaltbau Holding AG on a quarterly basis and report on the implementation, execution and monitoring of the risk management and internal control system. The Head of Compliance and the Executive Board jointly report to the Audit Committee of the Supervisory Board regarding the current risk situation on a regular basis.

The Executive Board is provided with additional information regarding the risk situation within the Schaltbau Group in the form of monthly reports on revenue, earnings and personnel developments, continuous liquidity forecasts and reports on quality-related and other operating expenses, as submitted by the subsidiaries. Furthermore, review meetings take place regularly, in which all risk- and opportunity-related topics are discussed. Based on current developments, comparisons are made against budgeted figures, prior-year actual figures and the rolling forecast. Market and competition trends as well as development projects are also thoroughly considered and analysed.

The sum of these measures ensures that risks are detected at an early stage, potential opportunities identified for each of the segments and subsidiaries, and that any measures necessary are promptly taken.

The following gross presentation of the risk situation does not take any risk-mitigating measures into account. Apart from the risks described below, no further material risks have been identified. Material risks are all individual risks to Group companies with a gross risk value of more than kEUR 500 in each case. The risk situation is presented at 31 December 2020, taking the significant events into account.

### Compliance

At the level of Schaltbau Holding AG, the Group Compliance Officer reports directly to the Executive Board. Schaltbau Holding AG has established compliance functions at Schaltbau GmbH and Gebr. Bode GmbH & Co. KG and intends to create similar functions at Pintsch GmbH and SBRS GmbH in the course of 2021. Compliance officers at the various subsidiaries report to their own management teams and also to the Group Compliance Officer at Schaltbau Holding AG.

Awareness of the importance of compliance is enshrined in the Schaltbau Group's Code of Conduct and strengthened by means of specific basic and further training. Audits are also aimed at ensuring compliance with statutory regulations and in-house guidelines relevant for the individual companies of the Schaltbau Group worldwide.

### Risk categories in the Schaltbau Group

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

Risks to the Schaltbau Group are classified by category, as seen in the above table. Accordingly, the risk categories are broken down into the axes "Amount of damage" (in kEUR) and "Probability of occurrence" (in %). Based on the table above, risks with a value in excess of kEUR 500 are listed in the table below.

## Significant risks to Schaltbau Holding AG and the segments

| Risk category | Segments primarily affected | Assessment from segment perspective |
|---|---|---|
| **Macroeconomic and sector-specific risks** | | |
| COVID-19 pandemic | All segments | High |
| Declining demand | Schaltbau segment | Medium to high |
| Increasing competitive density and unfavourable competitive position | Schaltbau segment | High |
| **Development and design risks** | | |
| Risks associated with the market launch of new products | Pintsch segment, Schaltbau segment | High |
| Design risks | Pintsch segment, Schaltbau segment | High |
| **Production and quality risks** | | |
| Warranty risks | Bode segment | Medium to high |
| **Sales volume and selling risks** | | |
| Working capital | SBRS segment | Medium |
| **Personnel risks** | | |
| Labour law-related risks | Pintsch segment, Schaltbau segment, Bode segment | High |
| **Legal and tax risks** | | |
| Legal risks in connection with projects | Bode segment, Pintsch segment, SBRS segment | Medium to high |
| Tax risks | All segments | Medium |
| **Risks arising from investments** | | |
| Operational performance of subsidiaries/participations | Schaltbau segment | High |
| **Financial risks** | | |
| Securing liquidity | All segments | High |
| Possible default on receivables | Bode segment, Schaltbau segment, SBRS segment | Medium |

### Macroeconomic and sector-specific risks

The **COVID-19 pandemic** has been ongoing since early 2020. It has hit the world economy hard and had some extremely damaging consequences in some cases. The pandemic led to a decline in demand as well as liquidity constraints for many companies, with the impact varying significantly between regions and customer sectors. There are major differences from one country to the next with regard to the economic costs resulting from the ongoing containment measures and lockdowns. Furthermore, there is a great deal of uncertainty concerning both the costs and the consequences of the pandemic for the global economy and the sectors individually affected.

The COVID-19 crisis has weighed upon the entire Schaltbau Group worldwide. The absence of qualified personnel, delays in the supply chain and cyclical influences in certain economic regions and sectors have had a negative impact on the net assets, financial position and results of operations of the Schaltbau Group. The outbreak of COVID-19 has led to capacity bottlenecks, particularly in the Schaltbau and Bode segments at various sites in China, Italy and Poland as well as at the Bode plant in Kassel, Germany, to a certain extent.

Right at the beginning of the pandemic, a task force was set up at Group level, enabling Schaltbau to respond swiftly to changing situations, develop contingency plans and examine various scenarios with the aim of continuously monitoring business performance.

One of the first management decisions taken to mitigate the risks of COVID-19 was to increase the existing syndicated credit line by EUR 60.0 million. For this reason, the Kreditanstalt für Wiederaufbau (KfW) was added to the existing syndicate as a further partner. In light of the uncertain market environment, it was therefore possible to secure liquidity as a precautionary measure.

Moreover, the Schaltbau Group made partial use of short-time working arrangements as a necessary measure to bridge cyclical fluctuations in capacity utilisation against the backdrop of the COVID-19 pandemic.

In general, however, further plant closures cannot be ruled out during the fiscal year 2021, particularly at German production sites, due to short-term disruptions in the supply chain, declining demand or project delays on the part of end customers and thus represent a significant risk for the Schaltbau Group. At this point in time, the extent and duration of specific impacts on the Schaltbau Group's business activities are extremely difficult to predict. In view of the course of the pandemic, the economic situation is expected to remain fragile. The entire state of the economy – and thus also the Schaltbau Group's revenue – depend heavily on the further course of the pandemic. On the positive side, many countries have already started vaccinating their populations with the vaccines that have already been approved. At this point, however, it is not possible to conclusively assess whether the existing vaccines will meet expectations. From the present perspective, the Executive Board assesses the resulting overall risk to the net assets, financial position and results of operations as high.

Regardless of the COVID-19 situation, economic and political developments on sales markets, fluctuating purchase prices and the impact of global and regional competition can all have an influence on the Schaltbau Group's order book and earnings situation. Due to the Schaltbau Group's activities in various economic areas worldwide and the high proportion of public-sector contracts, macroeconomic risks are assessed as low. The risk of fluctuating raw materials prices is mitigated by long-term supply contracts, centralised purchasing requirements, commodity futures or by passing on price increases to customers.

**Declining demand** in key sales markets can exert pressure on individual areas such as the Schaltbau segment or other lines of business. Governmental and investment decisions in the rail sector are particularly important for the Schaltbau Group. Spending cuts or a shift of investments into areas not covered by the Schaltbau Group could adversely affect the order situation. High risks exist in this respect for the Schaltbau segment in all its lines of business, particularly for connectors, snap-action switches and industrial contactors.

The number of potential customers in the rail sector is limited. The existing structures put power in the hands of the customer, which can result in increased **downward pressure on selling prices**. Changes in the structure of tendering procedures in this respect can lead to greater pressure on selling prices across all segments. A weakened competitive position, for example due to the devaluation of the rouble, could lead to a deterioration in prices and a loss of market share (**competitive risks**).

Competitive disadvantages in terms of product range, product quality, selling prices, development and/or lead times can also result in a loss of market share. The Schaltbau Group counters competitive risks by continuously developing its products to meet customer requirements. The integration of system-based solutions in customers' platforms creates reliable, long-term customer relationships that are intensively maintained.

**Risks along the value chain**

**Development and design risks** can arise from insufficient specifications for newly developed products that fail to take account of differing regional customer requirements as well as from time-to-market overruns. These situations can result in higher costs and possibly impairment losses on capitalised development costs. As a general rule, the further development of products and systems is organised in close cooperation with core customers or even performed on their behalf. In the Pintsch segment, there are high risks connected with the planned launch of products in various regional markets or from the sometimes slow pace of development, which can only be absorbed by cost-intensive additional capacity in some cases.

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

Production risks can be minimised by adhering to comprehensive policies and process requirements regarding quality management, product safety and industrial safety. Quality risks are partially covered by warranty provisions. Nevertheless, in some cases high risks can arise, given that the economic losses caused by justified customer complaints could exceed the amount of provisions recognised. Apart from product-related malfunctions or quality defects, delivery delays – possibly due to capacity reasons – can lead to a loss of revenue, contractual penalties or even the delisting of products. This risk is classified as high for the Bode segment. In addition, production and quality risks are often associated with reputational risks that could have an adverse impact on business in the long term.

**Sales volume and sales risks** result from project delays or cancellations on the part of the customer as well as sales volume fluctuations. Business can also be lost as a result of insourcing by customers. A market structure that consists of a relatively small number of customers exacerbates these risks.

Furthermore, risks in the recognition of revenue can also result in higher-than-normal levels of working capital. The risks for the Bode segment in this respect are classified as medium.

**Personnel risks**

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

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

The Schaltbau Group views its relations with employees, works councils and trade unions positively. Nevertheless, there is a risk of labour law conflicts, for example with respect to collective bargaining negotiations, which could impair production. These risks are classified as high, particularly in the Pintsch segment. Depending on the duration of any dispute, they could have a material impact on business activity as well as on the Schaltbau Group's net assets, financial position and results of operations. The Schaltbau Group operates in a dynamic market environment. The existing cost pressure could result in adjustments to staff numbers. Industrial disputes can also arise in connection with restructuring measures.

**Legal and tax risks**

The international operations of Schaltbau Group entities entail legal risks. These can arise principally from legal disputes, patent law infringements and/or claims for damages.

Compensation for damages due to warranty claims could result in penalties in the Bode segment. Legal disputes may also arise in the Pintsch and SBRS segments as a result of higher revenue, especially in project business. The risks in these areas are classified as medium to high.

Despite regular and careful examination of tax-relevant issues, the complexity of tax regulations may give rise to risks that cannot be identified in advance.

**Risks arising from investments**

The Schaltbau Group is organised on a worldwide basis. Opportunities for external growth need to be taken across all markets. At the same time, there is a risk that previously identified synergy benefits or enhanced geographical presence cannot be leveraged to the expected extent or within the planned time frame. If business does not develop as expected, the recognition of impairment losses on goodwill, assets, investments accounted for using the equity method in the consolidated financial statements, or on financial assets in the Company financial statements could have a negative impact on earnings.

As a basic principle, careful analyses of all legal, technical, fiscal and financial aspects are conducted when making budget decisions with a view to the further development of Group locations. Risks that exist, for example in the Schaltbau segment, need to be comprehensively identified and resolved in an appropriate manner.

**Financial risks**

The Schaltbau Group's operating activities could face a deterioration in the earnings and liquidity situation, resulting in an inability to comply with the financial covenants. If these financial covenants are not adhered to, under the current Syndicated Credit Agreement lenders are entitled to a special right of termination, which could therefore lead to a risk capable of impairing the Group's development. Under the terms of the third supplementary agreement dated 19 June 2020, Schaltbau Holding AG increased its borrowings via the Syndicated Credit Agreement to EUR 172.0 million in order to strengthen liquidity and added the KfW Group as a further syndicate partner. For this reason, the Executive Board of Schaltbau Holding AG currently classifies its financial risks as low.

The COVID-19 pandemic that has been spreading since the beginning of 2020 could continue to have a detrimental effect on the Schaltbau Group's operations worldwide. Due to the absence of qualified personnel, delays in the supply chain or cyclical influences in certain economic regions or sectors, negative effects on the net assets, financial position and results of operations cannot be ruled out.

Stringent monitoring of changes in liquidity combined with a comprehensive, well-defined package of measures can effectively counteract short-term liquidity bottlenecks. The Schaltbau Group has implemented processes and tools for cash planning and monitoring that enable it to manage its cash requirements. However, despite the existing measures, liquidity bottlenecks can occur if the settlement of receivables from major customers is significantly delayed. The insolvency of individual customers could also have a significantly negative impact on the Group's net assets, financial position and results of operations as well as on liquidity. Due to the Group's rigorous receivables management system, the risk of major payment defaults is classified as medium for the Bode, Pintsch and SBRS segments.

**Overall assessment of the schaltbau group's risk situation**

As a result of the restructuring and reorganisational measures undertaken in previous years as well as those adopted to bolster liquidity, the overall risk situation of the Schaltbau Group has been significantly improved compared to the previous fiscal year. Targeted measures have been initiated to mitigate all the material risks identified, which are regularly monitored by the Executive Board and the respective managing directors of the relevant segments.

Taking into account the COVID-19 pandemic and its potential impact on the Schaltbau Group's net assets, financial position and results of operations, the macroeconomic and industry-related risks represent the most significant risks in the 2021 financial year. All other risks are considered to be of equal significance.

No risks, either individually or in their entirety, were identified that could jeopardise the going-concern status of the Schaltbau Group.

# Opportunities report

## Opportunities management

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

## Opportunities situation

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

## Sector-specific opportunities

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

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

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

The forward-looking project "Digital Rail for Germany" has been initiated as part of the digitisation of the German railway network and its related services. In the coming years, the network is scheduled to be equipped with the ETCS train control system and digital interlocking technology. Here in particular there is considerable growth potential for the Pintsch segment. As a specialist in the field of signal and safety technology, Pintsch is a pivotal market driver in the digitisation of rail infrastructure. With its point heating systems, Pintsch is a major supplier to Deutsche Bahn AG as well as to other infrastructure operators and suppliers, both in Germany and abroad, who also use Pintsch components such as wheel sensors and axle counting technology.

Schaltbau sees significant growth potential for business development in the medium term primarily in the swiftly expanding markets of New Energy and New Mobility. In the New Energy market segment, Schaltbau offers a broad range of solutions in the fields of renewable energy generation and decentralised energy storage applications. E-mobility and charging infrastructure are the main fields of activity in the New Mobility growth market.

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

### Strategic opportunities

Strategic opportunities arise in particular from the implementation of key projects previously initiated, such as increasing the share of service and aftersales business in the Bode segment and the further development of the technological platform for train automation. In the E-Mobility and New Energy markets, too, R&D projects and a further improvement in product penetration could create additional potential. By focusing on the Group's profitable core business, resources can also be directed to the most promising projects with the aim of enhancing business and earnings performance.

### Financial opportunities

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

A part of the Schaltbau Group's financing arrangements is subject to variable interest rates. The amount of interest to be paid is tied to the EURIBOR as the reference interest rate, which gives rise to interest rates that are fixed in the short term. Favourable changes in interest rates would therefore improve the profitability, liquidity, and financial position of the Schaltbau Group.

Further financial opportunities can arise from targeted working capital management, in order to help strengthen liquidity.

### Warranty expense

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

### Opportunities from mergers, acquisitions, participations, partnerships, divestments

Apart from purely organic growth, opportunities can also arise from inorganic growth. In this context, strategic mergers, acquisitions, participations and partnerships that enable us to complement our organic growth are particularly worth considering.

The Schaltbau Group pursues the strategy of strengthening and safeguarding its global market position and level of competitiveness by constantly investing in retaining and expanding its technological market position. For this reason, regional production and possibly development units are to be further expanded and established as considered appropriate, while duly weighing up the opportunities and risks in order to respond rapidly to regional and supra-regional market changes, open up new markets at home and abroad and make targeted use of country- and procurement-market-specific advantages. This is the Schaltbau Group's response to the increasing number of regulatory requirements to produce supplier parts locally in the country of origin (so-called local content requirements) and the ongoing consolidation of market participants in the rail sector, which are leading to shifts in the customer structure and increasing pressure on prices. For the foreseeable future, strategic acquisitions and investments in research and development will focus primarily on enhancing technological expertise and adding digital "smart" products and solutions to the Schaltbau Group's portfolio in order to better meet the challenges of the future in its markets and secure its competitiveness in the long term.

# Other disclosures

## Compensation of the Executive Board and Supervisory Board (compensation report)

The compensation system at Schaltbau Holding AG is based on the principles of performance and earnings and represents a corporate culture of reward for services rendered. The total compensation of the Executive Board comprises both fixed and performance-related components. The fixed components consist of a basic salary and benefits in kind. The performance-related components include annually recurring income that depends on Group earnings before interest and taxes (EBIT) and before minority interests in accordance with IFRS and, in one case, before certain exceptional items. Furthermore, in the fiscal year 2020, the Supervisory Board also agreed on a component linked to the development of the company's share price in addition to the performance-related compensation components for all Executive Board members appointed beyond the current fiscal year. The share-related component also involves the Executive Board members concerned purchasing shares in Schaltbau Holding AG themselves. Due to the current corona crisis, however, the Supervisory Board has decided to suspend this compensation component for the fiscal year 2020 and replace it with a discretionary bonus that takes special account of the handling and management of the crisis. The Supervisory Board may also approve discretionary bonuses in general. A pension plan is not in place for current members of the Executive Board.

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

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

In the fiscal year 2020, compensation for the current members of the Executive Board totalled kEUR 2,927 (2019: kEUR 2,646). 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 payable individually by each member of the Executive Board. The total compensation comprises kEUR 1,424 (2019: kEUR 1,255) for fixed components and kEUR 1,503 (2019:

kEUR 1,391) for performance-related components. At 31 December 2020, a total amount of kEUR 1,768 (2019: kEUR 1,421) was recognised as a provision for performance-related compensation components, of which kEUR 1,502 was current and kEUR 266 non-current. The total amount includes a component of kEUR 236 for long-term compensation.

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

The total compensation received by former members of the Executive Board and their surviving dependents amounted to kEUR 72 (2019: kEUR 82). Pension provisions for this category of people totalling kEUR 412 have been recognised (2019: kEUR 477).

No loans were granted to members of either the Executive Board or the Supervisory Board during the fiscal year 2020.

The basic compensation for a Supervisory Board member for the year under report was kEUR 30. The Chairman of the Supervisory Board received twice that amount and the Deputy Chairman received one-and-a-half times that amount, resulting in basic compensation totalling kEUR 225 for the fiscal year 2020.

For attendance at face-to-face meetings of the committees of the Supervisory Board (Audit Committee, Personnel Committee, Personnel Development Committee, Strategy Committee and Technology Committee), committee members receive an additional fee of EUR 2,500 per meeting and twice that amount for the committee chairperson. Supervisory Board members who have not been members of the Supervisory Board for the entire fiscal year are compensated on a pro-rata basis. Expenses totalling kEUR 166 (2019: kEUR 174) were incurred for attendance at face-to-face meetings held in 2020.

For any time required in excess of five meeting days per fiscal year, including the necessary preparation time, each member of the Supervisory Board receives additional compensation of EUR 300 per hour. However, the amount may not exceed the hourly or daily rate of the representative of the auditor appointed as engagement partner for the relevant fiscal year. In accordance with the Articles of Association, two members (2019: two members) of the Supervisory Board were paid a total of kEUR 57 for additional work performed in 2020 (2019: kEUR 57).

Taking into account the basic compensation, the compensation for attendance at committee meetings, the additional compensation and the additional work performed, compensation totalled kEUR 448 (2019: kEUR 456). In view of the spread of the COVID-19 pandemic, at its 170th meeting held on 20 March 2020 the Supervisory Board decided to treat videoconferences in the same way as face-to-face meetings for accounting purposes in future.

In 2020, the Supervisory Board called in external consultants to provide supporting services at a total expense of kEUR 1,208 during the year under report. Some of the supporting services were provided by the company Treuhand- und Revisions-Aktiengesellschaft Niederrhein

Wirtschaftsprüfungsgesellschaft (Treuhand Niederrhein), which is based in Krefeld, Germany, totalling kEUR 208.

The Supervisory Board member Dr Günter Pferdmenges is the CEO of Treuhand Niederrhein, which means that Treuhand Niederrhein is a related party as defined in IAS 24.9.

On 15 December 2020, Schaltbau Holding AG entered into an agreement with Dr Köhler for the period from 1 January 2021 to 30 June 2021. The purpose of the agreement is to arrange trips to business partners in Germany and abroad that have not yet been possible due to the ongoing COVID-19 pandemic. No services had been rendered at the time the financial statements of Schaltbau Holding AG were drawn up.

Schaltbau Holding AG has entered into an agreement with Mr Munz for the period from 8 January 2021 to 28 February 2021. The purpose of this agreement is to arrange support in connection with commercial matters. At the time the financial statements of Schaltbau Holding AG were drawn up, minor services had been rendered but not yet invoiced.

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

## Disclosures pursuant to section 289a and section 315a (1) of the German Commercial Code (HGB) and the explanatory report of the Executive Board

1. At 31 December 2020, the Company's subscribed capital comprised the following: The Company's share capital totalled EUR 10,799,671.80 (2019: EUR 10,799,671.80). It is divided into 8,852,190 (2019: 8,852,190) no-par-value registered shares, each representing a pro rata amount of the share capital of EUR 1.22. All shares carry the same rights and obligations. The rights and obligations of the shareholders result in particular from the provisions of the German Stock Corporation Act (AktG), particularly from sections 12, 53a et seq., 118 et seq. and 186 AktG.
2. The Executive Board is not aware of any limitations regarding voting rights or the transfer of shares.
3. In accordance with the voting rights notifications received by the Company on 20 October 2020 and 21 December 2020 respectively, the following direct and indirect shareholdings in the capital exceeding 10% of the voting rights exist as a result of the reciprocal attribution of voting rights due to the shareholders concerned acting in concert: Luxempart S.A., Foyer Finance S.A. and Luxunion S.A. (all of Leudelingen, Luxembourg): 21.69%, Hans-Jakob Zimmermann (Germany): 21.69%, Johannes Zimmermann (Germany): 21.69% and Elrena GmbH (Basel, Switzerland): 21.69%.
4. There are no shareholders with special controlling rights.

5. There are no voting right controls relating to shares held by employees.
6. The appointment and dismissal of members of the Executive Board is governed by sections 84 and 85 of the German Stock Corporation Act (AktG) and article 6 of the Articles of Association of Schaltbau Holding AG. The Executive Board comprises two or more persons. The Supervisory Board appoints the Executive Board members and determines their number. It has the power to appoint a member of the Executive Board as chairman of the Executive Board, appoint a deputy of the Executive Board, and stipulate rules of procedure for the Executive Board. The Supervisory Board is also responsible for revoking the appointment of Executive Board members. Furthermore, section 31 (2-5) and section 33 (1) of the German Co-Determination Act (MitbestG) are applicable.

   Regulations governing amendments to the Articles of Association can be found in section 179 et seq. of the German Stock Corporation Act (AktG) and article 16 of the Articles of Association of Schaltbau Holding AG. The Annual General Meeting decides on any amendments to the Articles of Association. The only exception is that the Supervisory Board is authorised to make changes that only affect the wording of the Articles of Association.
7. In accordance with a resolution passed by the Annual General Meeting held on 11 June 2015, with the agreement of the Supervisory Board, the Executive Board was authorised up to 10 June 2020 to buy back a maximum of 10% of the share capital in place at the date of the resolution for purposes other than trading. No Schaltbau shares were bought back or sold during the fiscal year 2020.

   Based on a resolution of the Annual General Meeting passed on 14 June 2016, the share capital of the Company is conditionally increased by up to EUR 3,752,601.66 by the issuance of up to 3,075,903 new no-par-value registered shares ("Conditional Capital II"). In accordance with the Articles of Association, the conditional capital increase serves exclusively to grant shares upon exercising option or conversion rights or on fulfilling option or conversion obligations to the holders of the option or convertible bonds issued based on the authorisation by the Annual General Meeting of 14 June 2016. In accordance with the authorisation dated 14 June 2016, the new shares will be issued at the option or conversion price (issue price of the share). The conditional capital increase will only be implemented if the holders of warrants from option bonds or convertible bonds issued or guaranteed by the Company or its direct or indirect majority-owned subsidiaries based on the authorisation dated 14 June 2016 up to 13 June 2021 exercise their option or conversion rights or fulfil their corresponding option or conversion obligations, or if the Company exercises a substitution right and does not select other forms of fulfilment, insofar as treasury shares are not used to service these rights.
8. Schaltbau Holding AG's loan agreements include change-of-control clauses, which grant creditors a special right of cancellation.
9. The Company has not entered into any compensation agreements, either with members of the Executive Board or with employees, regarding termination of employment in the event of a takeover offer.

## Description of the main characteristics of the internal control and risk management systems with regard to the Group's accounting and financial reporting process pursuant to section 289 (4) and section 315 (4) of the German Commercial Code (HGB) and explanatory report of the Executive Board

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

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

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

Various corporate policies and guidelines are in place, both at Group level and for the respective subsidiaries, which set out the exact operational framework. The areas of responsibility within the accounting and financial reporting functions are clearly regulated and organised to ensure an appropriate segregation of duties. The dual control principle is also strictly 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 essential requirements relevant for authorisation and approval processes have been implemented in the authorisation concepts of the IT applications (e.g. 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 Code of Conduct. The majority of accounting department employees have worked for the Group for many years and are appropriately qualified. General further training measures (e.g. concerning current IFRS developments) and individualised training courses ensure that employees have a high standard of qualification. The various accounting departments are all situated locally.

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

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

Munich, 22 February 2021.

Schaltbau Holding AG
The Executive Board

**Dr Jürgen Brandes**
CEO

**Prof. Dr Thorsten Grenz**

**Volker Kregelin**

# Consolidated financial statements

# Consolidated balance sheet

## Assets

| €k | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| **A. Non-current assets** | | | |
| Intangible assets | (12, 15) | 43,416 | 49,814 |
| Property, plant and equipment | (15) | 94,438 | 89,894 |
| Investment property | (13, 15) | 3,678 | 3,868 |
| At-equity accounted investments | (14, 15) | 2,154 | 3,641 |
| Other investments | (15) | 2,067 | 3,561 |
| Deferred tax assets | (10) | 9,204 | 13,383 |
| | | **154,957** | **164,161** |
| **B. Current assets** | | | |
| Inventories | (16) | 118,690 | 109,725 |
| Trade accounts receivable | (17, 29) | 72,816 | 83,580 |
| Current tax assets | (17) | 162 | 581 |
| Other receivables and assets | (17) | 19,850 | 14,936 |
| Contract assets (current) | (26) | 5,982 | 3,007 |
| Cash and cash equivalents | (18) | 39,379 | 25,184 |
| | | **256,879** | **237,013** |
| **Total assets** | | **411,836** | **401,174** |

## Equity and liabilities

| €k | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| **A. Equity** | | | |
| Subscribed capital | (19, 20) | 10,800 | 10,800 |
| Capital reserves | (19, 21) | 11,534 | 11,534 |
| Statutory reserves | (19, 21) | 231 | 231 |
| Revenue reserves | (19, 21) | 46,614 | 44,837 |
| Currency translation reserve | (19, 21) | -8,634 | -2,308 |
| Revaluation reserve | (19, 21) | 2,975 | 2,975 |
| **Attributable to shareholders of Schaltbau Holding AG** | | **63,520** | **68,069** |
| Minority interests | (19, 22) | 27,215 | 29,338 |
| | | **90,735** | **97,407** |
| **B. Non-current liabilities** | | | |
| Personnel-related provisions | (23, 24) | 44,323 | 44,508 |
| Other provisions | (24) | 499 | 2,249 |
| Financial liabilities | (25) | 108,598 | 92,715 |
| Contract liabilities | (26) | 11,727 | 161 |
| Other liabilities | (25) | 6,465 | 4,660 |
| Deferred tax liabilities | (10) | 1,817 | 2,190 |
| | | **173,429** | **146,483** |
| **C. Current Liabilities** | | | |
| Personnel-related provisions | (24) | 14,224 | 13,593 |
| Other provisions | (24) | 26,144 | 29,308 |
| Income tax liabilities | (25) | 3,306 | 3,052 |
| Financial liabilities | (25) | 10,587 | 14,717 |
| Trade accounts payable | (25) | 41,869 | 50,388 |
| Contract liabilities | (26) | 22,219 | 20,100 |
| Other liabilities | (25) | 29,323 | 26,126 |
| | | **147,672** | **157,284** |
| **Total liabilities and shareholders' equity** | | **411,836** | **401,174** |

## Consolidated income statement

| €k | | 2020 | 2019 |
|---|---|---|---|
| Revenue | (1) | 502,343 | 513,708 |
| Change in inventories of finished goods and work in progress | (2) | 10,676 | 588 |
| Own work capitalised | (2) | 2,162 | 2,669 |
| **Total output** | | **515,181** | **516,965** |
| Other operating income | (3) | 15,110 | 17,619 |
| Cost of materials | (4) | -273,060 | -266,258 |
| Personnel expense | (5) | -167,726 | -176,183 |
| Depreciation, amortisation and impairment losses | (6) | -20,988 | -15,470 |
| Other operating expenses | (7) | -46,387 | -59,646 |
| Impairment losses | (29) | -408 | 157 |
| **Profit before financial result and taxes (EBIT)** | | **21,722** | **17,184** |
| Result from at-equity accounted investments | | -321 | 821 |
| Sundry other result from investments | | 0 | -559 |
| Results from investments | (8) | -321 | 262 |
| Interest income | | 293 | 344 |
| Interest expense | | -7,177 | -7,327 |
| Financial result | (9) | -6,884 | -6,983 |
| **Profit before tax** | | **14,517** | **10,463** |
| Income taxes | (10) | -8,854 | -3,105 |
| **Group net profit for the year** | | **5,663** | **7,358** |
| **Allocation of Group net profit for the year** | | | |
| Attributable to minority shareholders | | 1,792 | 3,263 |
| Attributable to shareholders of Schaltbau Holding AG | | 3,871 | 4,095 |
| Group net profit for the year | | 5,663 | 7,358 |
| **Earnings per share – undiluted** | (11) | **0.44** | **0.46** |
| **Earnings per share – diluted** | (11) | **0.44** | **0.46** |

## Consolidated statement of comprehensive income

| €k | | 2020 | 2019 |
|---|---|---|---|
| **Group net profit for the year** | | **5,663** | **7,358** |
| **Items which will not subsequently be reclassified to profit or loss** | | | |
| Actuarial gains / losses relating to pensions | (23) | -638 | -2,712 |
| Tax effect | | 203 | 1,598 |
| | | **-435** | **-1,114** |
| **Items which were or may subsequently be reclassified to profit or loss** | | | |
| Realised / unrealized losses / gains arising on currency translation | | | |
| – from fully consolidated companies | | -6,161 | 751 |
| – from at-equity accounted companies | | -820 | -332 |
| Derivative financial instruments | (29) | | |
| Change in unrealised gains (+) / losses (-) | | 0 | 0 |
| Realised gains (-) / losses (+) | | 0 | 140 |
| Tax effect | | 0 | -42 |
| | | -6,981 | 517 |
| **Other comprehensive income after tax** | | **-7,416** | **-597** |
| **Consolidated total comprehensive income** | | **-1,753** | **6,761** |
| – attributable to minority shareholders | | 1,137 | 3,358 |
| – attributable to shareholders of Schaltbau Holding AG | | -2,890 | 3,403 |

# Consolidated cash flow statement

| €k | | 2020 | 2019 |
|---|---|---|---|
| **Profit before financial result and taxes (EBIT)** | | **21,722** | **17,184** |
| Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment | | 20,962 | 15,444 |
| Gains/losses on the disposal of intangible assets and property, plant and equipment | | 89 | 347 |
| Change in inventories | | -13,487 | -9,653 |
| Change in trade accounts receivable | | 9,092 | 10,606 |
| Change in sundry other assets | | -7,086 | -10,450 |
| Change in provisions | | -5,478 | 14,666 |
| Change in trade accounts payable | | -7,822 | 3,838 |
| Change in sundry other liabilities | | 17,373 | 23,415 |
| Income tax paid | | -4,092 | -4,275 |
| Other non-cash income/ expenses | | 966 | 1,790 |
| **Cash flows from operating activities** | (27) | **32,239** | **62,912** |
| Payments for investments in | | | |
| – Intangible assets and property, plant and equipment | | -18,634 | -18,328 |
| – Investments | | 0 | -74 |
| – Fully consolidated companies or business units | | 0 | -767 |
| Proceeds from/disbursements for disposals of | | | |
| – Intangible assets and property, plant and equipment | | 68 | 87 |
| – Investments | | 47 | 0 |
| – Fully consolidated companies or business units | | 0 | -1,544 |
| **Cash flows from investing activities** | (27) | **-18,519** | **-20,626** |
| Distribution to minority interests | | -3,261 | -3,238 |
| Acquisition of minority interests | | 0 | -7 |
| New loans raised | | 9,693 | 3,900 |
| Loan repayments | | -10,583 | -64,952 |
| Repayment of lease liabilities | | -3,451 | -3,502 |
| Interest paid | | -4,689 | -9,067 |
| Interest received | | 293 | 331 |
| Change in sundry other financial liabilities | | 11,661 | 37,781 |
| **Cash flows from financing activities** | (27) | **-337** | **-38,754** |
| **Change in cash funds due to exchange rate fluctuations** | | **112** | **-172** |
| **Change in cash funds due to changes in the Group reporting entity** | | **700** | **0** |
| **Change in cash funds** | (27) | **14,195** | **3,360** |
| **Cash funds at the end of the year** | | **39,379** | **25,184** |
| **Cash funds at the beginning of the year** | | **25,184** | **21,824** |

## Consolidated statement of changes in equity

| €k | Subscribed capital | Capital reserves | Statutory reserves | Revenue reserves: Other | Revenue reserves: Cash flow hedges |
|---|---|---|---|---|---|
| **Balance at 1.1.2019** | **10,800** | **11,534** | **231** | **41,813** | **-98** |
| Dividends | 0 | 0 | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 | 43 | 0 |
| Group net profit for the year | 0 | 0 | 0 | 4,095 | 0 |
| Other comprehensive income | 0 | 0 | 0 | -1,114 | 98 |
| Group total comprehensive income | 0 | 0 | 0 | 2,981 | 98 |
| **Balance at 31.12.2019** | **10,800** | **11,534** | **231** | **44,837** | **0** |
| **Balance at 1.1.2020** | **10,800** | **11,534** | **231** | **44,837** | **0** |
| Dividends | 0 | 0 | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 | -1,659 | 0 |
| Group net profit for the year | 0 | 0 | 0 | 3,871 | 0 |
| Other comprehensive income | 0 | 0 | 0 | -435 | 0 |
| Group total comprehensive income | 0 | 0 | 0 | 3,436 | 0 |
| **Balance at 31.12.2020** | **10,800** | **11,534** | **231** | **46,614** | **0** |

| | Revaluation reserve | Currency translation reserve | Attributable to shareholders of Schaltbau Holding AG | Attributable to minority interests | Group equity |
|---|---|---|---|---|---|
| | **2,975** | **-2,632** | **64,623** | **29,225** | **93,848** |
| | 0 | 0 | 0 | -3,238 | -3,238 |
| | 0 | 0 | 43 | -7 | 36 |
| | 0 | 0 | 4,095 | 3,263 | 7,358 |
| | 0 | 324 | -692 | 95 | -597 |
| | 0 | 324 | 3,403 | 3,358 | 6,761 |
| | **2,975** | **-2,308** | **68,069** | **29,338** | **97,407** |
| | **2,975** | **-2,308** | **68,069** | **29,338** | **97,407** |
| | 0 | 0 | 0 | -3,261 | -3,261 |
| | 0 | 0 | -1,659 | 1 | -1,658 |
| | 0 | 0 | 3,871 | 1,792 | 5,663 |
| | 0 | -6,326 | -6,761 | -655 | -7,416 |
| | 0 | -6,326 | -2,890 | 1,137 | -1,753 |
| | **2,975** | **-8,634** | **63,520** | **27,215** | **90,735** |

# Notes to the consolidated financial statements

# Basis of preparation

## Description of business

Schaltbau Holding AG is a stock market-listed corporation, based in 81829 Munich, Hollerithstraße 5, Germany. It is the ultimate parent company of the Schaltbau Group (81829 Munich), which supplies components and systems for the transportation technology sector. During the fiscal year 2020, Schaltbau Group entities supplied complete level crossing systems, shunting and signals technology, door and boarding systems for buses, trains and commercial vehicles, interiors for trains as well as high- and low-voltage components for rolling stock and other applications. Its innovative and future-oriented products make Schaltbau a key business partner for industry, particularly in the transportation technology sector. The Schaltbau Group generates most of its revenues in Europe.

## Presentation of the financial statements

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

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

The consolidated financial statements and group management report drawn up for the fiscal year ending on 31 December 2020 were approved for publication by the Executive Board on 22 February 2021. The consolidated financial statements and group management report will be posted electronically in the Federal Gazette.

The cash flow statement has been prepared in accordance with IAS 7, with cash flows classified into cash flows from operating, investing and financing activities. Cash flows from operating activities are determined using the indirect method. Cash funds reported in the cash flow statement include cash and cash equivalents.

In accordance with the requirements of section 328 (1) sentence 4 of the German Commercial Code (HGB), Schaltbau Holding AG publishes these financial statements in compliance with the uniform electronic reporting format (European Single Electronic Format; "ESEF"). In order to ensure that the primary components of the financial statements are properly presented in accordance with the ESEF Regulation, adjustments have been made where appropriate to the presentation of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity relating to the reporting period and the comparative period. The aim was also to adjust the presentation of the primary components of the financial statements to enable better comparability with other financial statements.

### Changes in the presentation of the consolidated balance sheet

- The "Group net profit attributable to shareholders of Schaltbau Holding AG", which was previously reported separately within equity, is now reported within "Revenue reserves".
- The line item "Pension provisions" previously reported separately within non-current liabilities, is now reported within "non-current personnel-related provisions". A corresponding analysis and explanation is provided in the notes.

### Changes in the presentation of the consolidated income statement

- The line item "Other financial result", previously presented separately as part of the financial result, has been allocated as appropriate to the line items "Interest income" and "Interest expense". This presentation was possible for the first time due to technical changes in the system.

### Changes in the presentation of the consolidated cash flow statement

- In light of the ESEF regulation, the line item "Change in current assets" is now broken down in more detail in the cash flow statement. From the fiscal year 2020 onwards, the line items "Change

in inventories", "Change in trade accounts receivable" and "Change in other assets" are presented separately.
- The item "Change in liabilities" previously included in the cash flow statement has been broken down in more detail. From the fiscal year 2020 onwards, the items "Change in trade accounts payable" and "Change in other liabilities" are presented separately.
- The line item "Repayment of promissory notes", which was previously presented separately in the cash flow from financing activities, will be included in the item "Loan repayments" from the fiscal year 2020 onwards.

### Changes in the presentation of the consolidated statement of changes in equity

- Due to the changes in the presentation of equity in the consolidated balance sheet, the line "Profit/deficit brought forward" and the column "Net profit/loss for the year" (attributable to shareholders of Schaltbau Holding AG), which were previously reported separately, will no longer apply in future. The column "Net profit/loss for the year" (attributable to shareholders of Schaltbau Holding AG) has accordingly been offset against the column "Other" (Revenue reserves – attributable to shareholders of Schaltbau Holding AG).
- The column "Net profit/loss for the year" (minority interests) has been offset within the column "Interest in capital and reserves" (minority interests).
- From the fiscal year 2020 onwards, the columns "Currency translation reserve relating to fully consolidated entities" and "Currency translation reserve relating to at-equity accounted entities" have been combined.

To enable comparability of the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity, the relevant comparative periods have been adjusted.

### Changes in the presentation of segment reporting

In the fiscal year 2020, segment reporting was revised in line with the Group's strategic direction and internal management processes. The segments "Components", "Mobile Transportation Technology" and "Stationary Transportation Technology" were renamed "Schaltbau", "Bode" and "Pintsch" in line with the Group brands. In addition, with effect from the beginning of the fiscal year 2020, "SBRS" is now treated as a separate segment for segment reporting purposes. Previously, SBRS operations were part of the Mobile Transportation Technology segment. Prior year segment reporting figures have been made comparable.

Due to the introduction of a "disclosure management system" during the reporting year, rounding differences may arise for the comparative period. The idea behind the system is to facilitate the standardisation and automation of the preparation of business reports using a software solution.

## Basis of preparation

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

The following amended or new Standards have been applied for the first time in the fiscal year 2020:

| | Name | Effective date |
|---|---|---|
| Amended | Definition of Materiality – Amendments to IAS 1 und IAS 8 | 1 January 2020 |
| Amended | Amendment to IFRS 16 – Covid 19-related Rental Concessions | 1 June 2020 |
| Amended | Definition of a Business (Amendments to IFRS 3) | 1 January 2020 |
| Amended | Changes in References to the Conceptual Framework in IFRS | 1 January 2020 |
| Amended | IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform | 1 January 2020 |

The new or amended standards that came into force in the current reporting period have not had any impact on the Group's accounting policies or required any retrospective adjustments.

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

| | | |
|---|---|---|
| New | IFRS 17 Insurance Contracts | 1 January 2023 |
| Amended | IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16 – Interest Rate Benchmark Reform (Phase 2) | 1 January 2021 |
| Amended | IAS 1 – Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amended | IAS 16 – Proceeds before Intended Use | 1 January 2022 |
| Amended | IFRS 3 – Reference to the IFRS Framework | 1 January 2022 |
| Amended | IAS 37 – Onerous Contracts, Costs of Fulfilling a Contract | 1 January 2022 |
| Amended | Annual Improvements to IFRSs (2018 – 2020 Cycle) | 1 January 2022 |
| Amended | IFRS 10, IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | n/a[1] |

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

As expected, the new or amended Standards and Interpretations will not have any effect, or any material effect, on the consolidated financial statements of the Schaltbau Group.

## Consolidation principles

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

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

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

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

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

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

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

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

## Group reporting entity

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

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

Compared to the group reporting entity of the Schaltbau Group as at 31 December 2019, the following changes occurred as at 31 December 2020:

- Deconsolidation of the formerly fully consolidated Pintsch Bamag Brasil Tecnologia Ferroviaria LTDE, Sao Paulo, Brazil, with effect from 30 June 2020
- First-time consolidation of Schaltbau India PVT. Ltd., Thane, India, with effect from 1 January 2020

## Consolidated companies

In addition to Schaltbau Holding AG the following 6 (2019: 6) German and 12 (2019: 12) foreign companies are included in the consolidated financial statements of Schaltbau Holding AG:

| Company | Registered office | Abbreviation | Shareholding |
|---|---|---|---|
| Gebr. Bode GmbH & Co. KG [1] | Kassel | BOBE | 100% |
| Gebr. Bode & Co. Beteiligungs GmbH [1] | Kassel | BOKS | 100% |
| Gebr. Bode & Co. Verwaltungsgesellschaft mbH [1] | Kassel | BOVW | 100% |
| Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. | Rawicz (Poland) | BORA | 89.30% |
| Schaltbau Transportation UK Ltd. | Milton Keynes (UK) | BOUK | 100% |
| Bode North America Inc. | Spartanburg (USA) | BONA | 100% |
| Pintsch GmbH | Dinslaken | PTDE | 100% |
| Pintsch B.V. | Maarssen (Netherlands) | PTNL | 100% |
| SBRS GmbH | Dinslaken | SBRS | 100% |
| Pintsch Tiefenbach US Inc. | Marion (USA) | PTUS | 100% |
| Schaltbau GmbH [1] | Munich | SBOP | 100% |
| Schaltbau Austria GmbH | Vienna (Austria) | SBOE | 100% |
| Schaltbau France S.A.S. | Argenteuil (France) | SBFR | 100% |
| Schaltbau Machine Electrics Ltd. | Cwmbran (UK) | SBME | 100% |
| Schaltbau North America Inc. | Hauppauge (USA) | SBNA | 100% |
| Schaltbau India Pvt. Ltd. | Thane (India) | SBIN | 100% |
| SPII S.p.A. | Saronno (Italy) | SPII | 65% |
| Xi'an Schaltbau Electric Corporation Ltd. [2] | Xi'an Shaanxi (P.R.CH) | XIAN | 50% |

[1] The companies make use of the exemption provisions pursuant to section 264 (3) HGB and section 264b HGB.
[2] Full consolidation due to the majority of voting rights on the board.

Associated companies are companies over which Schaltbau Holding AG exercises significant influence. Significant influence is presumed to exist if the Group holds more than 20% and less than 50% of the voting rights. Joint ventures are companies that are managed jointly with one or more partners. Associated companies and joint ventures are accounted for using the equity method.

The following joint venture is included in the consolidated financial statements at 31 December 2020 using the equity method:

| Company | Registered office | Abbreviation | Shareholding |
|---|---|---|---|
| BoDo Bode-Dogrusan A.S. | Kestel-Bursa (Turkey) | BODO | 50% |

In compliance with the terminology of IFRS 11, BoDo Bode-Dogrusan A.S., Kestel-Bursa, Turkey, is a joint venture which, as in the previous year, was/is required to be included in the consolidated financial statements using the equity method. The necessary disclosures relating to this company are provided in note "(14) At equity accounted investments".

The following associated companies are included in the consolidated financial statements at 31 December 2020 using the equity method:

| Company | Registered office | Abbreviation | Shareholding |
|---|---|---|---|
| Zhejiang Yonggui Bode Transportation Equipment Co. Ltd., Tiantai (P.R.CH) | Tiantai (China) | BOYO | 25% |

Zhejiang Yonggui Bode Transportation Equipment Co. Ltd, Tiantai (P.R.CH.), China, is the sole shareholder of Shenyang Bode Transportation Equipment Co. Ltd, Shenyang (P.R.CH.), China (hereinafter BOSY). The companies BOYO and BOSY are included in the consolidated financial statements of the Schaltbau Group as a sub-group using the equity method.

## Non-consolidated companies

The following subsidiaries are not fully consolidated, but are reported instead within other investments:

| Company | Registered office | Shareholding |
|---|---|---|
| Schaltbau Asia Pacific Ltd. | Hong Kong (China) | 100% |
| Shenyang Schaltbau Electrical Corporation Ltd. | Shenyang (China) | 100% |
| Bode Korea Co. Ltd. | Seoul (South Korea) | 100% |
| GEZ Unterstützungsgesellschaft mbH | Munich | 100% |

The following associated companies are not included at equity in the consolidated financial statements, but are reported instead within other investments:

| Company | Registered office | Shareholding |
|---|---|---|
| Schaltbau Siyakhulisa South Africa PTY Ltd. | Olivedale (South Africa) | 24.5% |
| Schaltbau Radel South Africa PTY Ltd. | Olivedale (South Africa) | 37.0% |
| Xi'an SPII Electric Co. Ltd. | Xi'an Shaanxi (P.R.CH) | 32.5% |
| BODO Pro-Last Profil San. Ve Tic. A.S. [1] | Bursa (Turkey) | 80% |

[1] BoDo Bode-Dogrusan A.S., Kestel-Bursa, Turkey holds the investment in the joint venture.

Due to the low volume of business, the companies not included in the consolidated financial statements are of minor significance for the presentation of the Group's net assets, financial position and results of operations, both individually and in total.

The following companies are not consolidated and are either in liquidation or have no business operations or were immaterial to the consolidated financial statements.

| Company | Registered office | Shareholding |
|---|---|---|
| Albatros S.L.U. [1] | Madrid (Spain) | 100 % |
| Albatros Railway Equipment Co. Ltd. [2] | Shanghai (China) | 100 % |
| Albatros Electromechanical Equipment Co. Ltd. [2] | Shanghai (China) | 100 % |
| Albitren Mantenimiento y Servicios Industriales, S.A. [2] | Ciudad Real (Spain) | 43 % |
| JB Albatros Renovables, S.L. [2] | Ciudad Real (Spain) | 31.3 % |
| Técnicas Avanzadas de Equipamientos TAQUIP, S.L. [2] | Madrid (Spain) | 97.5 % |
| Pintsch Bamag Brasil Tecnologia Ferroviaria LTDA. | Sao Paulo (Brazil) | 100 % |
| SBRS Consulting GmbH | Dinslaken (Germany) | 100 % |

[1] Loss of control over the company in fiscal year 2019

[2] Subsidiary or associated company of Albatros S.L.U, Madrid, Spain

## Use of estimates

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

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

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

When determining the term of leases, all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options are taken into account. Changes to the lease term resulting from the exercise of renewal and termination options are only included in the contract term if a renewal or non-exercise of a termination option is reasonably certain. In connection with the leasing of office space, warehouses and technical equipment, the following considerations apply when determining the term of the lease arrangements:

- If, in the event of the exercise of a termination option or non-exercise of a renewal option, the Group is subject to significant fines, it is generally considered to be reasonably certain that the Group will not terminate or extend the contract.
- Where leasehold improvements have been made that have a material residual value, it is generally considered to be reasonably certain that the Group will extend the contract or not terminate it.
- In addition, other factors, such as historical lease terms and costs and business interruptions incurred by the Group when a lease asset is required be replaced, are taken into account.

Most of the renewal options relating to the lease of office space, warehouses and technical equipment were not included in the determination of the lease term and therefore the lease liability, as these assets could be replaced by the Group without significant cost or business interruption. The assessment is reviewed when a renewal option is actually exercised (or not exercised) or the Group is required to do so. A reassessment of the original assessment is made when a significant event or change in circumstances occurs that may affect the previous assessment – provided this is within the control of the lessee.

Development costs are capitalised if the criteria specified by IAS 38.57 are met. Judgement is required in particular as to whether and when the criteria of IAS 38.57 are met. The impairment test for capitalised development costs requires assumptions to be made regarding cash flows expected to arise during the forecasting period and, if applicable, the discount rate to be used. In particular, expectations of future business developments take account of circumstances prevailing at the date the consolidated financial statements were drawn up as well as a realistic assessment of assumed global and sector-specific developments.

For the purposes of determining the recoverability of financial assets, estimates are required to be made of the amount and probability of future events. As far as possible, these estimates are derived from current market data, rating classes and empirical values. In this context, we refer in particular to the comments provided in the section “Accounting principles and policies” relating to “Investments, financial instruments, trade accounts receivable, other receivables and assets, cash and cash equivalents” and “Contract assets”.

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

When determining necessary write-downs for inventories, uncertainties may exist in particular in determining net realisable values and expected sales proceeds.

The recognition and measurement of provisions are based on estimates of their amount and probability of occurrence. In addition, judgement is required when determining discount rates. External experts are engaged to determine provisions for pensions and early retirement part-time working arrangements. The measurement of pension provisions depends to a large extent on the valuation parameters used. Further information is provided in note "(23) Pension provisions". Warranty obligations arising from product sales are determined on the basis of the level of past or expected claims. Further information relating to the development of warranty provisions is provided in note "(24) Other provisions".

## Foreign currency translation

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

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

| Currency | Closing rate | | Average rate | |
|---|---|---|---|---|
| | 31.12.2020 | 31.12.2019 | 2020 | 2019 |
| Chinese renminbi yuan | 8.0225 | 7.8205 | 7.8708 | 7.7338 |
| US dollar | 1.2271 | 1.1234 | 1.1413 | 1.1196 |
| British pound | 0.8990 | 0.8508 | 0.8892 | 0.8773 |
| Turkish lire | 9.1131 | 6.6843 | 8.0436 | 6.3572 |
| Polish zloty | 4.5597 | 4.2568 | 4.4432 | 4.2975 |
| Brazilian real | 6.3735 | 4.5157 | 5.8900 | 4.4134 |
| Indian rupee | 89.6605 | 80.1870 | 84.5795 | 78.8494 |

## Accounting principles and policies

The principal accounting policies used to prepare the consolidated financial statements for the fiscal year 2020 are described below. Unless otherwise stated, the accounting policies were applied consistently for each of the accounting periods presented.

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

### Intangible assets

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

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

Goodwill arising on business acquisitions is not subjected to systematic amortisation. Instead, it is tested for impairment annually (or more frequently if there is an indication that goodwill is impaired). This is carried out at the level of the CGU to which the goodwill was allocated. If the carrying amount of the CGU exceeds its recoverable amount, goodwill is written down to the lower recoverable amount. Impairment losses recognised on goodwill are not subsequently reversed.

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

### Property, plant and equipment

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

## Investment property

Investment property is measured on initial recognition at its cost. Subsequent measurement is based on the cost model. Depreciation of the property is recognised straight-line over the economic life of the asset, based on a useful life of 15 years (remaining useful life). Within the framework of subsequent measurement using the cost model, an impairment test is required if there are any external or internal sources of information that indicate that an investment property may be impaired at the reporting date. An impairment loss is recognised if the recoverable amount of the investment property is lower than its carrying amount.

## Other investments

Investments in affiliated companies, associated companies and joint ventures that are not consolidated for materiality reasons do not fall under the scope of IFRS 9 and IFRS 7. They are stated at the lower of cost or, in if there is no active market, at their fair value at the balance sheet date. Fair value is determined on the basis of the DCF method described in the section above on intangible assets, applying interest rates of between 5.6% and 15.3% for each individual investment. Interests in associated companies and joint ventures accounted for using the equity method are measured at the Group's share of equity plus goodwill. If there is any indication that an investment is impaired, the carrying amount is tested for impairment.

Non-current loans receivable reported in the balance sheet line "Investments" are measured at amortised cost. The comments provided on "Financial instruments" are relevant for the accounting treatment of these items.

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

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

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

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

## Income taxes

Income tax expense or income for the period corresponds to the tax liability on taxable income for the current fiscal period, based on the applicable income tax rate of the relevant tax jurisdiction, adjusted for changes in deferred tax assets and liabilities relating to temporary differences and tax loss carryforwards.

Current income tax expense is determined on the basis of the tax laws enacted or announced at the end of the reporting period in the countries in which the Company, its subsidiaries, joint ventures and associated companies operate and generate taxable income Management regularly reviews the tax treatment of items included in tax returns where applicable tax law permits different interpretations. In this situation, management recognises provisions based on the amounts expected to be payable to the tax authorities

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

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

## Non-current assets held for sale

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

## Inventories

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

## Financial instruments

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

**Classification**

The Group classifies financial assets in the following measurement categories:

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

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

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

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

Financial liabilities are classified into the following measurement categories:

– Measured at fair value through profit or loss,
– Measured at amortised cost.

**Recognition and derecognition**

A financial instrument is recognised when Schaltbau becomes a party to the contractual provisions of the instrument. A normal market purchase or sale of financial assets is recognised on the trade date, i.e. the date on which the obligation to buy or sell the asset was entered into.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

In the case of factoring transactions, the Group reviews whether trade accounts receivable can be derecognised in full in accordance with IFRS 9. If the conditions for derecognition are not met and the Group has neither fully transferred nor substantially retained all of the risks and rewards of ownership, the Group recognises these financial assets to the extent of the Group's continuing involvement. Financial liabilities are derecognised when the obligations stated in the contract are settled, cancelled or have expired.

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

**Measurement**

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

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

Financial assets

The Group classifies financial assets in three categories:

- Measured at amortised cost (AC): Assets that are held to collect contractual cash flows and for which these cash flows solely represent payments of principal and interest are measured at amortised cost. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Gains or losses arising on the derecognition of the financial asset are recognised directly in profit or loss as other operating income/expense together with foreign currency gains and losses.
- Measured at fair value through other comprehensive income (FVOCI): Assets held to collect contractual cash flows and held-for-sale financial assets, where the cash flows solely represent payments of principal and interest, are measured at fair value through other comprehensive income. Changes in fair value are recognised through other comprehensive income. Expenses for impairment losses and income from the reversal of impairment losses are recognised through profit and loss. The opposite entry is recorded in other comprehensive income. Interest income from such financial assets is determined using the effective interest method and reported as financial income. Foreign currency gains and losses are reported in other operating income/expenses and impairment losses in a separate line item in the income statement.
- Measured at fair value through profit or loss (FVPL): Assets that do not meet the criteria of the category "measured at amortised cost" or "FVOCI" are classified as FVPL. Gains or losses arising on a debt instrument that is subsequently measured at FVPL are recognised on a netted basis in other operating income/expenses in the period in which they arise.

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

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

Financial liabilities

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

**Derivatives and hedging transactions**

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

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

If derivative financial instruments exist that are designated as being in a hedging relationship at the end of the reporting period, the fair values and changes in the cash flow hedge reserve within equity are shown in note "(29) Risk management policy and hedging measures". The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the hedge is more than twelve months and as a current asset or current liability if the remaining term of the hedge is less than twelve months. The Schaltbau Group does not hold any derivatives for speculative purposes. Derivative financial instruments are reported in the balance sheet under the headings “Other receivables and assets” or “Other liabilities”. In the case of derivative instruments that have not been designated as part of a hedging relationship, changes in the fair value of those instruments are recognised through profit or loss.

### Cash flow hedges accounted for as hedging relationships

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

During the fiscal year under report, as in the previous year, the Group did not apply hedge accounting for existing forward contracts intended to hedge forecast transactions. If a contract is designated as a hedge, all changes in the fair value of the forward contract are designated as a hedging instrument. Gains or losses on the effective portion of the change in the fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

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

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

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

### Ineffectiveness of hedging relationships

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

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

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

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

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

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

**Impairment**

The impairment requirements of IFRS 9 apply to financial assets measured at amortised cost (AC) and debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets and lease receivables. The standard provides two models to determine impairment: the general approach and the simplified approach. According to the general approach, a risk allowance for expected 12-month credit losses is required to be recorded for financial assets on their initial recognition as well as in subsequent periods if they are all deemed to be exposed to only a low risk of default (Level 1). In the event of a significant increase in credit risk, it is necessary to recognise an allowance for lifetime expected credit losses (Level 2). One indication of such an increase in credit risk is that a debtor is more than 30 days in arrears.

In the case of trade accounts receivable and contract assets which do not contain a significant financing component, the Group applies the simplified approach described in IFRS 9 whereby the amount of loss allowances is measured on the basis of lifetime expected credit losses. In order to measure expected credit losses, trade accounts receivable are grouped on the basis of shared credit risk characteristics and the number of days past due.

The expected loss rates are based on the payment profiles of revenue over a period of twelve quarters prior to 31 December/ 1 January of the year under report, and the corresponding historical defaults during this period. Expected loss rates are reviewed and adjusted each quarter to reflect current and forward-looking information relating to macroeconomic factors (for example geopolitical events, currency fluctuations, inflation, trade wars, government subsidies) that affect customers' ability to settle receivables. In light of the COVID-19 pandemic, a post model adjustment was applied.

Trade accounts receivables are considered to be credit-impaired and are written down (Level 3) as soon as there is objective evidence of impairment. One indication of impairment is that a debtor is more than 90 days in arrears with a contractual payment. Regional and customer-related factors are taken into account for the purposes of defining the credit loss relating to a financial asset. Trade accounts receivable are derecognised when it is deemed on the basis of a reasonable assessment that they are no longer recoverable. Indicators that trade accounts receivable are no longer recoverable include a debtor's failure to commit to a repayment plan vis-à-vis the Group.

The net impact on profit of impairment allowances recognised on trade accounts receivable is reported on the line item "Impairment losses" in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

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

Financial assets are considered to be credit-impaired and are written down as soon as there is objective evidence of impairment. One indication of impairment is that a debtor is more than 90 days in arrears. If the financial assets are owed by a government agency, there is an indication of impairment if the debtor is more than one year in arrears. Financial assets are derecognised when they are no longer considered to be recoverable. Indicators of this include the debtor's failure to commit to a repayment plan.

## Trade accounts receivable, other receivables and assets as well as contract assets

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

Contract assets are measures at amortised cost less impairment allowances in accordance with the simplified approach permitted by IFRS 9. Contract assets relate to work in progress that has not yet been invoiced and essentially have the same risk characteristics as trade accounts receivable. The Schaltbau Group has therefore concluded that expected loss rates for trade accounts receivable are a reasonable approximation of loss rates for contract assets. Further information is provided in the description of accounting policies for "Financial instruments".

## Accounting for short-time work allowances – in light of COVID-19 pandemic

Under short-time work arrangements, the regular working hours of employees are reduced for a temporary period and the employer pays a correspondingly reduced remuneration. The employees affected by short-time work are entitled to receive a short-time work allowance from the Federal Employment Agency, whereby amounts are initially paid by the employer in the capacity of a payment agent. Amounts received by Schaltbau that are to be paid out to employees are treated as transitory items within personnel expense. Top-up amounts paid by Schaltbau are recognised as personnel expense. Reimbursements of social security contributions that Schaltbau will recover from the Federal Employment Agency or a comparable agency are recognised as a reduction of personnel expense in accordance with IAS 20.

## Cash and cash equivalents

Cash funds are financial assets and are measured at amortised cost less impairment allowances.

For the purpose of presentation in the cash flow statement, cash funds comprise cash on hand, cash at bank available on call, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

## Revaluation reserve

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

## Pension provisions

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

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

The biometric tables issued by Prof. Klaus Heubeck (2018G) 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

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

## Provisions for pre-retirement part-time working arrangements

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

## Financial liabilities

Non-derivative financial liabilities are stated at amortised cost measured using with the effective interest method.

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

## Contingent liabilities

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

## Leases

The Group leases various office and warehouse buildings as well as equipment and vehicles. Lease contracts are generally concluded for fixed periods of between three and ten years, but may include renewal options. Lease terms and conditions are negotiated individually. The contracts do not contain any credit terms. The items leased may not be used as collateral for borrowings.

Leases are recognised when the leased asset is available for use by the Group, with right-of-use assets reported as "Property, plant and equipment" and the corresponding lease liabilities as "Financial liabilities". Finance costs are recognised in the income statement over the lease term in order to give a constant periodic rate of interest on the remaining amount of the liability for each period. Right-of-use assets are amortised on a straight-line basis over the shorter of the relevant useful life and lease term.

Assets and liabilities arising from leases are initially recognised at their net present value. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments) less any lease incentives payable
– variable lease payments that depend on an index or a rate (of interest)
– any expected residual value payments from residual value guarantees provided by the lessee
– the exercise price of a purchase option if the lessee is reasonably certain to exercise the option
– payments for penalties for terminating the lease, if the term reflects the lessee exercising an option to terminate the lease

Lease payments are discounted using the implicit interest rate in the lease, if readily determinable. If not readily determinable, they are discounted using the lessee's incremental borrowing rate, i.e. the interest rate that a lessee would have to pay if it had to raise funds to acquire an asset of comparable value and terms in a comparable economic environment.

Payments for short-term leases and low-value assets are expensed on a straight-line basis. Lease arrangements with a term of up to 12 months are regarded as short-term leases. Low-value assets include IT equipment and small items of office furniture with a value of up to USD 5,000.

A number of the Group's leases for property and equipment contain renewal and termination options. Terms and conditions of this kind are used by give the Group maximum operational flexibility with respect to leases. Renewal and termination options are taken into account in determining the lease period if it is reasonably certain that they will be exercised. Reasonably certainty is assumed to exist if the probability of exercising an option is greater than 75%.

As a practical expedience permitted by IFRS 16.15, Schaltbau has elected to account for each lease component and any associated non-lease components as a single lease component (i.e. lease and non-lease components are not separated).

As permitted by IFRS 16.47, right-of-use assets and lease liabilities are presented separately in the notes rather than on the face of the balance sheet. Changes in right-of-use assets during the fiscal year under report are shown in note "(15) Development of fixed assets". Information on lease liabilities is provided in note "(25) Liabilities". Amounts recognized in the consolidated income statement relating to leases are disclosed in notes "(6) Depreciation, amortisation and impairment losses", "(7) Other operating expenses" and "(9) Financial result". Cash outflows are disclosed in note "(29) Risk management policy and hedging activiries" in the section on liquidity risks.

## Revenue and profit recognition

Group revenues are generated in the segments "Bode" (formerly: "Mobile Transportation Technology"), "Schaltbau" (formerly: Components ), "Pintsch" (formerly "Stationary Transportation Technology") and "SBRS" (formerly part of the "Mobile Transportation Technology" segment). Revenue recorded by the "Bode" segment results from the sale of door and boarding systems for buses, trains and commercial vehicles as well as interiors for trains. Revenue recorded by the "Schaltbau" segment results from the sale of connectors, snap-action switches and DC contactors for various applications used in the railway and industrial sectors. Revenue recorded by the "Pintsch" segment, results from the sale of level crossing safety systems, axle counting systems and signal technology. The "SBRS" segment generates revenue in the areas of e-mobility and refurbishment.

### Revenue in the Schaltbau and Bode segments

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

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

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

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

### Revenue in the Pintsch and SBRS segments

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

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

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

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

The net impact on profit or loss of impairment allowances recognised on contract assets is reported on the line item "Impairment losses" in the consolidated income statement. Amounts previously written off that are recovered in subsequent periods are recorded on the same line item.

#### Determination of the stand-alone selling price

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

### Borrowing costs

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

## Significant events

### Changes within the Executive Board

On 4 March 2020, Dr Jürgen Brandes was appointed as additional member of the Executive Board with effect from 1 April 2020. During the fiscal year 2020, Dr Brandes was responsible for the segments Schaltbau (formerly Components), Bode (formerly Mobile Transportation Technology) and SBRS (formerly part of Mobile Transportation Technology). The appointment was made for the duration of three years. With effect from 1 January 2021, Dr Brandes succeeded Dr Köhler in the function of Chairman of the Executive Board of Schaltbau Holding AG, when the latter stepped down due to the stipulated age limit.

Thomas Dippold resigned from his position on the Executive Board of Schaltbau Holding AG at his own request on 1 September 2020. Prof. Thorsten Grenz, former Deputy Chairman of the Supervisory Board of Schaltbau Holding AG, was appointed Chief Financial Officer (CFO) of Schaltbau Holding AG with effect from 1 September 2020. Prof. Thorsten Grenz will serve on the Executive Board on an interim basis in accordance with section 105 (2) sentence 1 AktG, during which time his Supervisory Board mandate is temporarily suspended.

On 6 November 2020, the Supervisory Board appointed Steffen Munz as Chief Financial Officer (CFO) of Schaltbau Holding AG with effect from 1 March 2021. As a result, Prof. Thorsten Grenz will resume his dormant Supervisory Board mandate with effect from 1 March 2021.

### First-time consolidation of Schaltbau India Pvt. Ltd., Thane, India

Schaltbau India Pvt. Ltd., Thane, India, (hereafter referred to as "Schaltbau India") had previously not been included in the consolidated financial statements on the grounds of non-materiality for the Schaltbau Group's results of operations, financial and net assets position. As described in the Annual Report 2019, the remaining minority interests in Schaltbau India were acquired at the end of 2019. In view of the company's growth potential and its increasing strategic relevance for the Schaltbau Group, Schaltbau India was consolidated for the first time in the fiscal year 2020 with effect from 1 January 2020.

The following table shows the balance sheet of Schaltbau India at the time of first-time consolidation:

#### Assets

| €k | 1.1.2020 |
|---|---:|
| Property, plant and equipment | 164 |
| Other investments | 30 |
| Deferred tax assets | 48 |
| Inventories | 925 |
| Trade accounts receivable | 269 |
| Current tax assets | 35 |
| Other receivables and assets | 1,164 |
| Cash and cash equivalents | 719 |
| | **3,354** |

#### Equity and liabilities

| €k | 1.1.2020 |
|---|---:|
| Equity | 2,555 |
| Non-current personnel-related provisions | 10 |
| Other non-current provisions | 59 |
| Other non-current liabilities | 31 |
| Current personnel-related provisions | 12 |
| Other current provisions | 55 |
| Current income tax payable | 6 |
| Trade accounts payable | 42 |
| Other current liabilities | 584 |
| | **3,354** |

### Deconsolidation of Pintsch Bamag Brasil Tecnologia Ferrovviaria LTDT, São Paulo, Brazil

Pintsch Bamag Brasil Tecnologia Ferrovviaria LTDT, São Paulo, Brazil, (hereafter referred to as "PIBR") was founded in the fiscal year 2013 in connection with the "Platform Screen Doors Project Brazil" and included in the consolidated financial statements. In an agreement reached with Bombardier Transportation during the fiscal year 2018, it was agreed that the installation of new platform screen doors in São Paulo Metro stations would be carried out in future by another party to be commissioned by Bombardier Transportation. At that stage, PIBR ceased operational activities. PIBR was deconsolidated with effect from 30 June 2020 as the company is currently in liquidation, is already inactive, all applications for liquidation have been submitted by the Schaltbau Group to the authorities and a debt-to-equity swap has been executed, as a result of which the impact of PIBR on the Schaltbau Group's net assets, financial position and results of operations will be immaterial in future. Mainly due to the realisation of cumulative translation differences recognised up to the date of deconsolidation within other comprehensive income and within equity (IAS 21.48), a gain of kEUR 942 arose on deconsolidation.

The following table shows the assets and liabilities of PIBR at the time of deconsolidation:

**Assets**

| €k | 30.6.2020 |
|---|---|
| Other receivables and assets | 7 |
| Cash and cash equivalents | 19 |
| | **26** |

**Equity and liabilities**

| €k | 30.6.2020 |
|---|---|
| Equity | 12 |
| Current income tax payable | 9 |
| Other current liabilities | 5 |
| | **26** |

PIBR's balance sheet reflects the local company's balance sheet in accordance with IFRS at 30 June 2020 before consolidation or deconsolidation.

## Financing of Schaltbau Holding AG

On 17 June 2019, a new Syndicated Credit Agreement amounting to EUR 103.0 million was concluded for a three-year fixed term plus two one-year extension options. In accordance with a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109 million. In a second supplementary agreement dated 9 March 2020, a former promissory note creditor became party to the Syndicated Credit Agreement with an amount of EUR 3 million, thereby increasing the credit line to EUR 112.0 million. Against the backdrop of the COVID-19 pandemic, the existing syndicated credit line was increased by EUR 60.0 million to EUR 172 million, with Kreditanstalt für Wiederaufbau (KfW) joining as a further syndicate partner in accordance with a third supplementary agreement dated 19 June 2020. In this context, the covenants were suspended for the fiscal year 2020 and revised with effect from the fiscal year 2021. At that stage, non-compliance with key performance indicators can trigger an extraordinary right of termination for the creditors. In particular, the agreement specifies a defined equity ratio as well as an EBITDA (earnings before interest, taxes, depreciation and amortisation), with which Schaltbau is required to comply. The credit line can be utilised as an overdraft and partially as a guarantee facility. As at 31 December 2020, a total amount of EUR 108.3 million was being utilised, comprising an overdraft of EUR 80.0 million and guarantees of EUR 28.3 million. The relevant amounts are reported within financial liabilities. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral.

Financial liabilities also include promissory notes. After one of the promissory note creditors became party to the Syndicated Credit Agreement, promissory note liabilities decreased to a nominal amount of EUR 10.5 million as at 31 December 2020, comprising tranches of EUR 5.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025). The relevant amounts are reported within non-current financial liabilities. The promissory note creditors have extraordinary rights of termination, linked to the extraordinary termination of other financial liabilities, in particular the Syndicated Credit Agreement.

A factoring agreement has been in place since 1 August 2019, on the basis of which various companies of the Schaltbau Group sell trade accounts receivable directly to a structured entity on a revolving basis. This structured entity holds the receivables and allocates the opportunities and risks attached to the receivables to the participating companies of the Schaltbau Group and a bank in line with the terms of the agreement. The structured entity is financed by a bank credit line. In view of the fact that Schaltbau has no control over the relevant activities of the structured entity, the latter is not included in the Schaltbau Group's consolidated financial statements. A further Schaltbau Group company was added to the programme during the fiscal year 2020. Further information is provided in note "(17) Trade accounts receivable".

## Impact of COVID-19 on the consolidated financial statements

The COVID-19 pandemic that started during the first half of 2020 and the associated political decisions in the countries affected had an impact on the economic development of the Schaltbau Group during the fiscal year 2020. Delayed orders and a decline in demand in certain lines of business had an impact on the Group's net assets, financial position and results of operations. The development of the pandemic and its potential future impact on the Schaltbau Group's business performance were taken into account as part of the Group's forecasting process. Knowledge of likely future developments is taken into account in particular when determining the recoverability of deferred taxes, goodwill, receivables and inventories. In order to take account of the risks arising from the COVID-19 pandemic to the net assets, financial position and results, so-called "post-model adjustments" were made, particularly relating to the expected default risk of receivables. Further information is provided in the sections "Accounting principles and policies" and in the following comments on short-time work allowances and impairment tests. The exemptions permitted by IFRS 16 in connection with COVID-19-related rent concessions were not applied. The COVID 19 pandemic had no impact on the accounting treatment of investment property.

### Receipt of allowance for short-time work in light of COVID-19 pandemic

Against the backdrop of the COVID-19 pandemic, the Schaltbau Group is using short-time work arrangements to even out cyclically induced fluctuations in capacity utilisation. Short-time work were introduced in order to secure liquidity and reduce personnel expense, but also with a view to preserving jobs and not jeopardising the future success of the Group. Reimbursements of social security contributions (grants related to income pursuant to IAS 20) amounting to kEUR 417 were claimed during the fiscal year 2020. With regard to the accounting treatment of these claims, we refer to the section "Accounting principles and policies".

### Impairment testing in light of COVID-19 pandemic

IAS 36 requires that an impairment test is performed if certain indicators exist (so-called "triggering events"). In this context, the Schaltbau Group carried out an impairment test during the first half of the year in light of the COVID-19 pandemic, in particular to assess the recoverability of capitalised goodwill. Given that it is difficult to predict the development of the pandemic and its future impact on the Group's business performance, for strategic and internal management purposes, the outlook continued to be based primarily on forecasts that had been approved and adopted by the Supervisory Board, as adjusted for COVID-19 effects. Better knowledge of future developments is taken into account in particular when determining the recoverability of goodwill. There was no requirement to recognise an impairment loss on the basis of the results of the impairment performed during the first half of the year.

In conjunction with regular annual impairment testing – this year performed on the basis of forecasts approved by the Supervisory Board and updated for current information regarding the COVID-19 pandemic – goodwill relating to SPII was found to be impaired. Accordingly, goodwill relating to SPII was written down by kEUR 5,051, reflecting the fact that the recoverable amount was lower than the carrying amount of the cash-generating unit. SPII is part of Schaltbau segment. Compared with the forecast figures used to determine the recoverable amount at the half-way stage of the year, the Executive Board now expects a lower level of EBIT over the planning period based on current and forecast market developments. Moreover, working capital is now expected develop less favourably as a consequence of the ongoing COVID-19.

The recoverable amount (value in use) was determined on the basis of a fixed planning period of three years and corresponded to a positive amount of kEUR 27,907. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.8%, an after-tax WACC of 7.5% (pre-tax WACC of 10.4%) and a perpetual annuity growth rate of 1%. Further information is provided in the explanation of the accounting treatment of intangible assets in the note on "Accounting principles and policies". The carrying amount after recognition of the impairment loss corresponds to the recoverable amount.

## Explanatory notes to the consolidated income statement

The consolidated income statement for the period from 1 January to 31 December 2020 includes Schaltbau India following that entity's first-time consolidation. The Sepsa Group and Alte are not included in the income statement for the period from 1 January to 31 December 2020 due to their deconsolidation in the fiscal year 2019. In the previous fiscal year, the Sepsa Group was included for the period from 1 January 2019 to 7 May 2019 and Alte for the period from 1 January 2019 to 29 May 2019.

In order to enable improved comparability of the consolidated income statement, the income statements of the companies concerned are shown separately in the tables below.

Income statement of Schaltbau India for the fiscal year 2020:

| €k | 1.1.–31.12.2020 |
|---|---|
| **Total output** | **3,451** |
| Other operating income | 23 |
| Expenses | -2,555 |
| **Profit before financial result and taxes (EBIT)** | **919** |
| Financial result | 27 |
| **Profit before tax** | **946** |
| Income taxes | -206 |
| **Net profit for the year** | **740** |

The company Alte was deconsolidated in the fiscal year 2019. Income statement of Alte:

| €k | 1.1.–29.5.2019 |
|---|---|
| Revenue | 11,890 |
| Change in inventories of finished goods and work in progress | -441 |
| **Total output** | **11,449** |
| Other operating income | 91 |
| Cost of materials | -7,018 |
| Personnel expense | -3,617 |
| Depreciation and amortisation | -107 |
| Other operating expenses | -1,633 |
| **Loss before financial result and taxes (EBIT)** | **-834** |
| Financial result | -275 |
| **Loss before tax** | **-1,109** |
| Income taxes | -204 |
| **Net loss for the period** | **-1,313** |

The SEPSA GROUP was deconsolidated in the fiscal year 2019. Income Statement of the Sepsa Group:

| €k | 1.1.–30.6.2019 |
|---|---|
| Revenue | 9,879 |
| Change in inventories of finished goods and work in progress | -919 |
| Own work capitalised | 553 |
| **Total output** | **9,513** |
| Other operating income | 1,431 |
| Cost of materials | -3,476 |
| Personnel expense | -4,948 |
| Depreciation and amortisation [1] | 0 |
| Other operating expenses | -2,559 |
| Impairment losses | -1 |
| **Loss before financial result and taxes (EBIT)** | **-41** |
| Financial result | -317 |
| **Loss before tax** | **-358** |
| Income taxes | -8 |
| **Net loss for the period** | **-366** |

[1] No depreciation/amortisation recorded due to application of IFRS 5.

## (1) Revenue

Group revenues are generated in the segments "Bode" (formerly: "Mobile Transportation Technology"), "Schaltbau" (formerly: Components ), "Pintsch" (formerly "Stationary Transportation Technology") and "SBRS" (formerly part of the "Mobile Transportation Technology" segment). Revenue recorded by the "Bode" segment results from the sale of door and boarding systems for buses, trains and commercial vehicles as well as interiors for trains. Revenue recorded by the "Schaltbau" segment results from the sale of connectors, snap-action switches and DC contactors for various applications used in the railway and industrial sectors. Revenue recorded by the "Pintsch" segment, results from the sale of level crossing safety systems, axle counting systems and signal technology. The "SBRS" segment generates revenue in the areas of e-mobility and refurbishment.

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

### Revenue by segment

| €k | 2020 | 2019 |
|---|---|---|
| Schaltbau GmbH Group | 139,465 | 154,377 |
| – of which recognised over a period of time | 324 | 542 |
| BODE Group | 257,303 | 270,117 |
| – of which recognised over a period of time | 0 | 0 |
| Pintsch Group | 75,791 | 72,544 |
| – of which recognised over a period of time | 8,697 | 2,518 |
| SBRS | 29,764 | 16,608 |
| – of which recognised over a period of time | 2,930 | 0 |
| Holding | 20 | 62 |
| – of which recognised over a period of time | 0 | 0 |
| | **502,343** | **513,708** |

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

| €k | 2020 | 2019 |
|---|---|---|
| Aggregated transaction price of unfulfilled (or partially unfulfilled) performance obligations | **22,840** | **2,977** |

Management expects 51.2% of these outstanding (or partially outstanding) performance obligations to be recognised as revenue in 2021. The remaining 48.8% is expected to be recognised as revenue mainly in 2022. The amount stated does not include any variable consideration components for which constraining estimates apply.

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

The following table shows revenue recognised during the fiscal year under report that was included in the net amount of contract liabilities at the beginning of the period (see note "(26) Contract assets and liabilities"):

| €k | 2020 | 2019 |
|---|---|---|
| Revenue recognised included in the net amount of contract liabilities at the beginning of the period | 15,463 | 8,675 |
| Revenue recognised relating to performance obligations fulfilled in prior periods | 0 | 0 |
| | **15,463** | **8,675** |

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

**Revenue by market**

| €k | 2020 | 2019 |
|---|---|---|
| Germany | 182,409 | 189,985 |
| Other EU countries | 177,269 | 182,369 |
| Other European countries | 59,142 | 48,987 |
| Asia | 50,086 | 59,909 |
| Americas | 32,376 | 31,704 |
| Other countries | 1,061 | 754 |
| | **502,343** | **513,708** |

## (2) Change in inventories of finished good, work in progress and own work capitalised

| €k | 2020 | 2019 |
|---|---|---|
| Change in inventories | 10,676 | 588 |
| Own work capitalised | 2,162 | 2,669 |
| | **12,838** | **3,257** |

## (3) Other operating income

| €k | 2020 | 2019 |
|---|---|---|
| Income from insurance claims | 746 | 8,042 |
| Reversal of provisions | 7,498 | 2,723[1] |
| Currency / exchange rate gains | 2,528 | 1,158 |
| Public-sector grants | 8 | 26 |
| Other operating income | 4,330 | 5,670 |
| | **15,110** | **17,619** |

[1] In the previous year, the reversal of provisions included income from ALTE and the Sepsa Group.

Other operating income includes income of kEUR 8,092 (2019: kEUR 3,026) relating to prior periods (mostly income from the reversal of provisions). Sundry other operating income includes a gain of kEUR 942 arising on the deconsolidation of PIBR and as well as a gain on a similar scale arising on the first-time consolidation of SBIN. Rental income included on this line item amounted to kEUR 162.

In the previous fiscal year, sundry other operating income included in particular a gain of kEUR 1,394 arising in conjunction with reversals on impairment losses on Sepsa in accordance with IFRS 5 valuation and income of kEUR 716 arising from reversals of impairment losses on ALTE in accordance with IAS 36. The deconsolidation of ALTE and Sepsa resulted in gains of kEUR 396 and kEUR 105 respectively in 2019.

Income from insurance claims in 2019 included an amount of kEUR 7,970 received in conjunction with insurance cover for flood damage at Gebr. KG in Kassel.

## (4) Cost of materials

| €k | 2020 | 2019 |
|---|---|---|
| Cost of raw materials, supplies and purchased goods for resale | -228,721 | -226,301 |
| Cost of purchased services | -44,339 | -39,957 |
| | **-273,060** | **-266,258** |

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

## (5) Personnel expense / employees

| €k | 2020 | 2019 |
|---|---|---|
| Wages and salaries | -139,327 | -145,801 |
| Social security, pension and welfare expenses | -28,399 | -30,382 |
| | **-167,726** | **-176,183** |

Further information on pension expenses is provided in note (23) Pension provisions.

**Average number of employees**

| €k | 2020 | 2019 |
|---|---|---|
| Development | 345 | 368 |
| Purchasing and logistics | 300 | 292 |
| Production | 1,474 | 1,512 |
| Sales and marketing | 278 | 265 |
| Administration including Executive Board members and group company directors | 268 | 269 |
| Trainees | 20 | 17 |
| | **2,685** | **2,723** |

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) Depreciation, amortisation and impairment losses

| €k | 2020 | 2019 |
|---|---|---|
| **Amortisation of intangible assets** | | |
| Concessions, similar rights and software | -2,148 | -2,454 |
| Goodwill (impairment loss) | -5,051 | 0 |
| Development costs | -1,521 | -1,623 |
| | **-8,720** | **-4,077** |
| **Depreciation of property, plant and equipment** | | |
| Land and buildings | -1,611 | -1,806 |
| Plant and machinery | -3,508 | -3,049 |
| Other plant and equipment | -3,679 | -3,380 |
| | **-8,798** | **-8,235** |
| **Amortization of right-of-use assets** | | |
| Right-of-use assets relating to land and buildings | -2,073 | -2,004 |
| Right-of-use assets relating to plant and machinery | -86 | -58 |
| Right-of-use assets relating to other plant and equipment | -1,096 | -943 |
| | **-3,255** | **-3,005** |
| Depreciation of investment property | **-190** | **-126** |
| Depreciation, amortisation and impairment losses reported in the analysis of the development of fixed assets | **-20,963** | **-15,443** |
| Depreciation, amortisation and impairment losses on other assets | **-25** | **-27** |
| Depreciation, amortisation and impairment losses reported in the consolidated income statement | **-20,988** | **-15,470** |

An impairment loss of kEUR 5,051 was recognised on goodwill relating to SPII in the fiscal year under report. Further information is provided in note "(12) Intangible assets".

Amortisation of right-of-use assets amounted to kEUR 3,255 (2019: kEUR 3,005)

## (7) Other operating expenses

| €k | 2020 | 2019 |
|---|---|---|
| Administrative expenses | -21,485 | -26,154 |
| Selling expenses | -11,016 | -13,351 |
| Operational expenses | -2,055 | -3,919 |
| **Lease expense pursuant to IFRS 16** | | |
| Low-value leased assets | -539 | -583 |
| Short-term leases | -1,503 | -1,478 |
| Variable consideration | -143 | -163 |
| Employee-related costs | -1,428 | -1,857 |
| Exchange rate losses | -2,613 | -1,103 |
| Other taxes | -743 | -2,009 |
| Losses on the sale of fixed assets | -85 | -229 |
| Allocation to provisions for onerous contracts | -959 | -625 |
| Sundry other expenses | -3,818 | -8,175 |
| | **-46,387** | **-59,646** |

Administrative expenses mainly include legal and consulting costs, insurance and contributions, and IT costs. Selling expenses relate mainly to advertising costs, sales commissions and travel and entertainment expenses. Against the backdrop of the COVID 19 pandemic, travel and entertainment expenses decreased compared to the previous year.

Expenses for short-term and low-value leases and variable payments amounted to kEUR 2,185 (2019: kEUR 2,224).

## (8) Result from investments

| €k | 2020 | 2019 |
|---|---|---|
| Result from at-equity accounted investments | -321 | 821 |
| Other results from investments | 0 | -559 |
| | **-321** | **262** |

The financial statements of the Group's foreign entities were drawn up in accordance with the accounting rules applicable in the relevant countries. In order to avoid material differences compared to financial statements drawn up in accordance with IFRS requirements as applicable in the EU, adjustment entries were made where material.

The result from at-equity accounted investments relates to the Group's share of the results (reporting period ended 31 December 2020 of BoDo Bode-Dogrusan A.S. (Turkey). BODO's earnings for the fiscal year 2020 were negatively impacted by the effects of the COVID-19 pandemic and the decrease in value of the Turkish lira. The at-equity accounted company paid out a dividend of kEUR 280 in the year under report (2019: kEUR 0), half of which is attributable to the Schaltbau Group.

In the previous fiscal year, other results from investments included the loss arising on the sale of shares in Pintsch Bamag Transportation & Energy Equipment Co. Ltd. (China) as well as an impairment loss of kEUR 789k recognised on the investment in Xi'an SPII Electric Co. Ltd. (China).

If the relevant exchange rates had been 10% more favourable or less favourable, the result from equity accounted companies would have been a gain kEUR 30 / loss of kEUR 25 (2019: gain of kEUR 50 / loss of kEUR108).

## (9) Financial result

| €k | 2020 | 2019 |
|---|---|---|
| Other interest and similar income | 293 | 344 |
| Interest and similar expenses | -7,177 | -7,327 |
| of which expenses arising on the unwinding of interest on lease liabilities | -472 | -500 |
| of which arising on interest rate swaps | -203 | -306 |
| | **-6,884** | **-6,983** |

Interest expenses include kEUR 558 (2019: kEUR 776) arising on the unwinding of interest on personnel-related provisions.

In the previous fiscal year, interest expense included interest in connection with repayments of promissory notes in December 2019.

## (10) Income taxes

| €k | 2020 | 2019 |
|---|---|---|
| Income tax expense | -4,825 | -5,479 |
| Deferred tax income / expense(-) | -4,029 | 2,374 |
| | **-8,854** | **-3,105** |

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

Deferred tax assets related to the following balance sheet items:

| €k | Non-current assets | Inventories | Other assets | Pension provisions | Other provisions | Liabilities | Tax loss carry-forwards | Netting | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1.1.2019** | **631** | **2,174** | **1,047** | **3,805** | **2,125** | **338** | **5,136** | **-5,613** | **9,643** |
| Recognised through | | | | | | | | | |
| – profit or loss | 29 | 87 | -320 | 437 | 1,665 | 27 | 503 | | 2,428 |
| – OCI | 0 | 0 | 0 | 1,599 | 0 | -42 | 0 | | 1,557 |
| Currency | 10 | 12 | 1 | -3 | 2 | 1 | 1 | | 24 |
| **Balance at 31.12.2019** | **670** | **2,273** | **728** | **5,838** | **3,792** | **324** | **5,640** | **-5,882** | **13,383** |
| | | | | | | | | | |
| **Balance at 1.1.2020** | **670** | **2,273** | **729** | **5,838** | **3,792** | **324** | **5,639** | **-5,882** | **13,383** |
| Recognised through | | | | | | | | | |
| – profit or loss | -157 | -99 | -8 | -191 | -479 | 72 | -2,675 | | -3,537 |
| – OCI | 0 | 0 | 0 | 203 | 0 | 0 | 0 | | 203 |
| Consolidation | 49 | 0 | 0 | 0 | 0 | 0 | 0 | | 49 |
| Currency | -7 | -15 | -15 | -3 | -13 | -7 | -16 | | -76 |
| **Balance at 31.12.2020** | **555** | **2,159** | **706** | **5,847** | **3,300** | **389** | **2,948** | **-6,700** | **9,204** |

Deferred tax liabilities related to the following balance sheet items:

| €k | Non-current assets | Inventories | Other assets | Pension provisions | Other provisions | Liabilities | Netting | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1.1.2019** | **7,517** | **141** | **316** | **0** | **0** | **25** | **-5,613** | **2,386** |
| Recognised through | | | | | | | | |
| – profit or loss | 447 | -32 | -160 | 0 | 0 | -309 | | -54 |
| – OCI | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Currency | -18 | -1 | 0 | 0 | 0 | 0 | | -19 |
| **Balance at 31.12.2019** | **7,088** | **174** | **476** | **0** | **0** | **334** | **-5,882** | **2,190** |
| | | | | | | | | |
| **Balance at 1.1.2020** | **7,089** | **174** | **476** | **0** | **0** | **333** | **-5,882** | **2,190** |
| Recognised through | | | | | | | | |
| – profit or loss | 75 | -55 | -525 | 0 | -12 | 25 | | -492 |
| – OCI | 0 | 0 | 0 | 0 | 0 | 0 | | 0 |
| Currency | 47 | 0 | 0 | 0 | 0 | 0 | | 47 |
| **Balance at 31.12.2020** | **6,967** | **229** | **1,001** | **0** | **12** | **308** | **-6,700** | **1,817** |

After netting, non-current deferred tax assets amounted to kEUR 6,474 (2019: kEUR 10,375) and non-current deferred tax liabilities to kEUR 971 (2019: kEUR 1,748).

Due to the fact that the history of municipal trade tax losses within the Schaltbau Holding AG tax group came to an end in 2019, deferred tax assets amounting to kEUR 427 were recognised in the previous year, with income statement impact, on tax losses available for carryforward. In addition, the valuation allowance of kEUR 1,771 originally recognised in 2017 on the surplus of deferred tax assets over deferred tax liabilities for the tax group was reversed in 2019, whereby the amount attributable to the actuarial valuation of the pension provision (kEUR 794) was recognised directly in equity and the remainder (kEUR 977) through the income statement.

No deferred tax assets are recognised on corporation tax and municipal trade losses available for carryforward amounting to kEUR 52,112 (2019: kEUR 30,897) and on foreign tax losses available for carryforward amounting to kEUR 17,560 (2019: kEUR 25,277). The increase in tax losses available for carryforward in Germany was mainly attributable to valuation effects. The decline in tax losses available for carryforward outside Germany reflects amounts utilised in 2020 as well as the impact of the deconsolidation of one company in 2020.

No deferred tax assets were recognised in the year under report on a tax interest carryforward in Germany amounting to kEUR 9,579 (2019: kEUR 6,402). In the previous fiscal year, deferred tax assets amounting to kEUR 529 were recognised on an available carryforward of kEUR 1,994.

At the end of the reporting period, certain Group companies that had generated a tax loss reported a net surplus of deferred tax assets of kEUR 13,601 (2019: KEUR 13,388), mainly relating to the German tax group of Schaltbau Holding AG. Of this amount, it is considered probable that deferred tax assets amounting to kEUR 3,290 (2019 kEUR 7,763) will be realised, given that the losses arose in the wake of the COVID 19 pandemic and since sufficient taxable income is expected to be available over the three-year planning period.

Due to the existence of control over the timing of the reversal of temporary differences in accordance with IAS 12.39, no deferred tax liabilities were recognised on temporary differences and undistributed profits of subsidiaries of Schaltbau Holding AG amounting to kEUR 600 (2019: kEUR 713).

### Reconciliation of expected and actual expense in the income statement

| €k | 2020 | 2019 |
|---|---|---|
| Profit before tax | 14,517 | 10,463 |
| Expected tax expense (30%) | -4,355 | -3,139 |
| – Different computation of taxes outside Germany | 1,272 | 1,045 |
| – Tax-exempt income | 1,115 | 1,318 |
| – Non-deductible expenses | -1,436 | -1,169 |
| – Associated companies and Joint ventures accounted for using the equity method | -96 | -32 |
| – Tax expense and reimbursements for prior years | 173 | -340 |
| – Change in deferred tax assets on tax losses available for carryforward | -4,972 | -1,225 |
| – Effect of tax rate changes | 67 | -32 |
| – Foreign withholding tax | -325 | -336 |
| – Deferred taxes arising on unrecognised deductible temporary differences | 0 | 773 |
| – Other differences | -297 | 32 |
| Income tax expense | -8,854 | -3,105 |
| Effective tax rate | 61.0% | 29.7% |

## (11) 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, excluding treasury shares.

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. Diluted earnings per share correspond to basic earnings per share, as no options existed on Schaltbau Holding AG shares, either in 2020 or 2019.

At December 2020, a total of 8,844,545 ordinary shares were in circulation, excluding treasury shares (2019: 8,844,545 shares)). The Company began to repurchase own (treasury) shares in 2008 (see explanatory comments in note "(21) Capital / revenue / other reserves").

### Earnings per share

| | 2020 | 2019 |
|---|---|---|
| Profit attributable to shareholders of Schaltbau Holding AG (k€) | 3,871 | 4,095 |
| Weighted average number of shares, excluding treasury shares | 8,844,545 | 8,844,545 |
| **Earnings per share in €** | **0.44** | **0.46** |

## Explanatory notes to the consolidated balance sheet

Schaltbau India is included in the consolidated balance sheet at 31 December 2020 for the first time following that entity's first-time consolidation. In addition, PIBR was deconsolidated and therefore – unlike in the previous year – is not included. In order to ensure comparability, Schaltbau India's balance sheet as at 31 December 2020 is presented below. Due to their immateriality for the consolidated financial statements of the Schaltbau Group, the balance sheet amounts recognised for PIBR at 31 December 2019 are not disclosed separately.

### Assets

| €k | 31.12.2020 |
|---|---|
| Intangible assets | 2 |
| Property, plant and equipment | 243 |
| Deferred tax assets | 69 |
| Inventories | 907 |
| Trade accounts receivable | 503 |
| Current tax assets | 39 |
| Other receivables and assets | 1,191 |
| Cash and cash equivalents | 747 |
| | **3,701** |

### Equity and liabilities

| €k | 31.12.2020 |
|---|---|
| Equity | 2,969 |
| Non-current personnel-related provisions | 25 |
| Other non-current provisions | 54 |
| Non-current financial liabilities | 123 |
| Current personnel-related provisions | 39 |
| Other current provisions | 56 |
| Current income tax payable | 7 |
| Current financial liabilities | 43 |
| Trade accounts payable | 28 |
| Contract liabilities (current) | 25 |
| Other current liabilities | 332 |
| | **3,701** |

## (12) Intangible assets

Goodwill can be analysed as follows:

| €k | 2020 | 2019 |
|---|---|---|
| SPII S.p.A. | 9,762 | 14,813 |
| Schaltbau North America Inc.[1] | 5,578 | 6,065 |
| **Schaltbau segment** | **15,340** | **20,878** |
| Gebr. Bode GmbH & Co. KG | 381 | 381 |
| Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o.[1] | 10,919 | 11,696 |
| Schaltbau Transportation UK Ltd.[1] | 1,942 | 2,052 |
| **Bode segment** | **13,242** | **14,129** |
| Pintsch GmbH | 696 | 696 |
| Pintsch Tiefenbach US Inc. | 214 | 214 |
| **Pintsch segment** | **910** | **910** |
| | **29,492** | **35,917** |

[1] Subject to currency fluctuations

The recoverable amount of a CGU is determined on the basis of its value in use and is calculated using a discounted cash flow (DCF) method. Computations of the use in value per CGU are based on forecasts approved by the Executive Board for the following three-year period and which are also used for internal company purposes. Potential market developments are taken into account as part of the forecasting process. As a general rule, for the purposes of the calculation it is assumed that growth of one percent for all years after the third year will be achieved. A beta-factor derived for a comparable peer group of entities, a debt capital cost spread and the Group's capital structure are taken into account when measuring the recoverable amount of a CGU.

The following forecast assumptions were applied for impairment tests performed in 2020:

| | Revenue growth | | Cost increases | |
|---|---|---|---|---|
| % | 2021 | 2022/2023 | 2021 | 2022/2023 |
| SPII S.p.A. | 0.4 | -3.9 | 3.3 | -4.5 |
| Schaltbau North America Inc. | -9.8 | 17.6 | -12.3 | 16.3 |
| **Components segment** | | | | |
| Gebr. Bode GmbH & Co. KG | -7.5 | 5.9 | -10.8 | 4.2 |
| Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. | -3.0 | 9.3 | -3.6 | 8.2 |
| Schaltbau Transportation UK Ltd. | -1.0 | 4.4 | -6.4 | 2.1 |
| **Mobile Transportation Technology segment** | | | | |
| Pintsch GmbH | 15.2 | 11.8 | 5.3 | 8.3 |
| Pintsch Tiefenbach US Inc. | -15.8 | 9.6 | -1.5 | 4.8 |
| **Stationary Transportation Technology segment** | | | | |

A large part of budgeted revenue for the fiscal year 2021 are underpinned by orders already received.

The following discount rates were applied:

| | WACC after-tax in % | | WACC pre-tax in % | |
|---|---|---|---|---|
| % | 2020 | 2019 | 2020 | 2019 |
| SPII S.p.A. | 7.5 | 6.5 | 10.4 | 8.4 |
| Schaltbau North America Inc. | 6.2 | 5.0 | 8.1 | 7.0 |
| Pintsch GmbH | 5.6 | 4.5 | 7.0 | 5.8 |
| Pintsch Tiefenbach US Inc. | 6.1 | 4.9 | 7.3 | 6.7 |
| Gebr. Bode GmbH & Co. KG | 5.6 | 4.5 | 7.3 | 6.0 |
| Rawicka Fabryka Wyposazenia Wagonow Sp.z.o.o. | 6.8 | 5.8 | 8.4 | 7.7 |
| Schaltbau Transportation UK Ltd. | 6.3 | 5.2 | 7.3 | 6.6 |

As part of the impairment test and in accordance with the requirements of IAS 36.134, Schaltbau carries out sensitivity analyses regarding revenue and expense trends, the discount rate and the growth rate for significant CGUs. With the exception of SPII S.p.A., no impairment risk for goodwill was identified, even applying variations to key assumptions within appropriate ranges.

In conjunction with regular annual impairment testing – this year performed on the basis of forecasts approved by the Supervisory Board and updated for current information regarding the COVID-19 pandemic – goodwill relating to SPII was found to be impaired. Accordingly, goodwill relating to SPII was written down by kEUR 5,051, reflecting the fact that the recoverable amount was lower than the carrying amount of the cash-generating unit.

The recoverable amount (value in use) was determined on the basis of a fixed planning period of three years and corresponded to a positive amount of kEUR 27,907. The underlying assumptions were determined on the basis of all available information. The updated cash flow forecast for the coming three fiscal years plus perpetual annuity for determining the value in use was based on a beta factor of 0.8%, an after-tax WACC of 7.5% (pre-tax WACC of 10.4%) and a perpetual annuity growth rate of 1%. Further information is provided in the explanation of the accounting treatment of intangible assets in the note on "Accounting principles and policies". The carrying amount after recognition of the impairment loss corresponds to the recoverable amount.

As a result of the impairment loss recognised on goodwill relating to SPII in 2020, the carrying amount of the CGU corresponds to the recoverable amount.

Intangible assets include **capitalised development costs** with a carrying amount of kEUR 9,280 (2019: kEUR 8,942).

## (13) Investment property

The Schaltbau Group leases property to a Spanish company under an operating lease. Lease income arising in connection with the investment property is reported in other operating income and amounted to kEUR 150 in the year under report (2019: kEUR 150). Direct operating expenses relating to the property amounted kEUR 2 (2019: kEUR 2). The lease term ends on 30 July 2022 unless a renewal is agreed. For information on the development of investment property, please refer to note "(15) Consolidated financial statements".

Future lease payments fall due as follows:

| €k | 2021 | 2022 | 2023 | 2024 | > 2024 |
|---|---|---|---|---|---|
| Planned lease payments | 150 | 88 | 0 | 0 | 0 |

The fair value of the investment property (net realisable value) has been determined by a qualified independent expert and amounts to kEUR 4,438.

## (14) Investments accounted for using the equity method

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

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

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| €k | BODO | BOYO | ∑ | BODO | BOYO | ∑ |
| **Carrying amount at 1.1.** | **3,641** | **0** | **3,641** | **3,152** | **0** | **3,152** |
| Purchase of shares / foundation | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit/loss | -321 | 0 | -321 | 821 | 0 | 821 |
| Other comprehensive income (OCI) | -206 | 0 | -206 | 0 | 0 | 0 |
| Dividend | -140 | 0 | -140 | 0 | 0 | 0 |
| Currency adjustment | -820 | 0 | -820 | -332 | 0 | -332 |
| Consolidation / impairment loss | 0 | 0 | 0 | 0 | 0 | 0 |
| **Carrying amount at 31.12.** | **2,154** | **0** | **2,154** | **3,641** | **0** | **3,641** |

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| €k | Shareholding | Carrying amount | thereof goodwill | Shareholding | Carrying amount | thereof goodwill |
| BODO [1] | 50.0 % | 2,154 | 0 | 50.0 % | 3,641 | 0 |
| BOYO [2] | 25.0 % | 0 | 0 | 25.0 % | 0 | 0 |
| | | **2,154** | **0** | | **3,641** | **0** |

[1] BODO: BoDo Bode-Dogrusan A.S.

[2] BOYO Zhejiang Yonggui Bode Transportation Equipment Co. Ltd.

The following table contains the Group's share of BOYO's loss that was not recognised using the equity method.

| €k | 2020 | Accumulated |
|---|---|---|
| Group's share of losses of joint ventures and associated companies not recognised (BOYO) | -222 | -1,575 |

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

## BODO

| Joint venture | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| €k | 100% | Group's share | 100% | Group's share |
| Non-current assets | 2,677 | 1,338 | 3,773 | 1,887 |
| Current assets | 6,189 | 3,095 | 7,650 | 3,825 |
| Non-current liabilities | 439 | 220 | 0 | 0 |
| Current liabilities | 3,161 | 1,580 | 4,258 | 2,129 |
| Revenue | 10,416 | 5,208 | 12,784 | 6,392 |
| Depreciation and amortisation | 166 | 83 | -459 | -230 |
| Interest income | 229 | 114 | 352 | 176 |
| Interest expense | -256 | -128 | -533 | -267 |
| Income tax | -488 | -244 | -516 | -258 |
| Loss for the year | -642 | -321 | 1,642 | 821 |
| Other comprehensive income | -412 | -206 | 0 | 0 |
| Total comprehensive income | -1,054 | -527 | 1,642 | 821 |
| Dividend | -280 | -140 | 0 | 0 |

## BOYO[1]

| Associated company | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| €k | 100% | Group's share | 100% | Group's share[2] |
| Non-current assets | 1,137 | 284 | 2,730 | 683 |
| Current assets | 19,410 | 4,852 | 11,011 | 2,753 |
| Non-current liabilities | 0 | 0 | 0 | 0 |
| Current liabilities | 14,584 | 3,646 | 6,494 | 1,624 |
| Revenue | 13,620 | 3,405 | 3,307 | 1,620 |
| Depreciation and amortisation | -218 | -55 | -171 | -84 |
| Interest income | 0 | 0 | 28 | 14 |
| Interest expense | -112 | -28 | -169 | -83 |
| Income taxes | 0 | 0 | 0 | 0 |
| Loss for the year | -788 | -197 | -2,762 | -1,353 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income | -788 | -197 | -2,762 | -1,353 |
| Dividend | 0 | 0 | 0 | 0 |

[1] The figures disclosed for BOYO comprise the consolidated figures of BOYO and BOSY.

[2] Decrease in shareholding from 49% to 25% in the previous year due to the share capital increase carried out by the partner company.

## (15) Development offixed assets

### Development of fixed assets 2020

| | Acquisition/manufacturing cost | | | | | | |
|---|---|---|---|---|---|---|---|
| €k | 1.1.2020 | Translation differences | Additions | Disposals | Reclassifi-cations | Consolidation | 31.12.2020 |
| **Intangible assets** | | | | | | | |
| Concessions, similar rights and software | 27,812 | -366 | 1,756 | 0 | 304 | 0 | 29,506 |
| Goodwill | 66,454 | -1,501 | 0 | 0 | 0 | 0 | 64,953 |
| Capitalised development costs | 16,008 | -39 | 0 | 0 | 51 | 0 | 16,020 |
| Ongoing development projects | 1,717 | -23 | 1,898 | 0 | -55 | 0 | 3,537 |
| Payments in advance | 358 | 0 | 101 | 0 | -300 | 0 | 159 |
| | **112,349** | **-1,929** | **3,755** | **0** | **0** | **0** | **114,175** |
| **Property, plant and equipment** | | | | | | | |
| Land and buildings | 65,604 | -916 | 1,770 | -328 | 2,581 | 0 | 68,711 |
| Right-of-use assets relating to land and buildings | 11,968 | -191 | 1,421 | -509 | 0 | 106 | 12,795 |
| Plant and machinery | 52,035 | -665 | 3,291 | -520 | 1,061 | 72 | 55,274 |
| Right-of-use assets relating to plant and machinery | 169 | -6 | 297 | -27 | 0 | 0 | 433 |
| Other plant and equipment | 47,889 | -389 | 4,198 | -601 | 1,437 | 108 | 52,642 |
| Right-of-use assets relating to other plant and equipment | 3,067 | -28 | 1,301 | -627 | 0 | 32 | 3,745 |
| Assets under construction | 4,682 | -28 | 5,618 | -29 | -5,078 | 0 | 5,165 |
| | **185,414** | **-2,223** | **17,896** | **-2,641** | **1** | **318** | **198,765** |
| **Investment property** | 4,152 | 0 | 0 | 0 | 0 | 0 | 4,152 |
| | **4,152** | **0** | **0** | **0** | **0** | **0** | **4,152** |
| **At-equity accounted investments** | 8,889 | 0 | 0 | -745 | 0 | 0 | 8,144 |
| | **8,889** | **0** | **0** | **-745** | **0** | **0** | **8,144** |
| **Investments** | | | | | | | |
| Investments in affiliated companies | 14,207 | 0 | 0 | 0 | 0 | -976 | 13,231 |
| Participations | 1,089 | 0 | 0 | 0 | 0 | 0 | 1,089 |
| Non-current marketable securities | 0 | -1 | 0 | -29 | 0 | 30 | 0 |
| Other non-current loans receivable | 1,074 | 0 | 0 | -18 | -500[3] | 0 | 556 |
| | **16,370** | **-1** | **0** | **-47** | **-500** | **-946** | **14,876** |
| | **327,174** | **-4,153** | **21,651** | **-3,433** | **-499** | **-628** | **340,112** |

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

[1] The carrying amounts of land and buildings include kEUR 4,260 relating to the revaluation of land.

[2] Impairment of goodwill relating to SPII

[3] Reclassification from non-current to current assets

| Depreciation, amortisation and impairment losses | | | | | | | Carrying amounts | |
|---|---|---|---|---|---|---|---|---|
| 1.1.2020 | Translation differences | Additions | Disposals | Reclassifications Reversal of impairment losses | Consolidation | 31.12.2020 | 31.12.2020 | 31.12.2019 |
| -23,214 | 341 | -2,148 | 0 | 0 | 0 | -25,021 | 4,485 | 4,598 |
| -30,537 | 127 | -5,051[2] | 0 | 0 | 0 | -35,461 | 29,492 | 35,917 |
| -8,784 | 28 | -1,521 | 0 | 0 | 0 | -10,277 | 5,743 | 7,224 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,537 | 1,717 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 159 | 358 |
| **-62,535** | **496** | **-8,720** | **0** | **0** | **0** | **-70,759** | **43,416** | **49,814** |
| -29,416 | 303 | -1,611 | 234 | 0 | 0 | -30,490 | 42,481[1] | 40,448[1] |
| -1,798 | 66 | -2,073 | 360 | 0 | -47 | -3,492 | 9,303 | 10,170 |
| -31,862 | 382 | -3,508 | 514 | 0 | -23 | -34,497 | 20,777 | 20,173 |
| -59 | 2 | -86 | 19 | 0 | 0 | -124 | 309 | 110 |
| -35,583 | 337 | -3,679 | 573 | 0 | -76 | -38,428 | 14,214 | 12,306 |
| -1,062 | 9 | -1,096 | 599 | 0 | -6 | -1,556 | 2,189 | 2,005 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,165 | 4,682 |
| **-99,780** | **1,099** | **-12,053** | **2,299** | **0** | **-152** | **-108,587** | **94,438** | **89,894** |
| -284 | 0 | -190 | 0 | 0 | 0 | -474 | 3,678 | 3,868 |
| **-284** | **0** | **-190** | **0** | **0** | **0** | **-474** | **3,678** | **3,868** |
| -5,248 | -820 | 0 | 745 | -667 | 0 | -5,990 | 2,154 | 3,641 |
| **-5,248** | **-820** | **0** | **745** | **-667** | **0** | **-5,990** | **2,154** | **3,641** |
| -12,020 | 0 | 0 | 0 | 0 | 0 | -12,020 | 1,211 | 2,187 |
| -789 | 0 | 0 | 0 | 0 | 0 | -789 | 300 | 300 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 556 | 1,074 |
| **-12,809** | **0** | **0** | **0** | **0** | **0** | **-12,809** | **2,067** | **3,561** |
| **-180,656** | **775** | **-20,963** | **3,044** | **-667** | **-152** | **-198,619** | **145,753** | **150,778** |

## Development of fixed assets 2019

| €k | Acquisition/manufacturing cost | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2019 | Translation differences | Adoption of IFRS 16 | Additions | Disposals | IFRS 5 reclass. | Reclassifi-cations | Consolidation | 31.12.2019 |
| **Intangible assets** | | | | | | | | | |
| Concessions, similar rights and software | 26,043 | 146 | 0 | 910 | -75 | -179 | 967 | 0 | 27,812 |
| Goodwill | 75,780 | 446 | 0 | 0 | -1,600 | -8,172 | 0 | 0 | 66,454 |
| Capitalised development costs | 18,116 | 6 | 0 | 0 | -2,204 | -80 | 170 | 0 | 16,008 |
| Ongoing development projects | 635 | 1 | 0 | 1,251 | 0 | 0 | -170 | 0 | 1,717 |
| Payments in advance | 1,002 | 0 | 0 | 323 | 0 | 0 | -967 | 0 | 358 |
| | **121,576** | **599** | **0** | **2,484** | **-3,879** | **-8,431** | **0** | **0** | **112,349** |
| **Property, plant and equipment** | | | | | | | | | |
| Land and buildings | 67,727 | 188 | 0 | 1,970 | -146 | 0 | -4,135 | 0 | 65,604 |
| Right-of-use assets relating to land and buildings | 0 | 21 | 13,017 | 3,848 | -2,635 | -2,283 | 0 | 0 | 11,968 |
| Plant and machinery | 47,590 | 144 | 0 | 5,893 | -1,526 | -1,874 | 1,808 | 0 | 52,035 |
| Right-of-use assets relating to plant and machinery | 0 | 0 | 119 | 49 | 0 | 0 | 1 | 0 | 169 |
| Other plant and equipment | 47,091 | 101 | 0 | 3,967 | -3,352 | -259 | 341 | 0 | 47,889 |
| Right-of-use assets relating to other plant and equipment[2] | 493 | 28 | 1,684 | 903 | -40 | 0 | -1 | 0 | 3,067 |
| Assets under construction | 3,023 | 3 | 0 | 4,015 | -180 | -13 | -2,166 | 0 | 4,682 |
| | **165,924** | **485** | **14,820** | **20,645** | **-7,879** | **-4,429** | **-4,152** | **0** | **185,414** |
| **Investment property** | 0 | 0 | 0 | 0 | 0 | 0 | 4,152 | 0 | 4,152 |
| | **0** | **0** | **0** | **0** | **0** | **0** | **4,152** | **0** | **4,152** |
| **At-equity accounted investments** | 8,889 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,889 |
| | **8,889** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **8,889** |
| **Investments** | | | | | | | | | |
| Investments in affiliated companies | 2,160 | 0 | 0 | 167 | 0 | 0 | 0 | 11,880 | 14,207 |
| Participations | 1,089 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,089 |
| Non-current loans receivable from Group companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current marketable securities | 132 | 0 | 0 | 0 | 0 | -132 | 0 | 0 | 0 |
| Other non-current loans receivable | 0 | 0 | 0 | 74 | 0 | 0 | 1,000[4] | 0 | 1,074 |
| | **3,381** | **0** | **0** | **241** | **0** | **-132** | **1,000** | **11,880** | **16,370** |
| | **299,770** | **1,084** | **14,820** | **23,370** | **-11,758** | **-12,992** | **1,000** | **11,880** | **327,174** |

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

[1] The carrying amounts of land and buildings include kEUR 4,260 relating to the revaluation of land.

[2] The opening balance or brought forward carrying amount includes the amount reported in the previous fiscal year in the line item Leased property, plant and equipment

[3] Of which impairment losses amounting to kEUR 789

[4] Non-current loan receivable from ALTE

| Depreciation, amortisation and impairment losses | | | | | | | | Carrying amounts | |
|---|---|---|---|---|---|---|---|---|---|
| 01.01.2019 | Translation differences | Additions | Disposals | IFRS 5 reclass. | Reclassifications Reversal of impairment losses | Consolidation | 31.12.2019 | 31.12.2019 | 31.12.2018 |
| -20,860 | -122 | -2,454 | 70 | 152 | 0 | 0 | -23,214 | 4,598 | 5,183 |
| -40,194 | -115 | 0 | 1,600 | 8,172 | 0 | 0 | -30,537 | 35,917 | 35,586 |
| -9,421 | -4 | -1,623 | 2,204 | 60 | 0 | 0 | -8,784 | 7,224 | 8,695 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,717 | 635 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 358 | 1,002 |
| **-70,475** | **-241** | **-4,077** | **3,874** | **8,384** | **0** | **0** | **-62,535** | **49,814** | **51,101** |
| -27,783 | -62 | -1,806 | 77 | 0 | 158 | 0 | -29,416 | 40,448[1] | 44,204[1] |
| 0 | -4 | -2,004 | 140 | 70 | 0 | 0 | -1,798 | 10,170 | 0 |
| -31,146 | -96 | -3,049 | 1,473 | 958 | -2 | 0 | -31,862 | 20,173 | 16,444 |
| 0 | -1 | -58 | 0 | 0 | 0 | 0 | -59 | 110 | 0 |
| -35,540 | -81 | -3,380 | 3,225 | 191 | 2 | 0 | -35,583 | 12,306 | 11,551 |
| -130 | -1 | -943 | 12 | 0 | 0 | 0 | -1,062 | 2,005 | 363 |
| -5 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 4,682 | 3,018 |
| **-94,604** | **-245** | **-11,240** | **4,927** | **1,224** | **158** | **0** | **-99,780** | **89,894** | **75,580** |
| 0 | 0 | -126 | 0 | 0 | -158 | 0 | -284 | 3,868 | 0 |
| **0** | **0** | **-126** | **0** | **0** | **-158** | **0** | **-284** | **3,868** | **0** |
| -5,737 | -332 | 0 | 0 | 0 | 821 | 0 | -5,248 | 3,641 | 3,152 |
| **-5,737** | **-332** | **0** | **0** | **0** | **821** | **0** | **-5,248** | **3,641** | **3,152** |
| -140 | 0 | 0 | 0 | 0 | 0 | -11,880 | -12,020 | 2,187 | 2,020 |
| 0 | 0 | -789[3] | 0 | 0 | 0 | 0 | -789 | 300 | 1,089 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| -41 | 0 | 0 | 0 | 41 | 0 | 0 | 0 | 0 | 91 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,074 | 0 |
| **-181** | **0** | **-789** | **0** | **41** | **0** | **-11,880** | **-12,809** | **3,561** | **3,200** |
| **-170,997** | **-818** | **-16,232** | **8,801** | **9,649** | **821** | **-11,880** | **-180,656** | **150,778** | **133,033** |

The carrying amount of the investment in Xi'an SPII Electric Co. Ltd, Xi'an Shaanxi, China, was written down by kEUR 789 to kEUR 300 in the previous fiscal year. The company was not included in the consolidated financial statements using the equity method due to immateriality. From the Schaltbau Group's point of view, the basis for the company's business ceased to exist in 2019, which is why the carrying amount was written down to the equivalent of the Group's share of cash and cash equivalents.

Total research and development expenditure in the fiscal year 2020 amounted to kEUR 36,040 (2019: kEUR 32,683), and the corresponding expense was kEUR 34,142 (2019: kEUR 31,432). A total of kEUR 1,898 (2019: kEUR 1,251) was capitalised.

Borrowing costs amounting to kEUR 17 were capitalised for qualifying assets. In the fiscal year 2020, based on an interest rate of 3.1%.

## (16) Inventories

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Raw materials and supplies | 59,709 | 63,688 |
| Work in progress | 43,171 | 34,023 |
| Finished products, goods for resale | 12,927 | 11,338 |
| Payments in advance | 2,883 | 676 |
| | **118,690** | **109,725** |

Write-downs totalling kEUR 3,464 (2019: kEUR 4.936) were recognised on inventories in the year under report, comprising kEUR 2,032 (2019: kEUR 2,486) for the Pintsch segment, kEUR 6 (2019: kEUR 527) for the BODE segment, kEUR 1,235 (2019: kEUR 1,658) for the Schaltbau segment and kEUR 191 (2019: kEUR 265) for the SBRS segment. Reversals of write-downs on inventories amounted to kEUR 336 (2019: kEUR 868). Write-downs on inventories at the end of the reporting period totalled kEUR 19,249 (2019: kEUR 16,574).

## (17) Trade accounts receivable, other receivables and assets

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Trade accounts receivable | 72,816 | 83,580 |
| Income tax receivables | 162 | 581 |
| – Receivables from affiliated companies | 2,158 | 2,490 |
| – Receivables from associated companies and joint ventures | 223 | 921 |
| – Receivables from participations | 3 | 19 |
| – Other assets | 17,466 | 11,506 |
| Other receivables and assets | 19,850 | 14,936 |
| | **92,828** | **99,097** |

Schaltbau sub-divides its receivables portfolio into two categories based on the underlying business model and cash flows. Trade accounts receivable that are part of an existing factoring agreement and are thus allocated to the "sell" business model are measured at fair value through profit or loss (FVPL). Trade accounts receivable that are primarily held with the aim of collecting the nominal value of the receivable are allocated to the "hold" business model and measured at amortised cost (AC).

A factoring agreement is in place with one customer involving reverse factoring arrangements. A further Schaltbau Group company was added to the programme during the fiscal year 2020. Default and late payment risks are transferred in full to the factor, as a result of which all relevant receivables are derecognised upon sale. In conjunction with the reverse factoring arrangements, receivables amounting to kEUR 3,517 (2019: kEUR 2,571) had been sold out of total receivables existing at 31 December 2020.

A factoring agreement has been in place since 1 August 2019, on the basis of which various companies of the Schaltbau Group sell trade accounts receivable directly to a structured entity on a revolving basis. This structured entity holds the receivables and allocates the opportunities and risks attached to the receivables to Schaltbau and to a bank, underpinned by contractual agreements. These arrangements are financed by a credit line provided by a bank. The structured entity is not included in Schaltbau's consolidated financial statements due to the fact that Schaltbau cannot exercise control over the relevant activities. The receivables to be sold from the various portfolios are determined in an automated process in compliance with the purchase criteria specified in the Factoring Agreement. Receivables are sold and settled on a weekly basis. No repurchase agreements are in place. Schaltbau retains control over the receivables, including bearing any late-payment risk and a small proportion of the default risk (first loss guarantee). A further Schaltbau Group company was added to the programme during the fiscal year 2020.

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| End of the contract term | 31 July 2024 | 31 July 2024 |
| Contractual maximum volume | 29,000 | 29,000 |
| Volume of receivables sold as at the reporting date | 27,914 | 26,237 |
| Liabilities to factor arising from payment proceeds relating to sold receivables | 7,270 | 8,324 |
| **Continuing involvement** | | |
| Carrying amount of continuing involvement asset | 609 | 470 |
| Carrying amount of the associated liability | 1,048 | 851 |
| Fair value of the associated liability | 439 | **381** |

Information relating to impairment losses and allowances is provided in note "(29) Risk management and hedging measures".

## (18) Cash and cash equivalents

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cheques and cash on hand | 9 | 20 |
| Cash at bank | 39,370 | 25,164 |
| | **39,379** | **25,184** |

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

## (19) 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**.

## (20) Subscribed capital

The Company's subscribed capital (share capital) is sub-divided into 8,852,190 (2019: 8,852,190) non-par registered ordinary shares and is fully paid up At 31 December 2020, each share had an arithmetic par value of EUR 1.22.

| Number of shares | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Ordinary shares issued | 8,852,190 | 8,852,190 |
| Treasury shares | 7,645 | 7,645 |

In accordance with section 5 (3) of the Articles of Association, Schaltbau Holding AG has a "Conditional Capital II" in place for an amount of up to EUR 3,752,601.66.

## (21) Capital / revenue / other reserves

Capital reserves included share premiums totalling kEUR 73,292 (2019: kEUR 73,292) which had arisen in conjunction with share capital increases at the level of Schaltbau Holding AG in previous years. Furthermore, it was necessary in previous years to make a transfer to capital reserves in conjunction with the overestimation of losses (kEUR 1,251) in connection with the capital reduction in 2003 pursuant to section 232 AktG (German Stock Corporation Act). Capital reserves also include the equity portion of participation rights amounting to kEUR 258 (net of deferred tax of kEUR 172), the equity component of the convertible bond issued in 2007 and terminated in 2011 amounting to kEUR 595 and – in conjunction with bonus agreements – the difference (kEUR 67) between the proceeds from share sales and their purchase price. In conjunction with the acquisition of shares in Albatros S.L.U. in 2015 in return for treasury shares, an amount of kEUR 254 was transferred to capital reserves, 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. In conjunction with the preparation of the annual financial statements of Schaltbau Holding AG as at 31 December 2018, the Executive Board decided to transfer an amount of kEUR 64,183 from capital reserves in order to cover the accumulated deficit that had arisen in accordance with German commercial law (HGB). Following this transfer, capital reserves totalled kEUR 11,534. There were no items in the fiscal year 2020 giving rise to a change in capital reserves.

**Revenue reserves** comprise retained earnings brought forward and the net profit for the year as well as the equity impact of converting the consolidated financial statements from a HGB to an IFRS basis. In the fiscal year under report, revenue reserves were reduced by kEUR 435 (net of deferred taxes) as a result of the change in actuarial assumptions used to measure pension provisions (recognised through OCI).

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

The nominal amount of the treasury shares corresponds to approximately 0.086% (2019: 0.086%) of share capital. Treasury shares developed as follows:

| Number of shares | |
|---|---|
| Balance at beginning of year | 7,645 |
| Balance at end of year | 7,645 |

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

Other changes in revenue reserves include primarily the increase in the value of a put option by kEUR 1,453 to kEUR 6,094 (recognised without income statement impact) relating to the acquisition of the remaining shares in SPII S.p.A.

The currency translation reserve contains the accumulated amount of currency translation differences and comprises the following:

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| At-equity accounted entities | -3,873 | -3,052 |
| Fully consolidated entities | -4,761 | 744 |
| **Currency translation reserve** | **-8,634** | **-2,308** |

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

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

## (22) Minority interests

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

### Disclosures relating to non-controlling interests

Attributable to non-controlling interests:

| | XIAN | | BORA | | SPII | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Shareholding in % | 50.0 | 50.0 | 10.7 | 10.7 | 35.0 | 35.0 |
| Voting rights in % | 50.0[1] | 50.0[1] | 10.7 | 10.7 | 35.0 | 35.0 |
| Group profit / loss | 2,448 | 3,045 | 355 | 283 | -1,011 | -65 |
| Equity | 15,457 | 16,625 | 5,849 | 5,792 | 5,909 | 6,921 |
| Assets[2] | 19,321 | 21,770 | 5,710 | 6,117 | 14,027 | 13,346 |
| Liabilities[2] | 4,533 | 5,813 | 1,310 | 1,771 | 8,038 | 6,356 |
| Revenue[2] | 13,583 | 17,360 | 6,635 | 6,548 | 9,591 | 7,443 |
| Net profit / loss for the year[2] | 2,449 | 3,045 | 355 | 283 | -1,011 | -65 |
| Dividend | 3,261 | 3,238 | 0 | 0 | 0 | 0 |
| Other comprehensive income for the year[2] | 357 | -50 | 298 | -45 | 0 | 0 |
| Total comprehensive income[2] | 2,806 | 2,996 | 653 | 238 | -1,011 | -65 |
| **Cash flows** | | | | | | |
| from operating activities | 3,986 | 1,126 | 1,140 | 267 | 966 | 293 |
| from investing activities | -181 | -347 | -353 | -190 | -46 | -91 |
| from financing activities | -4,210 | -3,159 | -711 | -63 | 1,096 | -354 |

[1] Board majority

[2] Before elimination of intragroup transactions

## (23) Pension provisions

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

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

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

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Claims under reinsurance policies relating to pension commitments | 69 | 71 |

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

| €k | 2020 | 2019 |
|---|---|---|
| Employer contributions to state pension insurance plans | **10,849** | **10,388** |

Pension provisions developed as follows:

| €k | 2020 | 2019 |
|---|---|---|
| **Balance at 1.1** | **39,015** | **36,792** |
| Service cost | 817 | 633 |
| Interest expense | 442 | 675 |
| Benefit payments | -1,792 | -1,810 |
| Remeasurements | 638 | 2,712 |
| Foreign currency translation | -18 | 13 |
| **Carrying amount of provision at 31.12.** | **39,102** | **39,015** |

The amounts shown in the line item "Remeasurements" relate to changes in financial assumptions (positive amount of kEUR 633) and demographic assumptions (positive amount of kEUR 5). Currency factors are negligible, reflecting the fact that the principal commitments relate to Germany.

The pension provision at the end of the reporting period comprises kEUR 12,070 (2019: kEUR 12,175) relating to current employees, kEUR 3,770 (2019: kEUR 4,047) relating to former employees with vested entitlements as well as kEUR 23,262 (2019: kEUR 22,793) relating to pensioners and surviving dependants.

The main actuarial assumptions applied were as follows:

| % | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Interest rate | 1.0 | 1.2 |
| Salary trend | 2.5 | 2.4 |
| Pension trend | 1.7 | 1.7 |
| Fluctuation rate | 0.8 | 1.0 |

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

If the other assumptions used in the calculation were kept constant, the extent to which the defined benefit obligation would have been affected by changes in one of the relevant actuarial assumptions that were reasonably possible at the end of the reporting period and at 31 December 2019 would have been as follows:

| 2020 | Change % | Increase €k | Decrease €k |
|---|---|---|---|
| Interest rate | 0.50 | -2,718 | 3,083 |
| Salary trend | 0.25 | 370 | -345 |
| Pension trend | 0.25 | 1,141 | -1,091 |
| Fluctuation rate | 0.23 | -150 | 157 |

| 2019 | Change % | Increase €k | Decrease €k |
|---|---|---|---|
| Interest rate | 0.49 | -2,681 | 3,045 |
| Salary trend | 0.25 | 398 | -366 |
| Pension trend | 0.24 | 1,160 | -1,109 |
| Fluctuation rate | 0.41 | -130 | 139 |

As of 31 December, the weighted average period of defined benefit plan pension obligations is 14.6 years (2019: 12.4 years).

Pension expense comprised the following:

| €k | 2020 | 2019 |
|---|---|---|
| Current service cost | 817 | 633 |
| Past service cost/income | 0 | 0 |
| Gains / losses arising from settlements | 0 | 0 |
| Total service cost (personnel expense) | 817 | 633 |
| Interest expense | 442 | 675 |
| **Pension expense recognised in the consolidated income statement** | **1,259** | **1,308** |
| – Effect of changes in demographic assumptions | 5 | -17 |
| – Effect of changes in financial assumptions | 1,018 | 3,776 |
| – Effect of experience adjustments | -385 | -1,036 |
| **Remeasurements recognised in the consolidated statement of comprehensive income** | **638** | **2,723** |
| **Total pension expense** | **1,897** | **4,031** |

Future cash flows:

Expected benefit payments in coming years are shown in the following table:

| €k | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Benefit payments | 1,866 | 1,853 | 1,833 | 1,850 | 1,810 |

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

| €k | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Benefit payments | 1,783 | 1,779 | 1,777 | 1,764 | 1,770 |

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

The biometric tables issued by Prof. Klaus Heubeck ("2018G") (2019; 2018G) were used as the basis for mortality probabilities.

## (24) Provisions

Provisions developed as follows:

| €k | 01.01.2020 | Utilised | Reversed | Allocated | Interest impact | Currency / other[1] | 31.12.2020 |
|---|---|---|---|---|---|---|---|
| **Non-current provisions** | | | | | | | |
| Pensions | 39,015 | -1,792 | 0 | 817 | 442 | 620 | 39,102 |
| Other personnel-related provisions | 5,493 | -381 | -10 | 5 | 115 | -1 | 5,221 |
| **Personnel-related provisions** | **44,508** | **-2,173** | **-10** | **822** | **557** | **619** | **44,323** |
| Warranties | 124 | -7 | 0 | 287 | 0 | 54 | 458 |
| Onerous contracts | 2,084 | 0 | -965 | 0 | 0 | -1,119 | 0 |
| Sundry other provisions | 41 | 0 | 0 | 1 | 0 | -1 | 41 |
| **Other provisions** | **2,249** | **-7** | **-965** | **288** | **0** | **-1,066** | **499** |
| | **46,757** | **-2,180** | **-975** | **1,110** | **557** | **-447** | **44,822** |
| **Current provisions** | | | | | | | |
| **Personnel-related provisions** | **13,593** | **-9,230** | **-1,110** | **11,053** | **0** | **-82** | **14,224** |
| Warranties | 7,781 | -3,236 | -1,881 | 3,579 | 0 | -2 | 6,241 |
| Onerous contracts | 564 | -970 | -341 | 959 | 0 | 747 | 959 |
| Outstanding supplier invoices | 11,964 | -7,700 | -1,740 | 10,380 | 0 | -93 | 12,811 |
| Sundry other provisions | 8,999 | -2,700 | -1,925 | 1,801 | 0 | -42 | 6,133 |
| **Other provisions** | **29,308** | **-14,606** | **-5,887** | **16,719** | **0** | **610** | **26,144** |
| | **42,901** | **-23,836** | **-6,997** | **27,772** | **0** | **528** | 40,368 |
| **Total** | **89,658** | **-26,016** | **-7,972** | **28,882** | **557** | **81** | **85,190** |

[1] Includes exchange rate differences, reclassifications between current and non-current and effects from changes in the group reporting entity.

**Pension provisions** are explained in detail in note "(23) Pension provisions".

Other **personnel-related provisions** reported as current items 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 policies are in place to secure obligations for pre-retirement part-time working arrangements. Additions to non-current personnel-related provisions in 2020 relate in particular to pre-retirement part-time working arrangements. Claims against insurance companies amounted to kEUR 2,260 (2019: kEUR 1,188) and are offset against non-current personnel-related provisions. Current personnel-related provisions include additions for severance payments amounting to kEUR 2,803 and additions for bonuses amounting to kEUR 3,818.

It is expected that current other provisions as well as current personnel-related provisions will be utilised in the course of the next 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.

**Provisions for onerous contracts** are measured on the basis of unavoidable costs necessary to settle contractual obligations. The unavoidable costs for one contract reflect the minimum net cost of exiting the contract; this represents the lower of expected settlement costs and any compensation or penalties that would result from non-performance. Overhead expenses associated with the onerous contract concerned were included in the calculation of unavoidable costs.

**Sundry other provisions** mainly include provisions for pending calls on guarantees.

There were no reimbursement claims.

## (25) Liabilities

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Non-current liabilities** | | |
| – Liabilities to banks | 99,258 | 83,065 |
| – Lease liabilities | 9,340 | 9,650 |
| **Financial liabilities** | **108,598** | **92,715** |
| Contract liabilities (non-current) | 11,727 | 161 |
| Other liabilities | 6,465 | 4,660 |
| | **126,790** | **97,536** |
| **Current liabilities** | | |
| Current income tax payable | 3,306 | 3,052 |
| – Liabilities to banks | 7,840 | 11,991 |
| – Lease liabilities | 2,747 | 2,726 |
| **Financial liabilities** | **10,587** | **14,717** |
| Trade accounts payable | 41,869 | 50,388 |
| Contract liabilities (current) | 22,219 | 20,100 |
| – Liabilities to affiliated companies | 907 | 1,310 |
| – Liabilities to other Group entities | 252 | 244 |
| – Sundry other liabilities | 28,164 | 24,572 |
| Other liabilities | 29,323 | 26,126 |
| | **107,304** | **114,383** |
| **Total liabilities** | **234,094** | **211,919** |

Collateral of kEUR 116,005 (2019: kEUR 116,118) has been given to cover **liabilities to banks**; of this amount, kEUR 89,600 (2019: kEUR 89,600) relates to shares in subsidiaries and pledge-like collateral and kEUR 26,405 (2019: kEUR 26,518) to mortgages.

Credit lines from banks total kEUR 227,538 (2019: kEUR 170,399), of which kEUR 89,724 (2019: kEUR 68,838) is freely available as at 31 December 2020. The weighted average interest rate as at 31 December 2020 for liabilities to banks during the past year was 2.94% (2019: 3.35%).

A new Syndicated Credit Agreement for EUR 103 million, with a three-year initial term plus two one-year extension options, was signed on 17 June 2019. In a supplementary agreement dated 12 August 2019, the credit line was increased to EUR 109 million. In a second supplementary agreement dated 9 March 2020, a former promissory note creditor became party to the Syndicated Credit Agreement with an amount of EUR 3 million, thereby increasing the credit line to EUR 112 million. Against the backdrop of the COVID-19 pandemic, the syndicated credit line was increased by EUR 60 million to EUR 172 million, with Kreditanstalt für Wiederaufbau (KfW) joining as a further syndicate partner in accordance with a third supplementary agreement dated 19 June 2020. In this context, the covenants were suspended for the fiscal year 2020 and revised with effect from the fiscal year 2021. At that stage, non-compliance with key performance indicators can trigger an extraordinary right of termination for the creditors. In particular, the agreement specifies a defined equity ratio as well as an EBITDA (earnings before interest, taxes, depreciation and amortisation), with which Schaltbau is required to comply. The credit line can be utilised as an overdraft and guarantee facility. As at 31 December 2020, a total amount of EUR 108.3 million was being utilised, comprising an overdraft of EUR 80.0 million and guarantees of EUR 28.3 million. The relevant amounts are reported within non-current financial liabilities. The shares of all of Schaltbau Holding AG's direct subsidiaries have been pledged as collateral.

Financial liabilities also include promissory notes. After one of the promissory note creditors became party to the Syndicated Credit Agreement, promissory note liabilities decreased to a nominal amount of EUR 10.5 million as at 30 June 2020, comprising tranches of EUR 5.5 million (due 30 June 2022) and EUR 5.0 million (due 30 June 2025) respectively. The relevant amounts are reported within non-current financial liabilities. The promissory note creditors have extraordinary rights of termination, linked to the extraordinary termination of other financial liabilities, in particular the Syndicated Credit Agreement. The liabilities are measured amortised cost using the effective interest method.

**Current income tax liabilities** were recognised primarily for the income tax expense expected in Germany. As a result of the "minimum taxation" rule introduced in Germany from 2004 onwards, tax loss carryforwards are offset against taxable income without limitation up to an amount of EUR 1 million: beyond that, only 60% of the tax loss carryforwards are offset against current taxable income.

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

### (26) Contract assets and liabilities

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Contract assets (current)** | | |
| Receivables resulting from revenue recognised over time | 5,982 | 3,007 |
| | **5,982** | **3,007** |
| **Contract liabilities (non-current)** | | |
| Advance payments received | 11,577 | 0 |
| Extended warranty liabilities | 150 | 161 |
| | **11,727** | **161** |
| **Contract liabilities (current)** | | |
| Advance payments received | 22,219 | 20,100 |
| | **22,219** | **20,100** |

Further information is provided in notes "(1) Revenue" and "(29) Risk management policy and hedging activities".

## Explanatory notes to the consolidated cash flow statement

### (27) Cash flow statement

#### Cash flows from operating activities (indirect method)

In the fiscal year 2020, cash flows from operating activities amounted to EUR 32.2 million, a decrease of EUR 30.7 million compared to one year earlier. Cash flows from operating activities reflected mainly the operating profit (EBIT) of EUR 21.7 million, the year-on-year reduction net working capital (trade accounts receivable plus inventories less the sum of trade accounts payable and advance payments received), a EUR 5.5 million decrease in provisions as well as taxes paid amounting to EUR 4.1 million.

#### Cash flows from investing activities

Cash outflows for investing activities amounted to EUR 18.5 million in 2020, compared to EUR 20.6 million one year earlier.

At EUR 18.6 million, payments for investment in intangible assets and property, plant and equipment were at a similar level to the previous year. Cash outflows for investments in property, plant and equipment related primarily to payments in advance (EUR 5.6 million), plant and machinery (EUR 3.3 million) and other operating and office equipment (EUR 4.2 million), particularly in the Bode and Schaltbau segments.

#### Cash flows from financing activities

Net cash outflow from financing activities in 2020 amounted to EUR 0.3 million and included in particular repayments, new borrowings and the change in current account liabilities during the fiscal year under report.

#### Composition of cash funds

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cash and cash equivalents (continuing operations) | 39,379 | 25,184 |
| | **39,379** | **25,184** |

In addition to the cash flows explained above, cash funds increased by EUR 0.1 million (2019: decreased by EUR 0.2 million) due to exchange rate fluctuations and increased by EUR 0.7 million due to changes in the group reporting entity. The latter includes the derecognition of cash funds amounting to kEUR 19 on the deconsolidation of PIBR on the one hand and the addition of cash funds amounting to kEUR 719 on the first-time consolidation of SBIN on the other.

#### Reconciliation to net liabilities

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Cash and cash equivalents | 39,379 | 25,184 |
| **Financial liabilities** | | |
| Liabilities to banks | 107,098 | 95,056 |
| Lease liabilities | 12,087 | 12,376 |
| **Net liabilities** | **79,806** | **82,248** |

In contrast to the table below, interest payments are shown in the cash flow statement on the separate line item "Interest paid" and not under the item "Change in other financial liabilities". In addition, the line item "Change in other financial liabilities" in the cash flow statement also includes financing cash flows relating to non-consolidated subsidiaries. Contrary to this presentation, the financing of non-consolidated subsidiaries is shown in the balance sheet in the line item "Other receivables and assets" and is therefore not part of the change in net liabilities.

## Liabilities from financing activities [1]

| €k | Liabilities to banks | Lease liabilities | Other financial liabilities | Liabilities held for sale | Sub-total | Cash funds | Cash and cash equivalents pursuant to IFRS 5 | Total |
|---|---|---|---|---|---|---|---|---|
| **Net liabilities at 1.1.2020** | **95,056** | **12,376** | **0** | **0** | **107,432** | **25,184** | **0** | **82,248** |
| With cash flow impact | 10,753 | -3,451 | 0 | 0 | 7,302 | 13,969 | 0 | -6,667 |
| Without cash flow impact | | | | | | | | |
| Change in group reporting entity | 0 | 0 | 0 | 0 | 0 | 700 | 0 | -700 |
| Leases: acquisitions | 0 | 3,019 | 0 | 0 | 3,019 | 0 | 0 | 3,019 |
| Leases: terminations | 0 | -183 | 0 | 0 | -183 | 0 | 0 | -183 |
| Currency translation | -166 | -146 | 0 | 0 | -312 | -474 | 0 | 162 |
| IFRS 5 reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes | 1,455 | 472 | 0 | 0 | 1,927 | 0 | 0 | 1,927 |
| **Net liabilities at 31.12.2020** | **107,098** | **12,087** | **0** | **0** | **119,185** | **39,379** | **0** | **79,806** |

| €k | Liabilities to banks | Lease liabilities | Other financial liabilities | Liabilities held for sale | Sub-total | Cash funds | Cash and cash equivalents pursuant to IFRS 5 | Total |
|---|---|---|---|---|---|---|---|---|
| **Net liabilities at 31.12.2018** | **120,190** | **328** | **994** | **7,929** | **129,441** | **21,114** | **710** | **107,617** |
| Adoption of IFRS | 0 | 14,820 | 0 | 0 | 14,820 | 0 | 0 | 14,820 |
| **Net liabilities at 1.1.2019** | **120,190** | **15,148** | **994** | **7,929** | **144,261** | **21,114** | **710** | **122,437** |
| With cash flow impact | -25,643 | -3,379 | -1,000 | -1,419 | -31,441 | 3,698 | 825 | -35,964 |
| Without cash flow impact | | | | | | | | |
| Change in group reporting entity | 0 | 0 | 0 | -8,979 | -8,979 | 0 | -1,540 | -7,439 |
| Leases: acquisitions | 0 | 4,800 | 0 | 85 | 4,885 | 0 | 0 | 4,885 |
| Leases: terminations | 0 | -2,523 | 0 | 0 | -2,523 | 0 | 0 | -2,523 |
| Currency translation | 67 | 20 | 6 | 5 | 98 | 372 | 5 | -279 |
| IFRS 5 reclassification | 0 | -2,190 | 0 | 2,190 | 0 | 0 | 0 | 0 |
| Other changes | 442 | 500 | 0 | 189 | 1,131 | 0 | 0 | 1,131 |
| **Net liabilities at 31.12.2019** | **95,056** | **12,376** | **0** | **0** | **107,432** | **25,184** | **0** | **82,248** |

[1] In the cash flow statement, no distinction is made between liabilities from continuing operations and liabilities associated with assets held for sale as defined in IFRS 5.

# Other explanatory notes to the consolidated financial statements

## (28) Supplementary disclosures relating to financial instruments

### Carrying amounts and fair values

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

| 31.12.2020<br>€k | Category IFRS 9 | Carrying amount | Fair value | Level pursuant to IFRS 13 |
|---|---|---|---|---|
| **Assets-side financial instruments** | | | | |
| Other investments | | 2,067 | | |
| – of which not measured on basis of IFRS 9 | n/a | 1,511 | n/a | n/a |
| – of which other investments | AC | 556 | 543 | 3 |
| Trade accounts receivable | | 72,816 | | |
| – of which trade accounts receivable | AC | 71,942 | n/a[1] | n/a |
| – of which trade accounts receivable | FVPL | 265 | 265 | 2 |
| – of which continuing involvement assets | n/a | 609 | n/a | n/a |
| Other receivables and assets | | 19,850 | | |
| – of which not measured on basis of IFRS 9 | n/a | 5,235 | n/a | n/a |
| – of which other receivables and assets | AC | 14,050 | n/a[1] | n/a |
| – of which stand-alone derivatives | FVPL | 565 | 565 | 2 |
| Cash and cash equivalents | AC | 39,379 | n/a[1] | n/a |
| **Total assets** | | **127,366** | | |
| **Liabilities-side financial instruments** | | | | |
| Non-current financial liabilities | | 108,598 | | |
| – of which lease liabilities (non-current)[2] | n/a | 9,340 | n/a | n/a |
| – of which non-current financial liabilities | FLAC | 99,258 | 99.191 | 3 |
| Other non-current liabilities | | 6,465 | | |
| – of which not measured on basis of IFRS 9 (put call option SPII) | n/a | 6,465 | n/a | n/a |
| Current financial liabilities | n/a | 10,587 | n/a | n/a |
| – of which lease liabilities (current)[2] | n/a | 2,747 | n/a | n/a |
| – of which current financial liabilities | FLAC | 7,840 | n/a[1] | n/a |
| Trade accounts payable | FLAC | 41,869 | n/a[1] | n/a |
| Other liabilities | | 29,323 | | |
| – of which not measured on basis of IFRS 9 | n/a | 6,779 | n/a | n/a |
| – of which other liabilities | FLAC | 22,266 | n/a[1] | n/a |
| – of which stand-alone derivatives | FVPL | 279 | 279 | 2 |
| **Total liabilities** | | **177,977** | | |

[1] Fair values not disclosed separately, given that the carrying amount represents an appropriate approximation.

[2] Lease liabilities do not fall under the scope of IFRS 9. In accordance with IFRS 7.29d, the fair value is not therefore required to be disclosed.

## 31.12.2019

| €k | Category IFRS 9 | Carrying amount | Fair value | Level pursuant to IFRS 13 |
|---|---|---|---|---|
| **Assets-side financial instruments** | | | | |
| Other investments | | 3,561 | | |
| – of which not measured on basis of IFRS 9 | n/a | 2,488 | n/a | n/a |
| – of which other investments | AC | 1,074 | 1,022 | 3 |
| Trade accounts receivable | | 83,580 | | |
| – of which trade accounts receivable | AC | 75,898 | n/a[1] | n/a |
| – of which trade accounts receivable | FVPL | 7,213 | 7,213 | 2 |
| – of which continuing involvement assets | n/a | 470 | n/a | n/a |
| Other receivables and assets | | 14,936 | | |
| – of which not measured on basis of IFRS 9 | n/a | 2,209 | n/a | n/a |
| – of which other receivables and assets | AC | 12,675 | n/a[1] | n/a |
| – of which stand-alone derivatives | FVPL | 52 | 52 | 2 |
| Cash and cash equivalents | AC | 25,184 | n/a[1] | n/a |
| **Total assets** | | **122,565** | | |
| **Liabilities-side financial instruments** | | | | |
| Non-current financial liabilities | | 92,715 | | |
| – of which lease liabilities (non-current)[2] | n/a | 9,650 | n/a | n/a |
| – of which non-current financial liabilities | FLAC | 83,065 | 83,751 | 3 |
| Other non-current liabilities | | 4,660 | | |
| – of which not measured on basis of IFRS 9 (put call option SPII) | n/a | 4,660 | n/a | n/a |
| Current financial liabilities | n/a | 14,717 | n/a | n/a |
| – of which lease liabilities (current)[2] | n/a | 2,726 | n/a | n/a |
| – of which current financial liabilities | FLAC | 11,991 | n/a[1] | n/a |
| Trade accounts payable | FLAC | 50,388 | n/a[1] | n/a |
| Other liabilities | | 26,126 | | |
| – of which not measured on basis of IFRS 9 | n/a | 3,092 | n/a | n/a |
| – of which other liabilities | FLAC | 22,952 | n/a[1] | n/a |
| – of which stand-alone derivatives | FVPL | 83 | 83 | 2 |
| **Total liabilities** | | **173,140** | | |

[1] Fair values not disclosed separately, given that the carrying amount represents an appropriate approximation.

[2] Lease liabilities do not fall under the scope of IFRS 9. In accordance with IFRS 7.29d, the fair value is not therefore required to be disclosed.

## Total carrying amounts per measurement category

| €k | | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| AC | Amortised cost | 125,927 | 114,831 |
| Assets-side FVPL | Fair value through profit and loss | 830 | 7,264 |
| Liabilities-side FVPL | Fair value through profit and loss | 279 | 83 |
| FLAC | Financial liabilities at amortised cost | 171,233 | 168,396 |

### Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Level 1: Based on prices quoted (applied without adjustment) on active markets for identical assets and liabilities
Level 2: Based on input data for the asset or liability observable either directly (in the form of prices) or indirectly (derived from prices) which do not represent quoted prices according to Level 1
Level 3: Input data not based on observable market data to measure the asset or liability (non-observable input data)

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

The fair value of non-current non-derivative financial instruments is determined by discounting future contractual cash flows, taking into account a risk-adjusted market interest rate with matching maturities. Given that creditworthiness (as a non-observable input factor) has a significant influence when determining a fair value, a measurement of this basis is allocated to Level 3.

The fair values of derivative financial instruments are determined by the banks with which the relevant contracts are in place. The banks value the derivatives on the basis of market data valid for the relevant reporting date using recognised mathematical valuation methods (net present value method for forward currency contracts and interest rate swaps).

#### Net gains and losses by measurement category

| €k | 2020 | 2019 |
|---|---|---|
| FVPL | 311 | 3 |
| AC | -805 | 208 |
| FLAC | -401 | -118 |

Net gains on financial assets and liabilities measured at fair value resulted mainly from changes in market values. Net losses relating to assets measured at amortised cost resulted mainly from currency factors and changes in impairment allowances. Net losses relating to financial liabilities measured at amortised cost related mainly to the interest rate impact arising when using the effective interest method.

No derivatives were designated as hedging instruments in 2020 or 2019.

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

| €k | 2020 | 2019 |
|---|---|---|
| Interest income arising on financial assets measured at amortised cost | 291 | 320 |
| Interest expense arising on financial liabilities measured at amortised cost | -5,945 | -5,810 |
| **Total** | **-5,654** | **-5,490** |

### Netting of financial assets and liabilities

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

## (29) 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/Treasury Department and have been incorporated into relevant processes and procedures. The regulations are reviewed and updated at regular intervals. The guidelines are approved by the Executive Board. In the course of its operating activities, the Schaltbau Group is exposed to market price risks (foreign currency and interest rate risks), credit default risks and liquidity risks.

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

### Currency risks

Within the framework of risk management, the Schaltbau Group hedges against the currency risk on future cash flows arising on forecast revenue and purchases of materials in foreign currencies. Risks are hedged using forward currency contracts with a term of up to 15 months. The Group's financial guidelines stipulate that currency derivatives may only be used to mitigate risk and never for speculative purposes. Exposure to the various major currency pairings (EUR/USD, EUR/GBP, EUR/CNH, EUR/PLN) is quantified at regular intervals and, where necessary, reduced using appropriate hedging instruments. Compared to the previous year, foreign currency exposure was monitored even more closely in light of the COVID-19 pandemic.

At 31 December 2020, forward currency contracts were in place with banks for a total (nominal) amount of kUSD 11,604, kPLN 19,604, kCNH 22,500 and kGBP 1,857. At the end of previous fiscal year, forward currency contracts were in place for kUSD 1,140 and kGBP 2,415. At 31 December 2020, forward currency contracts had a maximum remaining term of 15 months. Hedge accounting was not applied to forward currency contracts in either the fiscal year 2020 or 2019.

Of the Group's trade accounts receivable, 45.1% (2019: 54.6%) are denominated in EUR, 23.9% (2019: 22.9%) in CNY, 16.2% (2019: 7.2%) in USD and 12.0% (2019: 12.1%) in PLN.

Currency sensitivity relating to foreign currency trade accounts receivables and derivatives is shown in the tables below. If the euro as the functional currency had appreciated or depreciated by 10% against the other currencies, the following impact on profit after tax would have resulted in relation to the currency relations stated below, without, however, any impact on equity:

### Commodity price risks

Price risks also arise for the Schaltbau Group in connection with the procurement of raw materials for the manufacture of its products. Schaltbau uses copper, silver and gold in the production of some its products. The risk of price changes depends, among other things, on the following factors:
– Inflation
– Interest rates
– Stock markets
– Geopolitical factors
– The US dollar exchange rate
– Oil prices

The Schaltbau Group uses derivatives to hedge price risks relating to precious and other metals. These are used to hedge the purchase prices of intermediate products that correlate to a large extent with the corresponding metal or precious metals. At the end of the reporting period, commodity derivatives were in place for copper, gold and silver. In addition to commodity swaps, the Group also uses commodity options. Commodity price risks are quantified at regular intervals and, where necessary, mitigated by deployment of appropriate hedging instruments. There were no significant changes in approach compared to the previous year.

At 31 December 2020, hedges were in place for purchases of silver, gold and copper with a commodity value of kEUR 994, kEUR 795 and kEUR 42 respectively. No commodity derivatives had been held at 31 December 2019.

The following table shows the change in value of the commodity derivatives in the event of a 10% change in the price of silver, gold or copper as at 31 December 2020.

| Sensitivity<br>k€ | 2020<br>+10% | <br>-10% |
|---|---|---|
| Forward commodity transaction (gold) | +44 | -29 |
| Forward commodity transaction (silver) | +23 | -8 |
| Forward commodity transaction (copper) | 0 | 0 |

| Currency sensitivity<br>€k | 2020<br>Euro appreciation<br>+10% | <br>Euro devaluation<br>-10% | 2019<br>Euro appreciation<br>+10% | <br>Euro devaluation<br>-10% |
|---|---|---|---|---|
| USD / EUR | -98 | 123 | -60 | 60 |
| CNY / EUR | 252 | -308 | 4 | -4 |
| PLN / EUR | -380 | 465 | 0 | 0 |
| GBP / EUR | 179 | -217 | -2 | 2 |

No commodity swap contracts were in place with banks for gold, silver and copper as at 31 December.

### Interest rate risks

In addition, the Schaltbau Group is exposed to interest rate risks from variable-interest financial assets and liabilities. Interest rate risk management is aimed at reducing the Schaltbau Group's interest expense and limiting its exposure interest rate risk. Interest rate hedges (interest rate swaps and interest rate floors) are entered into with banks in order to convert interest rates on financial liabilities from variable to fixed. Interest rate risks are quantified at regular intervals and, where necessary, mitigated by deployment of appropriate hedging instruments. There were no significant changes in approach compared to the previous year.

At 31 December 2020, interest rate swaps with a nominal value of kEUR 30,000 (2019: KEUR 30,000) were in place in order to hedge the interest rate risk relating to the Syndicated Credit Agreement. In 2020, the interest rate swaps each contain an interest rate floor of 0.00% on the receiver side. Hedge accounting was not applied either in the fiscal year 2020 or 2019.

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 income statement for the year ended 31 December 2020. The interest rates shown are weighted interest rates. Due to the fact that hedge accounting is not applied, there was no change in equity.

| €k | | | + 100 basis points | | | - 100 basis points | | |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31.12.2020** | **Fair value** | **Interest rate** | **Δ Fair value** | **Income statement** | **Δ Equity** | **Δ Fair value** | **Income statement** | **Δ Equity** |
| Interest rate swap | -155 | 0.17 | 655 | 655 | 0 | 81 | -81 | 0 |
| Bank interest | | | | -623 | | | +171 | |
| Sundry other interest | | | | 0 | | | 0 | |
| Total CF sensitivity | | | | 32 | | | 90 | |
| **Balance at 31.12.2019** | | | | | | | | |
| Interest rate swap | -25 | 0.17 | 1,272 | 1,272 | 0 | 66 | -66 | 0 |
| Bank interest | | | | -468 | | | 468 | |
| Sundry other interest | | | | -11 | | | 11 | |
| Total CF sensitivity | | | | 793 | | | 413 | |

### Default risk

Default risk arises for bank balances, trade accounts receivable, other financial assets and derivative financial instruments with positive fair values. Credit risk is managed as part of receivables management. Creditworthiness information is obtained from credit insurance agencies for all major new customers and the appropriate payment terms and conditions stipulated. The payment behaviour of existing customers is continuously monitored. In the event of any deterioration, payment terms are amended and the payment behaviour of the customer concerned is carefully monitored. In order to limit losses or avoid bad debts, supply restrictions (such as delivery stop and delivery against upfront payment) are put in place. A small volume of rolling receivables balances are insured against loss. Advance payments from customers reduce the risk of bad debts, particularly in the area of project work. Money and capital market investments and derivative hedging instruments are entered into only with counterparties of first-class credit standing. Of the trade accounts receivable total reported at the end of the reporting period 50.7% (2019: 46.8%) relate to the five largest debtors.

Impairment allowances comprised the following:

| €k | 1.1.2020 | Group reporting entity | Utilised | Reversed | Allocated | Currency / other | 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Trade accounts receivable [1] | -4,173 | -170 | 213 | 892 | -927 | 70 | -4,095 |
| Other receivables [2] | -938 | 0 | 752 | 1 | -225 | 1 | -409 |
| **Total** | **-5,111** | **-170** | **965** | **893** | **-1,152** | **71** | **-4,504** |

[1] Impairment allowance based on expected credit losses over the term of the loan

[2] Impairment allowance based on expected 12-month credit losses

The default rates for trade accounts receivable changed only slightly in the fiscal year 2020. The maximum credit risk corresponds to the carrying amount of accounts receivable. Receivables totalling kEUR 21,854 (2019: kEUR 16,011) were insured against default.

In the case of "Other receivables", the credit risk is generally, given that most of these receivables relate to non-consolidated companies. Sufficient information is available on non-consolidated subsidiaries and their solvency. The utilisation of the impairment allowance on other receivables in the fiscal year 2020 related mainly to the impairment allowances recognised in previous years on receivables of affiliated companies from Albatros S.L.U, Madrid, Spain.

Based on the principle of materiality, risk allowances on other financial assets, cash funds and contract assets were not required to be recognised at the end of the reporting period,. Gross carrying amounts in these cases correspond to balance sheet values and are assigned to risk class 1. Bank accounts are held with reputable financial institutions.

The following table shows the gross carrying amounts of trade accounts receivables by default risk rating class at 31 December 2020:

| | | Overdue at 31.12.2020 | | | | |
|---|---|---|---|---|---|---|
| €k | No impairment allowance recognised | up to 30 days | 31 to 60 days | 61 to 90 days | Credit-impaired receivables | Total |
| Receivables excluding continuing involvement asset (gross) | 55,995 | 5,972 | 4,834 | 2,028 | 7,473 | 76,302 |
| Continuing involvement asset [1] | – | – | – | – | – | 609 |
| Impairment allowance | – | – | – | – | – | -4,095 |
| Trade accounts receivable (net) | – | – | – | – | – | **72,816** |

[1] The continuing involvement asset is shown in the table for reconciliation purposes.

Impairment allowances at the end of the previous fiscal year comprised the following:

| €k | 1.1.2019 | Group reporting entity | Utilised | Reversed | Allocated | Reclassification [1] | Currency / other | 31.12.2019 |
|---|---|---|---|---|---|---|---|---|
| Trade accounts receivable [2] | -5,936 | 0 | 278 | 447 | 25 | 1,021 | -8 | -4,173 |
| Other receivables [3] | 0 | -656 | 0 | 0 | -281 | 0 | -1 | -938 |
| **Total** | **-5,936** | **-656** | **278** | **447** | **-256** | **1,021** | **-9** | **-5,111** |

[1] Reclassified to assets held for sale in accordance with IFRS 5.

[2] Impairment allowance based on expected credit losses over the term of the loan.

[3] Impairment allowance based on expected 12-month credit losses.

The following table shows the gross carrying amounts of trade accounts receivables by default risk rating class at 31 December 2020:

| | | Overdue at 31.12.2019 | | | | |
|---|---|---|---|---|---|---|
| €k | No impairment allowance recognised | up to 30 days | 31 to 60 days | 61 to 90 days | Credit-impaired receivables | Total |
| Receivables excluding continuing involvement asset (gross) | 51,412 | 17,239 | 4,124 | 3,194 | 11,314 | 87,283 |
| Continuing involvement asset[1] | – | – | – | – | – | 470 |
| Impairment allowance | – | – | – | – | – | -4,173 |
| Trade accounts receivable (net) | – | – | – | – | – | **83,580** |

[1] The continuing involvement asset is shown in the table for reconciliation purposes.

Based on the principle of materiality, risk allowances on other financial assets, cash funds and contract assets were not required to be recognised at the end of the previous fiscal year. Gross carrying amounts in these cases correspond to balance sheet values and are assigned to risk class 1. Bank accounts are held with reputable financial institutions.

### Liquidity risks

Risks arising from fluctuations in cash flows are identified at an early stage by means of rolling 12-month liquidity forecast. The existing binding credit lines agreed with the Group's syndicate banks, the supply of sufficient liquidity is secured. The 13-week liquidity forecast in place in 2019 was replaced by a rolling 12-month liquidity forecasting system in 2020.

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

The expected undiscounted cash outflows from derivative financial liabilities are spread in 2020 over the coming years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

| €k | Carrying amount | Total cash outflows | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Finance liabilities (excluding lease liabilities) | 107,098 | 112,036 | 11,215 | 100,771 | 50 |
| Lease liabilities | 12,087 | 14,036 | 3,157 | 8,230 | 2,649 |
| Trade accounts payable | 41,869 | 41,869 | 41,869 | 0 | 0 |
| Other liabilities (excluding derivatives) | 22,637 | 22,637 | 22,266 | 370 | 1 |
| | **183,691** | **190,578** | **78,507** | **109,371** | **2,700** |

The expected undiscounted cash outflows and inflows relating to derivative financial liabilities are spread in 2020 over the coming years as shown below.

| €k | Carrying amount | Total cash outflows | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Derivatives – cash outflows (-) | 279 | -6,130 | -5,929 | -201 | 0 |
| Derivatives – cash inflows (+) | | 5,803 | 5,803 | 0 | 0 |
| | **279** | **-327** | **-126** | **-201** | **0** |

Potential future cash flows relating to lease renewal and termination options that fall within the scope of IFRS 16 amount to kEUR 1 at the end of the reporting period (2019: kEUR 1).

The expected undiscounted cash outflows from derivative financial liabilities are spread in 2019 over the coming years as shown below. The carrying amounts of the relevant items are shown as a basis for comparison.

| €k | Carrying amount | Total cash outflows | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Finance liabilities (excluding lease liabilities) | 95,057 | 96,101 | 12,155 | 82,330 | 1,616 |
| Lease liabilities | 12,376 | 14,157 | 3,152 | 7,758 | 3,247 |
| Trade accounts payable | 50,388 | 50,388 | 50,388 | 0 | 0 |
| Other liabilities (excluding derivatives) | 22,966 | 22,966 | 22,946 | 20 | 0 |
| | **180,787** | **183,612** | **88,641** | **90,108** | **4,863** |

The expected undiscounted cash outflows and inflows relating to derivative financial liabilities are spread in 2019 over the coming years as shown below.

| €k | Carrying amount | Total cash outflows | up to 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|---|
| Derivatives – cash outflows (-) | 83 | -1,209 | -988 | -221 | 0 |
| Derivatives – cash inflows (+) | | 921 | 921 | 0 | 0 |
| | **83** | **-288** | **-67** | **-221** | **0** |

## (30) Contingent liabilities and other financial commitments

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Other financial commitments** | | |
| Other commitments | 6,117 | 4,753 |

**Other financial commitments** have been calculated on the basis of the earliest possible cancellation dates. Minimum lease payments are spread over the following future years as follows: up to one year kEUR 4,095 (2019: kEUR 3,856), between one and five years kEUR 2,013 (2019: kEUR 897) and later than five years kEUR 8 (2019: kEUR 1).

At 31 December 2020, Group guarantees amounted to kEUR 30,692 (2019: kEUR 38,934) and bank and insurance guarantees to kEUR 37,476 (2019: kEUR 21,312). A provision for onerous contracts amounting to kEUR 3,523 (2019: kEUR 5,296) has been recognised for possible calls on guarantees issued. For the guarantees for which no provision has been recognised, the probability of being called on is estimated to be between 0% and less than 10%.

## (31) Segments

In the fiscal year 2020, segment reporting was revised in line with the Group's strategic direction and internal management processes. The segments "Components", "Mobile Transportation Technology" and "Stationary Transportation Technology" were renamed "Schaltbau", "Bode" and "Pintsch" in line with the Group brands. In addition, with effect from the beginning of the fiscal year 2020, "SBRS" is now treated as a separate segment for segment reporting purposes. Previously, SBRS operations were part of the Mobile Transportation Technology segment. Prior year segment reporting figures have been made comparable.

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 brief description of the Schaltbau, Bode, Pintsch and SBRS segments is provided in note (1) REVENUE. Segments were not aggregated, either in the previous fiscal year or in the period under report.

Schaltbau Holding AG has defined order intake as an operational early indicator and revenue and profit before interest and taxes (EBIT) as key financial performance indicators for the Group and its segments. With effect from the fiscal year 2020, EBIT without adjustment for exceptional items is used for these purposes. This is in line with the change in internal management and reflect the fact that – as a result of the completion of the reorganisation in 2019 and the associated restructuring measures – the Group is now managed again on the basis of reported EBIT.

As a general rule, sales of materials between Group companies are billed on the basis of arm's length principles. Costs are recharged as appropriate to Group companies.

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

## Geographical presentation

| | Assets | | Capital expenditure | | External revenue | |
|---|---|---|---|---|---|---|
| €k | 31.12.2020 | 31.12.2019 | 2020 | 2019 | 2020 | 2019 |
| Germany | 234,340 | 220,615 | 16,083 | 16,501 | 182,409 | 189,985 |
| Other EU countries | 112,530 | 115,718 | 4,914 | 6,035 | 177,269 | 182,369 |
| Other European countries | 0 | 0 | 0 | 0 | 59,142 | 48,987 |
| Asia | 42,344 | 43,539 | 608 | 661 | 50,086 | 59,909 |
| North America | 22,622 | 21,302 | 46 | 173 | 32,376 | 31,704 |
| Other countries | 0 | 0 | 0 | 0 | 1,061 | 754 |
| | **411,836** | **401,174** | **21,651** | **23,370** | **502,343** | **513,708** |

## Reconciliations

### Revenue

| €k | 2020 | 2019 |
|---|---|---|
| Total revenue of segments | 505,942 | 516,859 |
| Other revenue | 3,407 | 3,227 |
| Consolidation | -7,006 | -6,377 |
| **Revenue as per income statement** | **502,343** | **513,708** |

### EBIT

| €k | 2020 | 2019 |
|---|---|---|
| Total EBIT of segments | 30,533 | 33,917 |
| Other EBIT | -8,591 | -16,814 |
| Consolidation | -219 | 81 |
| **EBIT as per income statement** | **21,722** | **17,184** |

### Assets

| €k | 2020 | 2019 |
|---|---|---|
| Total segment assets | 444,359 | 420,989 |
| Other assets | 191,598 | 161,189 |
| Consolidation | -224,121 | -181,005 |
| **Group assets as per balance sheet** | **411,836** | **401,174** |

### Liabilities

| €k | 2020 | 2019 |
|---|---|---|
| Total segment liabilities | 307,474 | 280,026 |
| Other liabilities | 156,542 | 123,696 |
| Consolidation | -142,914 | -99,955 |
| **Group liabilities as per balance sheet** | **321,102** | **303,767** |

"Other revenue" comprises almost entirely revenue recorded at the level of Schaltbau Holding AG for IT services provided to subsidiaries. This revenue, together with inter-segment revenue, is eliminated on consolidation.

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

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

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

## Product-based segment information

| €k | SCHALTBAU 2020 | SCHALTBAU 2019 | BODE 2020 | BODE 2019 | PINTSCH 2020 | PINTSCH 2019 |
|---|---|---|---|---|---|---|
| Order-intake (external) | 139,338 | 159,920 | 250,859 | 287,643 | 112,092 | 75,644 |
| Revenue | 140,949 | 155,456 | 258,707 | 271,778 | 75,791 | 72,545 |
| – of which external | 139,465 | 154,377 | 257,303 | 270,117 | 75,791 | 72,544 |
| – of which with other segments | 1,485 | 1,079 | 1,404 | 1,660 | 0 | 1 |
| Order-book (external) | 95,571 | 97,293 | 297,304 | 311,043 | 89,740 | 55,714 |
| | | | | | | |
| EBITDA[1] | 31,268 | 30,629 | 10,375 | 11,984 | 5,873 | 4,161 |
| Profit/loss before financial result and taxes (EBIT)[2] | 19,694 | 24,181 | 4,245 | 6,023 | 3,908 | 2,369 |
| Result from at-equity accounted investments | 0 | 0 | -321 | 821 | 0 | 0 |
| Other results from investments | 0 | -789 | 0 | 0 | 0 | 230 |
| Interest income | 186 | 37 | 108 | 243 | 211 | 114 |
| Interest expense | -1,985 | -2,068 | -3,041 | -4,148 | -639 | -624 |
| Income taxes | -3,162 | -3,186 | -445 | -1,371 | -530 | 838 |
| Segment result / Group result | 3,111 | 4,555 | 546 | 1,568 | 2,950 | 2,928 |
| | | | | | | |
| Capital expenditure on investments | 0 | 241 | 0 | 0 | 0 | 0 |
| Impairment losses on investments | 0 | -789 | 0 | 0 | 0 | 0 |
| Capital expenditure[3] | 8,596 | 12,884 | 9,875 | 8,051 | 2,081 | 1,796 |
| Depreciation, amortisation and impairment losses[3] | -11,548 | -6,422 | -6,130 | -5,960 | -1,964 | -1,792 |
| Expense for impairment allowances (excluding investments) | -1,650 | -1,562 | -409 | -879 | -2,124 | -2,327 |
| Reversals of impairment losses (excluding investments) | 575 | 1,005 | 376 | 214 | 266 | 96 |
| Sundry other significant non-cash items | -6,470 | -9,772 | -7,816 | -10,335 | -2,659 | -5,282 |
| | | | | | | |
| Segment assets[4] | 164,866 | 164,415 | 162,907 | 165,249 | 92,259 | 77,900 |
| At-equity accounted investments | 0 | 0 | 2,154 | 3,641 | 0 | 0 |
| Capital employed[5] | 117,176 | 122,834 | 126,473 | 128,218 | 21,895 | 25,824 |
| Segment liabilities[6] | 110,327 | 106,252 | 114,876 | 113,641 | 61,431 | 48,518 |
| | | | | | | |
| Employees (average number) | 851 | 845 | 1,392 | 1,474 | 340 | 322 |
| | | | | | | |
| EBIT margin in %[7] | 14.0 | 15.6 | 1.6 | 2.2 | 5.2 | 3.3 |

[1] Earnings before financial result, taxes, depreciation and amortisation

[2] Earnings before financial result and taxes

[3] in intangible assets and property, plant and equipment

[4] Balance sheet total

[5] Working Capital (inventories + trade accounts receivable – advance payments received – trade accounts payable) plus non-current assets excluding deferred tax assets and investment property

[6] Debt capital

[7] EBIT / external revenue

| | SBRS | | Sub-total | | Holding company, other consolidations | | Schaltbau Group | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | 35,965 | 22,461 | 538,254 | 545,668 | 20 | 51 | 538,274 | 545,719 |
| | 30,494 | 17,080 | 505,942 | 516,859 | -3,598 | -3,150 | 502,343 | 513,708 |
| | 29,764 | 16,608 | 502,323 | 513,647 | 20 | 62 | 502,343 | 513,708 |
| | 730 | 472 | 3,618 | 3,212 | -3,618 | -3,212 | 0 | 0 |
| | 30,917 | 24,825 | 513,533 | 488,875 | 0 | 0 | 513,533 | 488,875 |
| | | | | | | | | |
| | 2,857 | 1,459 | 50,373 | 48,233 | -7,663 | -15,578 | 42,710 | 32,655 |
| | 2,685 | 1,343 | 30,533 | 33,917 | -8,810 | -16,733 | 21,722 | 17,184 |
| | 0 | 0 | -321 | 821 | 0 | 0 | -321 | 821 |
| | 0 | 0 | 0 | -559 | 0 | 0 | 0 | -559 |
| | 0 | 0 | 505 | 394 | -212 | -51 | 293 | 344 |
| | -261 | -147 | -5,927 | -6,986 | -1,250 | -341 | -7,177 | -7,327 |
| | -763 | -400 | -4,900 | -4,119 | -3,954 | 1,014 | -8,854 | -3,105 |
| | 1,661 | 797 | 8,268 | 9,849 | -2,605 | -2,491 | 5,663 | 7,358 |
| | | | | | | | | |
| | 0 | 0 | 0 | 241 | 0 | 0 | 0 | 241 |
| | 0 | 0 | 0 | -789 | 0 | 0 | 0 | -789 |
| | 340 | 164 | 20,892 | 22,895 | 761 | 233 | 21,653 | 23,128 |
| | -172 | -116 | -19,814 | -14,290 | -1,148 | -1,154 | -20,962 | -15,444 |
| | -207 | -327 | -4,391 | -5,095 | 0 | -97 | -4,391 | -5,192 |
| | 13 | 0 | 1,230 | 1,315 | 0 | 0 | 1,230 | 1,315 |
| | -3,514 | -811 | -20,459 | -26,199 | -5,849 | -5,572 | -26,308 | -31,772 |
| | | | | | | | | |
| | 24,327 | 13,424 | 444,359 | 420,989 | -32,523 | -19,815 | 411,836 | 401,174 |
| | 0 | 0 | 2,154 | 3,641 | 0 | 0 | 2,154 | 3,641 |
| | 14,123 | 2,543 | 279,667 | 279,419 | -10,173 | -9,691 | 269,494 | 269,727 |
| | 20,840 | 11,615 | 307,474 | 280,026 | 13,628 | 23,741 | 321,102 | 303,767 |
| | | | | | | | | |
| | 73 | 55 | 2,656 | 2,696 | 29 | 27 | 2,685 | 2,723 |
| | | | | | | | | |
| | 8.8 | 7.9 | | | | | 4.3 | 3.3 |

## (32) Related party transactions

Transactions between fully consolidated companies on the one hand and joint ventures, associated companies and non-consolidated companies on the other, all conducted on the basis of arm's length principles, are disclosed below from the perspective of the fully consolidated companies:

| | Volume of services performed | | Volume of services received | |
|---|---|---|---|---|
| €k | 2020 | 2019 | 2020 | 2019 |
| **Joint ventures** | | | | |
| Goods and services | 3 | 83 | 0 | -1,090 |
| Other transactions | 0 | 0 | 0 | -6 |
| **Associated companies** | | | | |
| Goods and services | 171 | 0 | -3 | 0 |
| Other transactions | 0 | 0 | -19 | 0 |
| **Non-consolidated companies** | | | | |
| Goods and services | 5,611 | 7,343 | -11 | -109 |
| Other transactions | 59 | 84 | -39 | -33 |

The following receivables and payables – mostly from trading and at a level customary for the business – existed at the end of the reporting period from the perspective of the Group's fully consolidated entities.

| | Receivables and other assets | | Payables | |
|---|---|---|---|---|
| €k | 2020 | 2019 | 2020 | 2019 |
| Joint ventures | 0 | 46 | 252 | 244 |
| Associated companies | 225 | 875 | 2 | 0 |
| Non-consolidated companies | 2,159 | 2,509 | 909 | 1,310 |

Schaltbau Holding AG has been leasing a previously acquired building to Albatros S.L.U, Madrid, Spain, with effect from the second half of 2018. From the fiscal year 2020 onwards, this entity is no longer a related party within the meaning of IAS 24.9.

A consulting agreement has been in place between Noerr Consulting AG, Berlin, and Schaltbau since 2 August 2017. In conjunction with the departure of Dr Martin Kleinschmitt from the Executive Board with effect from 31 March 2019, a supplementary agreement was concluded on 21 February 2019. Remuneration recognised as an expense for the period after completion of Executive Board activities amounted in the previous fiscal year to kEUR 355. From the fiscal year 2020 onwards, Noerr Consulting AG, Berlin, is no longer a related party within the meaning of IAS 24.9.

Disclosures relating to key management personnel are provided in the note "(34) Supervisory Board and Executive Board".

## (33) Capital management disclosures

Schaltbau focuses in capital management terms principally on improving group equity and complying with an appropriate (i.e. from a rating perspective) debt coefficient (net liabilities to banks / EBITDA). The Company's Articles of Incorporation do not stipulate any capital requirements. Group equity fell by kEUR 6,672 to kEUR 90,735, reflecting the fact that the positive contribution of the Group net profit was more than offset by the negative net impact of unrealised or realised losses and gains from currency translation. With the balance sheet total up slightly by 2.7%, the Group equity ratio deteriorated from 24.3% to 22.0%. Compared to the end of the previous fiscal year, the debt coefficient (net bank liabilities to banks / EBITDA) decreased, reflecting minimally lower net liabilities to banks and a higher EBITDA and now stands at 1.6 (2019: 2.1). For further disclosures, reference is made to comments in the "Group net assets and financial position" section of the Group Management Report.

## (34) Supervisory Board and Executive Board

The external mandates of former members of the Executive Board and Supervisory Board are only disclosed for the period in which they worked for Schaltbau.

### Members of the Executive Board

| | | |
|---|---|---|
| **Dr Albrecht Köhler**<br>Chairman of the Board, CEO<br>(until 31 December 2020) | No external mandates | |
| **Dr Jürgen Brandes**<br>Board member responsible for "Schaltbau", "Bode" and "SBRS"<br>(since 1 April 2020) | **Member of the Advisory Board**<br>Smart battery solutions GmbH, Kleinostheim<br>(since 1 January 2020) | |
| **Prof. Thorsten Grenz**<br>Chief Financial Officer, CFO<br>(since 1 September 2020)<br>Business consultant | **Managing Director**<br>KIMBIRIA Gesellschaft für Beteiligung und Beratung mbH (since 18 October 2013)<br><br>**Member of the Advisory Board**<br>Gpredictive GmbH (until December 2020) | **Supervisory Board**<br>Drägerwerk AG & Co. KGaA<br>(since 9 May 2008)<br>Drägerwerk Verwaltungs AG<br>(since 9 May 2008)<br>Dräger Safety AG & Co KGaA<br>(since 9 May 2008)<br>Dräger Safety Verwaltungs AG, Lübeck<br>(since 9 May 2008)<br>CREDION AG<br>(since 28 February 2019) |
| **Volker Kregelin**<br>Board member responsible for "Pintsch"<br>(since 1 December 2018) | No external mandates | |
| **Thomas Dippold**<br>Chief Financial Officer,<br>(until 1 September 2020) | No external mandates | |

## Members of the Supervisory Board

| | | |
|---|---|---|
| **Dr Hans Fechner**<br>Chairman<br>(since 7 June 2018)<br>Business consultant | **Member of the Advisory Board**<br>Auma Riester GmbH & Co KG<br>(since 2017)<br>Granulat GmbH<br>(since June 2018) | **Member of the Regional Advisory Board**<br>Deutsche Bank, Düsseldorf<br>(since 2004)<br><br>**Member of the Administrative Board**<br>RWTÜV e.V., Essen<br>(until 2020) |
| **Prof. Thorsten Grenz**<br>Deputy Chairman<br>(until 1 September 2020)<br>Business consultant | **Managing Director**<br>KIMBIRIA Gesellschaft für Beteiligung und Beratung mbH<br>(since 18 October 2013)<br><br>**Member of the Advisory Board**<br>Gpredictive GmbH<br>(until December 2020) | **Supervisory Board**<br>Drägerwerk AG & Co. KGaA<br>(since 9 May 2008)<br>Drägerwerk Verwaltungs AG<br>(since 9 May 2008)<br>Dräger Safety AG & Co KGaA<br>(since 9 May 2008)<br>Dräger Safety Verwaltungs AG, Lübeck<br>(since 9 May 2008)<br>CREDION AG<br>(since 28 February 2019) |
| **Jeannine Pilloud**<br>Member<br>(since 7 June 2018) | **Management Board**<br>Ascom Holding AG, Switzerland<br>(since 1 August 2019) | **Member of the Administrative Board**<br>Salt Mobile AG, Switzerland<br>(since June 2018)<br>Innovation Process Technology AG<br>(until January 2020)<br>Fehr Advice & Partners AG<br>(since March 2019) |
| **Andreas Knitter**<br>Member (since 8 June 2017)<br>Business consultant | **Member of the Supervisory Board**<br>Beacon Rail Lux Holdings S.à r.l<br>(until September 2020)<br>Dellner Couplers AB, Sweden<br>(since April 2019)<br>Schréder<br>(since May 2020) | **Member of the Advisory Board**<br>Keolis Deutschland GmbH & Co. KG<br>(since 2017)<br>The Signalling Company, Brussels<br>(since October 2018)<br>OpenCapacity Ltd, London<br>(since October 2020)<br>Gokind AB<br>(since September 2020) |
| **Dr Günter Pferdmenges**<br>Member (since 7 October 2020)<br>WP, StB | **Management Board**<br>Treuhand- und Revisions-Aktiengesellschaft, Niederrhein, Krefeld<br>(since 2009) | **Managing Director**<br>W.H.S. Vermögensverwaltungs GmbH, Hamburg<br>(since 2019)<br><br>**Member of the Advisory Board**<br>AUMA Riester GmbH & Co. KG<br>(since 2003) |
| **Achim Stey**<br>Member (since 26 June 2018)<br>Employee representative | **Member**<br>Works Council of Gebr. Bode GmbH & Co. KG, Kassel<br>(since 30 January 2014)<br>Member of the Group Works Council of Schaltbau Holding AG, Munich<br>(since 18 May 2014) | |
| **Herbert Treutinger**<br>Vice Chairman<br>(since 1 September 2020)<br>Employee representative | **Chairman**<br>Group Works Council of Schaltbau Holding AG, Munich<br>(since 8 June 2017) | **Member**<br>Works Council of Schaltbau GmbH |

### Remuneration of persons in key positions

In connection with the requirement to disclose terms and conditions (IAS 24.18), information is provided in Compensation Report in the Group Management Report.

#### Remuneration of members of the Executive Board

The following table shows the total remuneration of the current members of the Executive Board:

| €k | 2020 | 2019 |
|---|---|---|
| Non-performance-related remuneration | 1,424 | 1,255 |
| Performance-related remuneration | 1,503 | 1,391 |
| **Total remuneration** | **2,927** | **2,646** |

Total remuneration includes benefits-in-kind based on the value of company car usage pursuant to the tax authority's guidelines. These benefits-in-kind are taxed at the level of each individual Executive Board member. The contracts of the members of the Executive Board do not contain any commitments in the event of the termination of Executive Board activities which, in their legal form, deviate significantly from commitments made to employees. An amount of kEUR 1,768 (2019: kEUR 1,421) was recognised as a provision at the end of the reporting period. The total amount of remuneration includes a long-term component of kEUR 236.

On 15 December 2020, the Company entered into an agreement with Dr Köhler for the period from 1 January 2021 to 30 June 2021, relating to business trips in Germany and abroad, which it has not been possible to schedule due to the COVID-19 pandemic.

The Company entered into an agreement with Mr Munz for the period from 8 January 2021 to 28 February 2021, relating to administrative services.

The following table shows the total remuneration of the former members of the Executive Board and their surviving dependants:

| €k | 2020 | 2019 |
|---|---|---|
| Non-performance-related remuneration | 72 | 82 |
| **Total remuneration** | **72** | **82** |

#### Remuneration of Supervisory Board members

The following table shows the total compensation of members of the Supervisory Board:

| €k | 2020 | 2019 |
|---|---|---|
| Basic remuneration for previous year | 225 | 225 |
| Remuneration for work on committees | 166 | 174 |
| Remuneration for additional work (based on time spent) | 57 | 57 |
| **Total remuneration** | **448** | **456** |

Total remuneration in the fiscal year relates exclusively to short-term employee benefits (IAS 24.17). During the fiscal year 2020, the Supervisory Board called in external consultants to provide supervisory board services. In total, an expense of kEUR 1,208 was incurred for these services, including an amount of kEUR 208 paid to Treuhand- und Revisions-Aktiengesellschaft Niederrhein Wirtschaftsprüfungsgesellschaft (Treuhand Niederrhein), Krefeld.

The Company has taken out D&O insurance for the members of the Executive Board and Supervisory Board. In view of the amount paid as remuneration to the Supervisory Board, the insurance arrangements do not provide for a deductible. A deductible has been contractually agreed upon for the members of the Executive Board with effect from 2010.

#### Shares – Executive Board and Supervisory Board members

The following table shows the shares in Schaltbau Holding AG held by members of the Executive Board and the Supervisory Board:

**Shares**

| Number | 01.01.2020 | Additions | Sales | 31.12.2020 |
|---|---|---|---|---|
| Dr Albrecht Köhler | 1,888 | 760 | 0 | 2,648 |
| Dr Jürgen Brandes | 0 | 1,625 | 0 | 1,625 |
| **Executive Board** | **1,888** | **2,385** | **0** | **4,273** |

The current members of the Supervisory Board do not hold any shares in the Company. No stock options are in place and no holding agreements or sales restrictions have been agreed.

### Notifications of securities transactions

The members of the Executive Board and the Supervisory Board of Schaltbau Holding AG as well as related parties are required, in accordance with the relevant legislation, to notify the Company of any trading with Schaltbau securities During the year under report Schaltbau Holding AG received the following notifications, which are shown in the table below.

**Notifications of securities transactions 2020**

| Person in key position subject to the notification obligation | Function | Date of transaction | Type of transaction | Aggregate price | Aggregate volume | Location |
|---|---|---|---|---|---|---|
| Dr Albrecht Köhler | Chairman of the Executive Board | 16 March | Purchase of 760 shares | EUR 26.30 | EUR 19,988.00 | Xetra |
| Dr Jürgen Brandes | Executive Board | 17 April | Purchase of 360 shares | EUR 24.62 | EUR 8,864.58 | Xetra |
| Dr Jürgen Brandes | Executive Board | 17 April | Purchase of 360 shares | EUR 24.98 | EUR 8,991.60 | Xetra |
| Dr Jürgen Brandes | Executive Board | 17 April | Purchase of 180 shares | EUR 24.57 | EUR 4,423.28 | Xetra |
| Dr Jürgen Brandes | Executive Board | 17 April | Purchase of 180 shares | EUR 24.58 | EUR 4,424.00 | Xetra |
| Dr Jürgen Brandes | Executive Board | 23 April | Purchase of 219 shares | EUR 24.47 | EUR 5,359.90 | Xetra |
| Dr Jürgen Brandes | Executive Board | 23 April | Purchase of 141 shares | EUR 24.60 | EUR 3,468.60 | Xetra |
| Dr Jürgen Brandes | Executive Board | 15 May | Purchase of 185 shares | EUR 24.60 | EUR 4,551.00 | Xetra |

The shares were purchased privately and do not constitute remuneration for the members of the Executive Board on the part of Schaltbau Holding AG.

## (35) Corporate governance

The Declaration of Compliance with the German Corporate Governance Code (GCGC) required by Section 161 of the German Stock Corporation Act (AktG) was issued most recently on 10 December 2020 and has been made available to shareholders on the Company's website at http://schaltbau.com/de/investor-relations/corporate-governance/declaration-of-compliance/.

## (36) Events after the end of the reporting period

Dr Jürgen Brandes took over as Chairman of the Executive Board of Schaltbau Holding AG from Dr Albrecht Köhler as planned at the beginning of 2021.

No other significant events have occurred after the end of the reporting period that have a significant impact on the Group's net assets, financial and results of operations.

## (37) Fee expense for external auditors

The fee expense for the external auditor, PricewaterhouseCoopers GmbH (hereafter PwC GmbH) in the year under report comprises the following:

| €k | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Audit of separate financial statements and consolidated financial statements | 546 | 559 |
| Tax advisory services | 144 | 183 |
| Other attestation services | 0 | 0 |
| Other services | 0 | 0 |
| **Total** | **690** | **742** |

The tax advisory services include in particular audit and advisory work relating to valued added tax matters and group transfer pricing. In the previous fiscal year, tax advisory services related in particular to project support in conjunction with the introduction of the "Tax Compliance Management System".

## (38) Disclosures relating to notifications of changes in voting rights

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

**Voting right notifications**

In accordance with Section 26 (1) WpHG, the following mandatory notifications have been made by the Company pursuant to Section 160 (1) No. 8 AktG:

- BayernInvest Kapitalverwaltungsgesellschaft mbH, Munich, notified the Company that the 3% threshold had been exceeded on 1 October 2020. Accordingly, the share of voting rights held at that date amounted to 4.33% (382,986 voting rights).
- Hans-Jakob Zimmermann notified the Company that the share of voting rights held fell below the 25% threshold on 16 October 2020. Accordingly, the share of voting rights held at that date by the shareholders Luxempart Pipe SARL and Elrena GmbH (acting in Concert) totalled 21.69% (1,920,315 voting rights).
- Johannes Zimmermann notified the Company that the share of voting rights held fell below the 25% threshold on 16 October 2020. Accordingly, the share of voting rights held at that date by the shareholders Luxempart Pipe SARL, Elrena GmbH and Hans-Jakob Zimmermann (acting in concert) totalled 21.69% (1,920,315 voting rights).
- Elrena GmbH, Basel (CH) notified the Company that the share of voting rights held fell below the 25% threshold on 16 October 2020. Accordingly, the share of voting rights held at that date by the shareholders Luxempart Pipe SARL and Hans-Jakob Zimmermann (acting in concert) totalled 21.69% (1,920,315 voting rights).
- Luxunion S.A., Leudelange (LU) notified the Company that the share of voting rights held fell below the 25% threshold on 16 October 2020. Accordingly, the share of voting rights held at that date by the shareholders Luxempart Pipe SARL, Hans-Jakob Zimmermann and Elrena GmbH (acting in concert) amounted to 21.69% (1,920,315 voting rights).
- Stichting Administratiekantoor Monolith, Amsterdam (NL), notified the Company that the share of voting rights held fell below the 25%, 20%, 10% and 5% thresholds on 16 October 2020. Accordingly, the share of voting rights held at that date amounted of 3.66% (324,257 voting rights).
- With reference to the notification pursuant to section 27a (1) WpHG (old version) dated 6 November 2017 and the voting rights notifications pursuant to sections 33, 34 WpHG of
  1. Luxunion S.A., Foyer Finance S.A., Luxempart S.A. and Luxempart Pipe SARL, Leudelange, Luxembourg, (together 'Luxempart');
  2. Hans-Jakob Zimmermann, Essen, and Dr Johannes Zimmermann, Düsseldorf;
  3. Elrena GmbH, Basel, Switzerland; and
  4. Stichting Administratiekantoor Monolith and Monolith Duitsland B.V., Amsterdam, The Netherlands, (together 'Monolith')
  
  the parties listed under nos. 1-3 notified the Company on 26 October 2020, in accordance with section 43 (1) sentence 2 WpHG:
  On 6 November 2017 the parties listed under nos. 1 to 4 had concluded an agreement to coordinate their activities and in particular to jointly exercise voting rights relating to their shares in Schaltbau Holding AG (a so-called 'AiC Agreement').
  The withdrawal of Monolith from the AiC Agreement on 16 October 2020 has prompted the remaining parties to the consortium to specify their objectives pursued with the participation and to update the notification dated 6 November 2017, published by Schaltbau Holding AG on 7 November 2017, as follows:
  (a) the investment continues to serve the implementation of strategic objectives and to generate trading profits
  (b) The notifying parties do not exclude the possibility of acquiring further voting rights depending on market and company developments.
  c) The notifying parties generally aim to support the Company in filling positions on the Company's boards through their influence and to continue to strengthen the Supervisory Board in the long term to promote an active entrepreneurial approach, particularly in view of the Supervisory Board elections due next year.
  d) The notifying parties continue to seek to influence the capital structure of the Company, in particular the ratio of equity and debt financing and the dividend policy. In particular, the notifying parties intend to work towards a significant improvement in the capital efficiency achieved by the issuer, in line with the principles of value-based corporate governance.
- In a voluntary group notification relating to threshold levels, Luxunion S.A., Leudelange (LU), notified the Company that, as a consequence of internal restructuring of Luxunion subsidiaries, the share of voting rights held at 16 December 2020 by the shareholders Luxempart S.A., Hans-Jakob Zimmermann and Elrena GmbH (acting in concert) totalled 21.69% (1,920,315 voting rights).

Munich, 22 February 2021

Schaltbau Holding AG

The Executive Board

**Dr Jürgen Brandes**
CEO

**Prof. Dr Thorsten Grenz**

**Volker Kregelin**

## 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 results of operations of the Group, and the operating and financial review provided in the Group Management Report fairly presents business developments, including performance and position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

Munich, 22 February 2021

Schaltbau Holding AG
The Executive Board

**Dr Jürgen Brandes**
CEO

**Prof. Dr Thorsten Grenz**

**Volker Kregelin**

**The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity "). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.**

# Independent auditor's report

To Schaltbau Holding AG, Munich

## Report on the audit of the consolidated financial statements and of the group management report

### Audit Opinions

We have audited the consolidated financial statements of Schaltbau Holding AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Schaltbau Holding AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report

### Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

**(1) Recoverability of intangible assets**
**(2) Accounting treatment of the financing structure including factoring arrangements**
**(3) Accounting treatment of deferred taxes**

Our presentation of these key audit matters has been structured in each case as follows:

(1) Matter and issue
(2) Audit approach and findings
(3) Reference to further information

Hereinafter we present the key audit matters:

**(1) Recoverability of intangible assets**

(1) In Schaltbau Holding AG's consolidated financial statements as at December 31, 2020 intangible assets amounting to EUR 43.3 million (11% of total assets) are reported. The intangible assets include goodwill amounting to EUR 29.5 million and internally generated intangible assets from the capitalization of development costs amounting to EUR 9.3 million. In the reporting year impairment losses in the amount of EUR 5.1 million were recognized. While goodwill and intangible assets not yet ready for use must be tested for impairment ("impairment test") on an annual basis or if there are indications of impairment, such a test needs only to be carried out for (ready-for-use) intangible assets with definite useful lives if there are indications of impairment ("triggering events"). The Company has identified certain indicators, which are monitored and in case of negative development trigger an impairment test for goodwill or intangible assets with definite useful lives. Goodwill and internally generated intangible assets are tested for impairment at the level of the group of cash-generating units or the cash-generating unit to which the relevant goodwill or intangible asset is allocated. The carrying amount of the respective cash-generating units, including the corresponding goodwill and internally generated intangible assets, is compared with the recoverable amount in the context of the impairment test. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present value is calculated using discounted cash flow models. The starting point is the Group's planning, which is extrapolated using long-term rates of growth. An impairment is recognized if the recoverable amount is lower than the respective carrying amount of the cash-generating units. The discount rate used is the weighted cost of capital for the respective cash-generating unit or group of cash-generating units. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows, the discount rates used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

(2) As part of our audit, we examined whether any triggering event had occurred, as well as the methodological procedure adopted by Schaltbau Holding AG for the purpose of the impairment tests and assessed the calculation of the weighted cost of capital, among other things. In particular, we assessed whether the recoverable amounts had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We evaluated whether the underlying future cash inflows and the costs of capital used form, as a whole, an appropriate basis. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as the executive director's detailed explanations regarding key planning value drivers. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or long-term rates of growth can in some cases have a material impact on the values in use of cash-generating units calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

(3) The Company's disclosures in the notes to the consolidated financial statements relating to the recoverability of goodwill and other intangible assets are contained in the section entitled "Accounting policies" and note "(12) Intangible assets".

**(2) Accounting treatment of the financing structure including factoring agreements**

(1) On June 17, 2019 and August 12, 2019, Schaltbau Holding AG entered into a syndicated loan agreement for a total of EUR 109 million. Pursuant to a supplementary agreement, a promissory note issuer was included in the syndicated loan in the amount of EUR 3 million. With a further supplementary agreement, the syndicated loan facility was increased by EUR 60 million on June 19, 2020. The financing was partially drawn down by the Company in the financial year 2020. The transaction costs incurred in connection with the tranches newly granted in financial year 2020 are recognized on an accrual basis as assets respectively (if already drawn down by the Company) deducted from liabilities. Subsequent measurement of the total drawn down portion of the financing is performed at amortized cost using the effective interest method. A further component of the financing in the previous year was a factoring arrangement to sell trade receivables from certain customers of various Group companies. This remained in place as at balance sheet date and was expanded by one Group company. As at the balance sheet, receivables amounting to EUR 27.9 million had been sold under this contractual arrangement and recorded as a balance sheet disposal in receivables. Since substantially all of the opportunities and risks were neither transferred nor retained and control remains with

Schaltbau Holding AG, the Group recognizes a continuing involvement of EUR 0.6 million. Due to the complex structure of the contractual arrangements in the case of both the syndicated loan and the factoring arrangement, we consider the accounting treatment of the financing structure, including the factoring agreements, to be of particular significance in the context of our audit.

(2) As part of our audit, we first inspected the contractual supplements to the syndicated loan and on that basis evaluated whether the previous financing arrangement had to be derecognized and replaced by a new financing arrangement. Furthermore, we also examined the calculation of the effective interest rate for the financing arrangement on the basis of modifications to the syndicated loan agreement, as well as the allocation of the transaction costs. We involved our internal specialists from Corporate Treasury Solutions for evaluating the factoring arrangement and verifying the determination and accounting treatment of the factoring transactions. Together, we inspected, examined and evaluated the contractual arrangements, among other things. We dealt with the contractual details as well as the information provided by the Company on the accounting and classification criteria for financial assets. We also evaluated whether and to what extent the opportunities and risks associated with the receivables were transferred to the buyer. As part of this evaluation both qualitative and quantitative aspects were taken into consideration. Since substantially all of the opportunities and risks were neither transferred nor retained, we also examined the retention of control over the receivables, the amount of the continuing involvement and the corresponding liability.

On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure the proper accounting treatment of the financing structure and the factoring agreements.

(3) The Company's disclosures relating to the financing structure, including the factoring arrangements, are contained in the sections entitled "Accounting policies", as well as "Significant events", "(17) Trade accounts receivable, other receivables and assets" and "(25) Liabilities" in the notes to the consolidated financial statements.

**(3) Accounting treatment of deferred taxes**

(1) In the consolidated financial statements of the Company deferred tax assets amounting to EUR 9.2 million and deferred tax liabilities of EUR 1.8 million after netting are reported. Deferred tax assets amounting to EUR 15.9 million were recognized before netting with matching deferred tax liabilities. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences, unused tax losses and interest carryforwards to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan including the expected effects of the ongoing Corona crisis.

From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore, also against the background of the effects of the Corona crisis, subject to uncertainties.

(2) As part of our audit, we assessed, among other things, the methodology used for the calculation, recognition and measurement of the deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses and interest carryforwards on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Company and examined how they were taken into account in determining the future earnings situation.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

(3) The Company's disclosures on deferred taxes are contained in the sections entitled "Accounting policies" and "(10) Income taxes" of the notes to the consolidated financial statements.

### Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

– the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Management and control" of the group management report
– the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

### Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:
– Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other legal and regulatory requirements

### Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

**Reasonable Assurance Conclusion**

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file Schaltbau.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

**Basis for the Reasonable Assurance Conclusion**

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW

Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

**Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents**

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

**Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

## Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 25, 2020. We were engaged by the supervisory board on September 18, 2020. We have been the group auditor of Schaltbau Holding AG, Munich, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, February 22, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dietmar Eglauer | Michael Popp |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

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